

tepaV

The Economic Policy Research Foundation of Turkey

What's the problem with economic integration in the MED?

Güven Sak

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Jenin Industrial Park in the West Bank

- An institutional dialogue, problem solving and confidence building mechanism among Palestinian, Israeli and Turkish business communities
- TEPAV executes and coordinates the activities of the Ankara Forum on behalf of TOBB
 - Technical reports, network coordination and negotiations
- An industrial estate in Jenin (from Gaza to Jenin)
 - Conducive environment not in all Palestine but in an island within Palestine.
 - Private peace initiative from the outset.





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Map Data © 2010 AND

US Dept of State Geographer

31°58'45.14" K 34°59'02.80" D - yükseklik 223 m

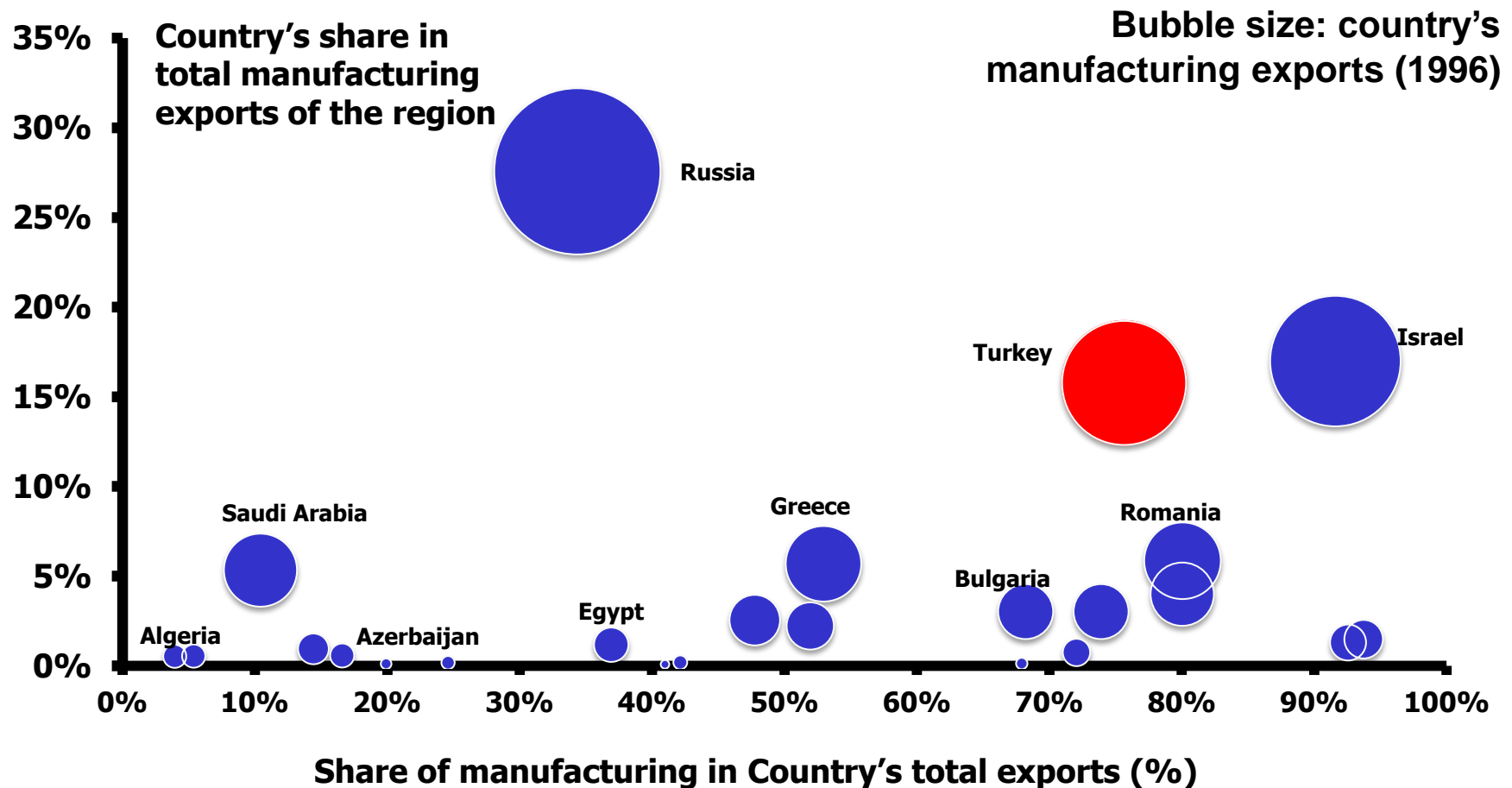
Bakış irtifası 209.71 km

Framework

- Economic integration is low in the MED
 - Three MEDs: Southern, Eastern, Northern
 - South MED is well integrated with North but not among itself?
- Why low level of integration?
 - Political disputes limiting economic activity
 - Why important?
 - Market based policy framework is important
 - Zero problems policy
 - Connectivity is important
 - No south to south transport corridors
- Role for transatlantic cooperation?
 - Focus on the policy dialogue
 - Focus on democratization
 - More inclusive G20 Agenda
 - South to South transport corridors

