

EUROPEAN POLICYBRIEF



RETHINKING EURO-MEDITERRANEAN POLICIES IN THE FIELDS OF ENERGY AND INDUSTRY

This MEDRESET Policy Brief summarizes the findings of MEDRESET's WP6 on industry and energy in the Mediterranean and identifies policy implications.

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INTRODUCTION

MEDRESET Work Package 6 (WP6) aimed to investigate Euro-Mediterranean policy regarding industry and energy from a bottom-up perspective “to deconstruct the theory and practice and try to pave the way for a new approach or consolidate what has been gained so far”. In this context, the research sought to understand if EU policies related to the industry and energy sector in Egypt, Lebanon, Morocco and Tunisia respond to people’s welfare and to local economic needs. Hence, the objective of this policy brief is to evaluate the different EU policies in the industrial and energy sectors in the four countries based on the assessment by local and European stakeholders, and to provide a list of policy recommendations based on these assessments. Our main findings show that for industry, at the instruments level, the tools tended to target trade and infrastructure, and (sometimes) macroeconomic stabilization rather than industrial development, therefore contributing little to job creation and inclusive growth. Concerning energy, despite the many instruments put in place by the EU in the region, local respondents were hardly able to name any of the EU’s energy policies, platforms or initiatives for the region. Furthermore, at the actors level, civil society was almost absent in tailoring and developing such policies. For industry, at the substantive level, most of the interventions did not directly target the industrial sector and when they did, they were channelled to low-value-added sectors leading to an insignificant effect on employment in general and on women’s employment in particular. For energy, the scope of the EU policies remains timid and below the needs of the South Mediterranean countries (SMCs). A different approach (with civil society involvement in the development stage and in different sectors in the implementation stage) is a must in order to have more effective policies.

The conceptualization of the Mediterranean space

The concept of the Mediterranean remains limited to a shallow form of integration based on “aid-for-trade”. More specifically, interviewed stakeholders from the EU and the four SMCs were mostly unable to conceptualize EU policies towards the region. There has been an overall confusion between trade liberalization and EU industrial policies on the part of local stakeholders. The main objective of the concept of the Mediterranean – “an area of peace and shared prosperity” – failed to materialize for a number of reasons. First, the intended establishment of the Free Trade Agreement (FTA) by 2010 did not take place and the integration process was further delayed due to the overall economic slowdown since 2008 as well the divergence of EU member countries on the idea and modalities of an FTA with the region. Second, after the events of the Arab Spring, the region was politically and economically shaken. Yet, EU policies towards the region did not correspond at all to the situation. Third, the current status of the Euro-Mediterranean integration process remains fragile and shallow for both industry and energy. Euro-Mediterranean relations continue to rely heavily on trade liberalization of industrial products, largely excluding agriculture, where SMCs have a revealed comparative advantage, and services. Fourth, EU policies towards the region do not directly target industrial development, and have contributed little to job creation, inclusive growth, or the sorts of structural change much-needed in SMCs after the successive uprisings in 2011. Similarly, we observe fragmentation and low involvement of the EU in the field of energy. Finally, the concept of the Mediterranean does not exclusively rely on North–South integration, but also includes South–South cooperation to facilitate the development of the region into a single integrated market through the Greater Arab Free Trade Area (GAFTA) and the Agadir Free Trade Agreement. However, the region remains one of the least integrated in the world, with prohibitively low levels of intraregional trade that frighten off international investors. The situation is similar for energy. The national grids of the SMCs are hardly connected, and energy trade between the countries and with Europe is limited.

Assessment of EU policies

In general, regarding the substance of EU policies, there is a relative consensus among the local stakeholders in Lebanon, Tunisia and Morocco that the EU’s continued support through technical and financial assistance is necessary to the advancement of the industrial sector but not sufficient. Different stakeholders (and especially from the private sector in Tunisia) mentioned that industrial policies have indeed been almost absent from most of the EU interventions, which are generally concentrated on “aid for trade”, thus hindering the development of the industrial sector. In addition, EU trade policies in the Mediterranean appear not to comply with people’s expectations for better wages and creation of good quality jobs. When asked about the impact of EU action related to energy in the SMCs, local respondents in all the country case studies provided very limited or no answer. Energy cooperation between the EU and the South Mediterranean countries is mainly “market-oriented” and often on a member state basis. The majority of European stakeholders did not have a well-defined idea of how cooperation between the two shores of the Mediterranean should be reformed, but some of the them asked for an EU-wide, long-term strategic plan including both shores of the Mediterranean. In addition, the gender issue is absent in both EU trade policy and the different bilateral and multilateral EU energy-related projects. This is in spite of the fact that women in Tunisia and Morocco, for example, are likely to suffer from bad working conditions in the export-oriented clothing sector linked to the EU market.

