



25 years of the Barcelona Process:

What has been achieved and what are the prospects of regional integration in the Euro-Mediterranean post COVID-19?

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The Euro-Mediterranean region brings together countries with different cultural backgrounds and economic, social and political realities that are each developing at a varying pace and integrating with variable geometry. To the north, countries have engaged in a deep integration process within the European Union (EU) and its progressive process of enlargement, which experienced a slowdown in the aftermath of the financial and economic crises, but has been expected to continue with the anticipated accession of countries from the Western Balkans, together with negotiations of association agreement negotiations with small states, such as Monaco. In 2020, the EU (particularly its southern part) was hit hard hit by the global COVID-19 pandemic and the drastic halt of economic activity, whilst still grappling with a timid recovery from a prolonged period of economic crisis and budgetary austerity, dampened by a number of economic imbalances within the Union.

In addition to that, the migratory pressures, which are fuelling an upsurge of nationalist sentiments and the emergence of new political dividing lines, are being reinforced with the lockdowns, social distancing, mobility restrictions, leading to a surge in waves of racism and discrimination. These dynamics not only contributed to a slowdown of the enlargement

process and the start of disintegration with Brexit, but also to an increase of fiscal spending in response to the deadly global pandemic and to preserve jobs as part of the recovery plan.

To the south, the integration process has largely lagged behind, in spite of several attempts to accelerate it (e.g. the Agadir Agreement). Since the Arab uprisings, countries witnessed disruptive political, social and economic hardships and transformations, further accelerated by the COVID-19 pandemic and the containment measures taken, leading to further fragmentation, poorer economic prospects and the increasing risks of uprisings. In Syria and Libya, protracted wars involving neighbouring countries, resulted in the disintegration of the countries' polities, societies and economies, with the ensuing mistrust and chaos destabilising the region as a whole, leading to the refugee crisis. This dynamic compromises any prospects of focussing on communalities, complementarities and fostering integration. Instead, differences and disunion have been prevalent. In Lebanon, the country is battling with compounded crises ranging from political, economic and financial to environmental, social and humanitarian crises (see Ayadi and Challita¹ (2020)). Such a situation increases the prospects of internal destabilisation in a region that is already and continues to be in heightened tension.

The developments in the Euro-Mediterranean region during the last decade highlight a trend towards more fragmentation, which is widening. To complement the foresight analysis by Ayadi and Sessa (2013)², the developments in the region throughout the 2010-20 decade highlight that essential elements of the red transition have materialised and continue to prevail.

The COVID-19 crisis put further pressure on the region and fundamentally questioned the process of regional integration, with the enforcement of lockdowns and mobility restrictions and the overall disruption to global value chains.

When assessing the performance of regional integration in the Euro-Mediterranean region, including the milestone of the Barcelona Process³ in 1995, the assessment is

¹ <https://euromed-economists.org/download/lebanon-a-case-of-a-compounded-crisis-a-tris-path-for-the-phoenix-to-re-emerge-from-the-ashes/>

² The authors devised a number of alternative scenarios that could play out in Euro-Mediterranean relations at the horizon 2030. Starting from a reference scenario (in 2010) that postulates a continuation of the trend of inter-governmentalisation of Euro-Mediterranean relations through bilateral agreements between the EU and individual non-EU countries, three scenarios can be envisaged: The “red transition” scenario foresees a progressive weakening and eventual failure of cooperation schemes in the region, leading to the emergence and multiplication of conflicts. The “green transition” scenario consists of fully-fledged integration through the creation of a Euro-Mediterranean union, including but not limited to the establishment of a common/single market. The “blue transition” scenario foresees the shedding of the Euro-centred, enlargement-like policies for the integration of the region as a whole, in favour of multilateral policies between distinct but related sub-regions over areas of shared interest and mutual benefit. <https://euromed-economists.org/download/scenarios-assessment-and-transitions-towards-a-sustainable-euro-mediterranean-in-2030/>

³ The Barcelona Process was an initiative aimed at enhancing economic integration and political and civilian dialogue between countries in the Euro-Mediterranean region. Three main objectives of the partnership are: definition of a common area of peace and stability through reinforcement of political and security dialogue (political and security dimension), construction of a zone of shared prosperity through the gradual establishment

regrettably disappointing⁴. Besides fragmentation and increasing divides between the shores of the Mediterranean, several decades of economic integration have not materialised in the catch-up of poorer to richer countries in the Euro-Mediterranean region. During the process of regional integration, the EU played a catalyst role in North-South integration and encouraged South-South integration (through supporting the Agadir agreement, for example) but the results were abysmal. The EU-centred approach to integration is the problem, as it underpinned a preference for bilateral cooperation and competition between countries rather than cooperation and complementarities, which may not lead to the expected outcome.

There are, indeed, important differentials across the region concerning the conditions, and, therefore, opportunities for further political association and economic integration. In the Maghreb, on the one hand, the relative convergence of political aspirations between Tunisia, Morocco and the EU, are creating the conditions for pursuing deeper integration, but under the condition of more co-ownership of the regional integration process and a co-development approach; the Libyan war and the opposing interference of players, such as Turkey and Egypt, might play out against integration in this region. In the Mashrek, the situation is more complicated. The persistence of the Israeli-Palestinian conflict continues to be the main source of tension, ambiguity and mistrust, whilst the Syrian conflict placed under the spotlight the important role of foreign powers, such as Iran and Russia.

