

Geographical Overview | **The Euro-Mediterranean Partnership and Others Actors**

Towards a Creative and Innovative Mediterranean: An Ambition for Youth

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In the face of the currently ferocious and generalised competition imposed by a globalised economy, countries have attempted to improve their standing in the new world order by two means: on the one hand, creating regional sub-ensembles intended to play the role of “antechambers of globalisation,” and on the other hand, stepping up their competitive edge by developing innovation and entering the knowledge society.

The Lisbon Strategy adopted by the European Council in June 2000 is a good example of this evolution; announcing the ambition of making “the European Union the most competitive and dynamic knowledge-based economy in the world,” this strategy was based on the three pillars needed for any knowledge society: support to innovation (which was to amount to 3% of the GDP); modernisation of the educational system (in order to sustain our collective capacity to innovate and adapt); and management of the continent’s energy transition; a technological ambition that was to consolidate society’s participation in reindustrialisation on the basis of new foundations.

Revised in March 2010 to take into account the severe effects of the crisis, this policy was called the “Europe 2020” strategy, then “Horizon 2020.” The latter added two priorities to the Lisbon Strategy goals: social cohesion (job creation and the struggle

against poverty) and decentralisation of decision-making (civil society participation). The aim was to attenuate, among the neediest sectors, the effects of opening up to international markets and internal modernisation. And thus emerged, for the first time in Europe, the start of a true structural policy on the scale of the 28 EU Member States; considerable progress, even if, to be fully effective, Horizon 2020 should be complemented by two other structural components: common industrial and energy policies.

A Profound Economic and Social Mutation

To further this ambition, the EIB Group² mobilised its entire financial “fire power” in the European Union: since the year 2000, the Group has invested nearly €130 billion to support technological innovation (R&D and RDI), over 45 billion to develop human capital and some 25 billion more to strengthen information network infrastructure (in particular to foster super-fast broadband connections). At the same time, the EIB Group dedicated over a quarter of its financing to accelerating energy transition: renewable energy, electric mobility, energy efficiency in cities and transport systems, etc.

In any case, there is no denying that the results have fallen short of the goals, in particular that of restoring the industrial component of the European Union’s GDP to 20%. The main reasons are the difficulty for our economies of managing a head-on transformation towards a new industrial foundation and compensating for the effects of the world crisis, namely: preserving jobs despite relocation of average value-added pro-

¹ This article, completed in April 2014, is an expression of the author’s personal opinions.

² The EIB Group consists of the European Investment Bank (www.bei.org), which is the bank of the European Union, and its subsidiary specialised in support to Small and Medium-Size Enterprises (SMEs): the European Investment Fund (www.eif.org).

duction; focalising priority investment on sectors with strong innovation and technology content; mobilising public finances for countercyclical response to the crisis; maintaining our social protection systems, etc.

I have taken this “European detour” to underscore two characteristics that affect European-Mediterranean relations.

The first has to do with the complexity of policies for transition to the knowledge society: even for highly developed countries, it is very difficult to ensure a type of transformation based not only on financial means and technology infrastructures, but above all on society’s participation in a collective project.

Integrating South Mediterranean economies into the European value chain is both a challenge and an opportunity for success in a globalised economy

The second is that, to guarantee its global competitiveness, the European economy needs to involve operators in the South with the production of certain segments of European added value. This is what the German industry’s experience with its Central European neighbours after the fall of the Wall demonstrates. Integrating South Mediterranean economies into the European value chain is thus both a challenge and an opportunity for success in a globalised economy.

The Knowledge Economy in Arab Countries: An Improvable Attempt

At the turn of the millennium, the South Mediterranean countries pursued, within their means, the same ambition of entering the world economy through regional integration and transition to the knowledge society. The results there likewise fell short for two reasons:

- First of all, the positive effects of opening to international markets were insufficiently compensated

by structural policies aiming at a more equitable distribution of wealth. Indeed, authoritarian regimes fostered crony capitalism that left out many sectors, above all youth;

- Secondly, these same, pre-revolution autocratic regimes attempted to effect the transition to the knowledge society via centralised sectoral policies and the creation of innovation infrastructures. The component of society’s participation was thus neglected because they believed that a national identity thus reinforced would move public opinion towards an ambition for modernity.

Although there are tangible results in various countries, such as Jordan, Tunisia and Morocco (where the Facility for Euro-Mediterranean Investment and Partnership – FEMIP has financed a number of science and technology parks), it is evident that these policies have had only a relative effect in relation to the significant public financial resources employed, and have brought about very little change in society. It is thus with very good reason that the study done by the Euro-Mediterranean Forum of Economics Institutes (FEMISE) at the request of the EIB-FEMIP³ emphasises that it is above all through an organic approach and via the definition of societal goals that an innovation policy can have any chance of success, whether in the South or the North Mediterranean.

And paradoxically, the context of economic and political uncertainty currently prevailing on both shores of our common sea presents an opportunity to make innovation the core of the future “social contract” and place youth at the heart of the “new growth” for which the peoples of the Mediterranean are calling.