Three main issues could be identified in terms of actors. First, civil society is practically absent when EU policies are developed, for both industry and energy, as noted by the interviewed stakeholders in Egypt, Morocco, Lebanon and Tunisia. The need for a bottom-up and participative “energy transition” is increasingly asserted by civil society associations in Morocco and Tunisia. Second, several stakeholders argued that EU consistently works with the same partners. Third, in most of the interviews with local stakeholders related to the industry or energy sectors in Lebanon,

Egypt and Tunisia, it was stated that there is a lack of communication and coordination between different actors (EU, government, industrialists, NGOs, other international donors and SMEs).

As per EU instruments in the industrial sector, the majority of them do not specifically target industry, but may affect businesses in the field. In general, EU instruments with some (indirect) relevance to industry include: (i) technical assistance for capacity-building and twinning projects in government institutions, notably in the field of quality infrastructure; (ii) infrastructure development programmes; (iii) tools targeting SMEs, growth, competitiveness and enhancing the business climate; (iv) education and other social aspects; and (v) funds to support macroeconomic structural reform. Yet, it is important to highlight the fact that the absence of a clear vision and timeframe with specific and realistic targets concerning industry in SMCs is likely to limit the efficiency of any EU efforts to provide support in this field.

For energy, according to the most recent Single Support Framework, the involvement of the European Union in the MENA energy sector has been mostly in support of the securitization of energy resources and production, as well as efforts towards environmental sustainability, ultimately aimed at improving the quality of life more than dealing with the energy sector *stricto sensu*. The EU has used two main mechanisms to enhance cooperation with the MENA region: bilateral and multilateral instruments. Yet, **despite numerous instruments, in most of the cases, local respondents were able to name hardly any of the energy policies, platforms or initiatives** that the EU has put in place in the region. This was true for private actors and academics alike.

POLICY IMPLICATIONS AND RECOMMENDATIONS

To increase the effectiveness of EU policies in the Mediterranean, the interviewed stakeholders proposed the following improvements in terms of substance, actors and instruments.

Substance

At the industrial level, EU instruments could target the design and implementation of more elaborate industrial development strategies, be it through technical or financial assistance: there is need for more coherence between EU instruments and internal reform targeting the industrial sector in the four SMCs to maximize the outcome of these policy tools. In cases such as Tunisia, although EU policies have not targeted industry directly, they have largely affected the overall economy. EU policies should therefore shift from aid-for-trade towards a clearer support to industrial reform and development in SMCs. However, the national governments in these countries seem to lack a clear vision on the development of the industrial sector. In Tunisia, for instance, it is difficult to define a true industrial setting. Industrial sectors remain poorly connected and therefore also require a more comprehensive development strategy. In Egypt, the Industrial Development Strategy does not target specific sectors with potential for growth and job creation. In Lebanon, the focus is rather on enhancing market conditions and the overall business climate in light of high entry and operational costs (land, energy), and in light of internal and regional instability. Moreover, enforcement of intellectual property rights (IPR) is becoming a central issue in attracting foreign direct investment (FDI). Indeed, according to Berytech, an incubator of start-ups in Lebanon, updating and enforcing IPR laws is part of an incentive package that would retain the brightest graduates and attract foreign talent.

As for energy, governance and decentralization are indispensable. Indeed, the governance issues that explain the slow start or the failure of the Mediterranean Solar Plan are directly linked to the choice of centralized production instead of a liberalization which could allow all actors to develop direct and peer-to-peer relations either by avoiding the central grid, or by using it under an open regulation. Renewable energies allow a multitude of decentralized models if the regulation and the governance of the sector enable this. Small solutions can be replicated and attract new

investments. Alternative models will need to be developed to respond to the demand for a new strategy for the energy sector. Another important solution is to improve energy efficiency, the potential for which is tremendous in the North and also in the South. Better efficiency will reduce both demand and CO₂ emissions.

For both energy and industry, gender issues urgently need to be taken into account by institutions, companies and civil society actors. Possible actions to be implemented by the EU include carrying out assessment studies of EU policies for both energy and industry, taking into account issues of decent jobs and working conditions, particularly in those sectors that are female-dominated. The introduction of participatory procedures in energy transition would give women an opportunity to get involved in associations or projects related to the energy sector and at the same time would contribute to a better understanding of the consumption dynamics.