Hence, a new approach of regional integration is needed: An approach that is inscribed in a more resilient integration model and process, built on a multi-dimensional approach that integrates seven dimensions: trade, FDI, governance, finance, infrastructure, human mobility, higher education and research. The seven dimensions' **regional integration matrix (RIM)** emphasises the role of complementarities, the variable geometry that goes beyond the usual geographical boundaries of the Euro-Mediterranean region (including Africa) and is aligned with the Transparent, Responsible, Inclusive and Sustainable (TRIS) model, proposed in Ayadi and Sessa⁵ (2020).

In a nutshell, the **regional integration matrix** composed of seven mutually interactive dimensions that are interconnected: *Trade integration* drives increasing exchanges between countries which, in turn, enhance interdependence between their economies. Under the right conditions, trade liberalisation enables foreign firms to access domestic markets, increasing competition and resulting in productivity gains, whilst also

of a free trade area (economic dimension) and the rapprochement between peoples through social, cultural and human partnership (civilian dimension).

⁴ Assessment in <https://emnes.org/publication/regional-integration-in-the-euro-mediterranean/>

⁵ <https://euromed-economists.org/download/blue-transition-policy-roadmap-towards-transparent-responsible-inclusive-and-sustainable-tris-development-in-the-mediterranean/>

enabling domestic firms to access foreign markets and achieve economies of scale. For these positive dynamics to unfold from increasing interactions between foreign and domestic firms, trade integration should be accompanied with investments in productivity, suggesting that FDI levels between integrating countries should increase in the short-term and converge in the mid-to-long term. This explains the importance of monitoring *FDI integration*. However, for FDIs to increase, stable institutions, policies and underlying governance factors (e.g. rule of law, anti-corruption, regulatory quality, government effectiveness etc) are essential to maintain countries' manageable risk premiums. Increasing interdependence between economies translates into increased correlation between the financial markets supporting those economies which, in turn, require *financial integration* to better manage monetary and systemic risks and to enhance overall stability. The resulting reduction of uncertainty related to financial transactions between integrating countries facilitates FDI, whilst also reducing the interest paid by countries on financial markets, increases their capacity to invest in infrastructure. *Infrastructure integration* is crucial to physically and digitally connect countries with one another and facilitates exchanges, including person-to-person contacts, mobility of goods, capital, services and labour. That said, labour mobility might lead to the contrasting dynamics of brain drain and brain gain, rather than beneficial brain circulation between integrating countries if labour market conditions are too unequal. Against this backdrop, convergence between labour market conditions is a precondition for the reduction of barriers to mobility and *labour market integration* which, under the right conditions, would enable labourers to access a wider pool of available jobs and, conversely, allow firms to access a wider pool of available skills. Last but not least, *integration between education systems* underpins convergence between the quantity and quality of skills that students are equipped with, thereby creating a level-playing field for labourers to compete for the available jobs and for firms to find the required skills. *Integration in research* will result in higher innovation capacity for the region as a whole, since innovation is largely driven by emulation and cross-fertilisation.

The preliminary assessment⁶ of the 2000-16 decades based on convergence to an average benchmark shows: For trade, the EU, Maghreb, Eastern Mediterranean and Western Balkans converged towards the benchmark value in the decade preceding the 2008 Great Recession. In its aftermath, the Maghreb and Eastern Mediterranean started diverging from it, whilst the EU and Western Balkans continued to converge; For finance, the low correlation and high volatility observed reflect limited financial integration in the region. In recent years, even the EU has been diverging from benchmark value; For governance, conditions for institutional integration have been slightly but steadily deteriorating, mostly in relation to the divergence from benchmark registered in the Eastern Mediterranean; For infrastructure, there has been an overall convergence but, nonetheless, this remains somewhat distant from the benchmark value. For the other indicators, data is insufficient.

⁶ <https://euomed-economists.org/download/assessing-regional-integration-in-the-euro-mediterranean-a-multi-dimensional-regional-integration-matrix/>

Looking at the prospects of regional integration post COVID-19, there are several factors that will interplay to define more resilient models and processes of regional integration: 1- the role of digitalisation; 2-alignment with the Sustainable Development Goals (SDGs) of the UN; 3- regional value chains.

The COVID-19 crisis tested the traditional models of integration. In a few months, global trade, FDI and remittances have dramatically declined because of massive lockdowns and the subsequent economic slowdown, whilst global value and supply chains were disrupted and mobility of people was put on hold. Countries that have developed solid digital infrastructures and connectivity were more prepared to continue education programmes, financial and telecommunication operations and to participate in the GVC, as compared to other countries that are less prepared. At the same time, several declarations were made to produce essential products and services domestically and/or close by, to avoid the detrimental effects of global supply chain disruptions and export restrictions. Moreover, calls have multiplied to accelerate the green transition, in order to comply with the Paris Agreement that requires the reduction of polluting activities.

In a post COVID-19 era, regional integration models and processes will be revisited to factor in these new conditions. What has become evident is that there is an acceleration of digitalisation, which exposes a deeper digital divide and greening, which exposes the countries that are locked in a polluting economic model. In the Mediterranean (and in Africa), digital and green agendas, that will encompass all dimensions of regional integration which are compliant with the SDGs, should be the priority of the EU, neighbouring countries and regional organisations, including the Union for the Mediterranean, in order to develop new forms of integration.