Making Innovation the Core of the Forthcoming “Social Contract”

When viewed from this innovative angle, the transition to a knowledge and innovation society seems like an eminently “living” process whose main component is the development of the “creativity function” on the scale of the whole of society. The success of the transition to the knowledge society thus resides more in the qualitative arrangement of the innovation

³ A link to the study is given in the “References” section at the end of this article.

chain than in the construction of infrastructures in which innovation can develop (even if the latter remain fundamental).

The success of the transition to the knowledge society resides more in the qualitative arrangement of the innovation chain than in the construction of infrastructures in which innovation can develop

Without going into detail, note that the process should concern four priority sectors and should operate via two springboards.

The four priorities are, of course, the following:

- Modernising education and training in their main functions, which are developing people, their employability and their social inclusion;
- The function of research, its organisation and promotion in society;
- Participation of enterprise in the innovation chain and its link to higher education;
- Fostering networks of innovation actors, whether they be individuals or structures.

But even more important are the springboards:

The first is that of **individual development**, in the democratic and economic sense of the term; development that should allow individuals to liberate their creative faculties and boost their social and professional integration. Without significant progress in this sphere, there will be neither social response to the aspiration to democracy nor organic enrichment of the innovation chain. This is an essential point, because it conditions society's participation in the global vision consisting of the new social contract to be defined, which should aim to establish the conditions for more equitable growth, for both generations and regions.

Without freedom for the individual, there can be no research, no creation and no collective ambition!

The second springboard is that of **decentralisation**, one that consists of resituating individuals in their territory: decentralisation of decision-making, bringing it as close as possible to the local level,

where civil society expresses itself and individuals are fulfilled; decentralisation of the decision to study, research, network, but also to undertake, finance, etc.

Such autonomy given to the different actors in the innovation chain is a formidable springboard for creation, but also for organisation: at schools and universities, in businesses, in networks, at banks. Is this to say that the State would lose all influence in defining the implementation of a policy for knowledge and innovation? Certainly not! It will be up to the State, on the basis of a democratically defined social contract, to establish a new growth strategy. A growth in which innovation will be one of the foremost pillars, together with territorial balance and decentralisation, and youth shall be the main actor and beneficiary.

In this perspective, three key factors seem to me to be decisive:

- **The autonomy of local authorities**, particularly in matters of economic intervention;
- **The autonomy of universities and public research structures**, resulting in the freedom to organise synergies with local enterprise and with their foreign counterparts;
- **The autonomy of public finance actors** to make the most appropriate decisions on the local level with regard to financing research programmes and innovation infrastructures.

It is thus up to the State to define the course of action and to organise and ensure the coherence of the new strategy's implementation; and also to accept that its action will not be solely top-down, that civil society is a voice to be heard and that it is pertinent to delegate forms of implementation to local actors.

Three implications to Consider for the Action of Development Finance Institutions

If countries in democratic transition gain a long-term vision placing creativity and youth at the core of their ambitions, then the international community should accompany this major evolution by finding ways of adapting their forms of development aid intervention.

In this regard, three conclusions can be reached.

1. If we are to pursue financing innovation infrastructures (as we have already done in Morocco, Tunisia and Jordan), we should also implement financial instruments for the South Mediterranean countries allowing us to **finance immaterial R&D programmes**, as the EIB Group has done in Europe (with over 45 billion euros invested in five years in this sort of project). But this entails that, with the help of the European Neighbourhood Policy budget, we develop risk-bearing instruments, primarily for innovative SMEs, in the spheres of both loans and equity.
2. Along the lines of what we have already done in nearly all of our Mediterranean Partner Countries, we should **extend our technical assistance measures to the local banking sector** to allow them to better grasp the nature of risk associated with innovation, establish competencies on the local or regional level and develop hedging instruments, either with state aid or with that of regional authorities (similar to the French “loans for innovation,” which have the support of the EIB Group).
Also along these lines is the important programme for the promotion of innovation systems (Innovation Capacities),⁴ directed by the EIB at the Marseille Center for Mediterranean Integration (CMI) over the course of four years now, together with the European Commission’s Directorate-General for Research and Innovation (DG Research), the Islamic Educational, Scientific and Cultural Organization (ISESCO), the Tunisian and Moroccan Ministries of Innovation and FEMISE as partners.
3. Since we are taking the dual perspective of decentralising decision-making and fostering networking among actors, the results should be **cross-border cooperation between research structures and actors in various countries**, and hopefully in a South-South direction. This poses a problem for development funders insofar as their instruments are defined on a regional basis, but they are most often

implemented on the national level. We should also, in due time, envisage extending the scope of application of the regional guarantee mechanism for SMEs that the EIB, Switzerland’s State Secretariat for International Financial Matters (SFI) and the French Development Agency (AFD) have established within the framework of the Deauville Partnership with Arab Countries in Transition for a volume of \$400 million (190 million of which are subscribed by the EIB).

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⁴ Consult the CMI website: <http://beta.cmimarseille.org/page/innovation-capacities>.