Actors

In general, a better inclusion of different actors and stakeholders is important, to create better tailored policies. In fact, given the lack of social assessment of its trade and energy policies and programmes, the EU should be more committed in this regard by undertaking systematic investigations and consultations with different stakeholders (not only state organizations, ministries and think tanks). In order to ensure independent assessments, this could be done, for example, by giving the task of conducting studies to grassroots civil society actors that are in the field and can therefore provide information that considers the views of civil society, local communities and workers. It is necessary to involve the NGOs, academic researchers, the local communities and even the citizens in a new way of governance if we are to explore all the potentialities and the opportunities of the renewable energy sector.

Along with inclusion, communication between the different EU and non-EU stakeholders is indispensable to promote awareness of what is being implemented by the EU in the fields of both industry and energy. Hence, it is important to publish and efficiently disseminate among different stakeholders in all countries press releases related to projects, studies assessing finished projects and analysis concerning lessons to be learnt. This will increase awareness and boost synergies and externalities between economies – if a project is implemented in a country, what are the lessons to be learnt for other countries if they embark on a similar project?

Instruments

At the industrial level, one of the important instruments that should be promoted is clusters. Indeed, using clusters to link SMEs to manufacturing-sector FDI from the EU countries will help SMEs be part of a value-chain leading to more sustainable and internationalized activities. This will have four main effects: it will help SMEs enter the export market, guarantee the sustainability of their activities, and hence increase their lifespan and improve their technology and their know-how thanks to foreign firms. In a nutshell, SMEs will be explicitly considered as an efficient partner in industrial policies.

As for energy, EU energy policies could be much more proactive in considering people's welfare and the local needs. The first condition is a better cooperation and a deeper coordination among EU stakeholders, including the member states themselves. The second condition is the development of decentralized peer-to-peer energy models and at the same time a better integration with the European energy market. Last, the potential of energy efficiency has not been sufficiently harvested.

RESEARCH PARAMETERS

MEDRESET's overall methodology is based on a non-Eurocentric approach intended to move against the marginalization of local perspectives. To this end, we relied upon the existing and accessible documentation: EU-produced documentation (i.e., reports and decisions), national documentation (i.e., institutional documents or statements and media material, including daily reports from grassroots organizations) and grey and academic literature when deemed relevant to the EU–industry–energy nexus. Moreover, our recursive multi-stakeholder consultation (RMSC) approach, based on semi-structured interviews with relevant stakeholders, is an innovative methodology allowing us to reverse the ordinary approach whereby perceptions and priorities of Southern-shore partners are included in the picture only marginally and/or a posteriori. In MEDRESET, in contrast, EU-level stakeholders are invited to react and position themselves with reference to structured inputs coming from Mediterranean partners. This reversal represents a novel approach capable of generating fresh and innovative policy perspectives. Interviews have been conducted with officials in public institutions, international organizations, firms from the private sector, financial institutions and civil organizations from both the Southern and the Northern shores of the Mediterranean. Most of the interviews were conducted from September through December 2017 (first round) and February through April 2018 (second round). Interviews were carried out in Morocco (21 interviews: 13 males and 8 females), Tunisia (21 interviews: 14 males and 7 females) and Lebanon (21 interviews: 14 males and 7 females), but not in Egypt. However, for the energy sector in Egypt, 15 Skype interviews were carried out (11 males and 4 females). On the European side, interviews in the energy sector involved a total of 13 different European stakeholders (interviews were conducted via Skype with the exception of some interviews that were done on the field in Morocco and Egypt). For industry, 10 interviews were conducted (8 out of 10 were face-to-face in Brussels, one in Paris and one by phone). Only 2 females for industry and 3 females for energy were interviewed. In general, these stakeholders involved: (i) European national institutions and authorities; (ii) private energy companies operating in the countries considered; (iii) think-tanks, scholars and research centres; (iv) international organizations and non-governmental organizations working in the area; (v) energy associations and platforms; and (vi) lobbyists.

PROJECT IDENTITY

PROJECT NAME	MEDRESET: A comprehensive, integrated and bottom-up approach to reset our understanding of the Mediterranean space, remap the region and reconstruct inclusive, responsive and flexible EU policies in it
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University Moulay Ismail, Morocco

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WEBSITE

<http://www.medreset.eu>

FOR MORE INFORMATION

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FURTHER READING

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