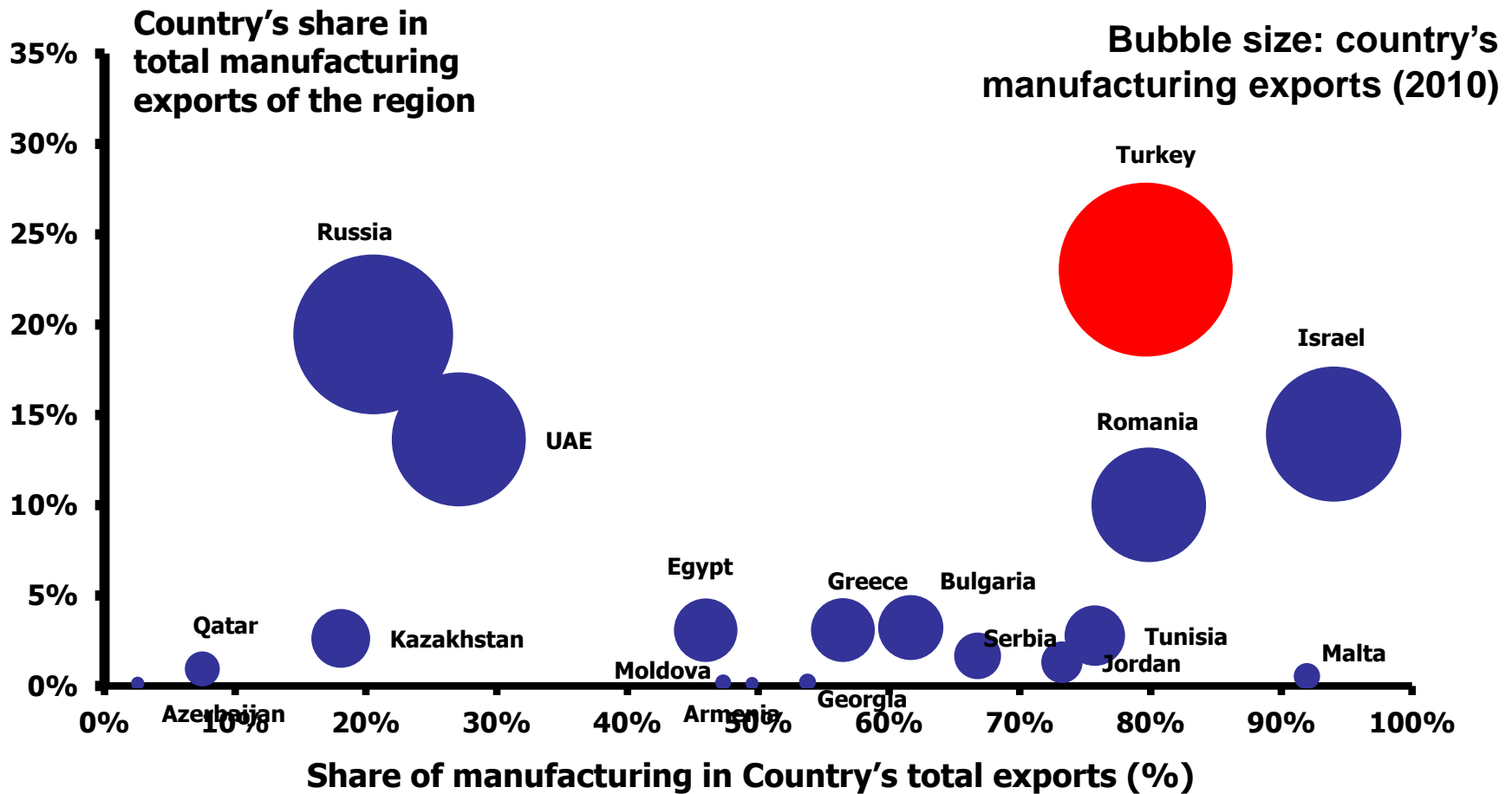
A successful regional integration case: Customs Union Agreement between Turkey and the EU

Share in exports of the region and level of industrialization (1996)



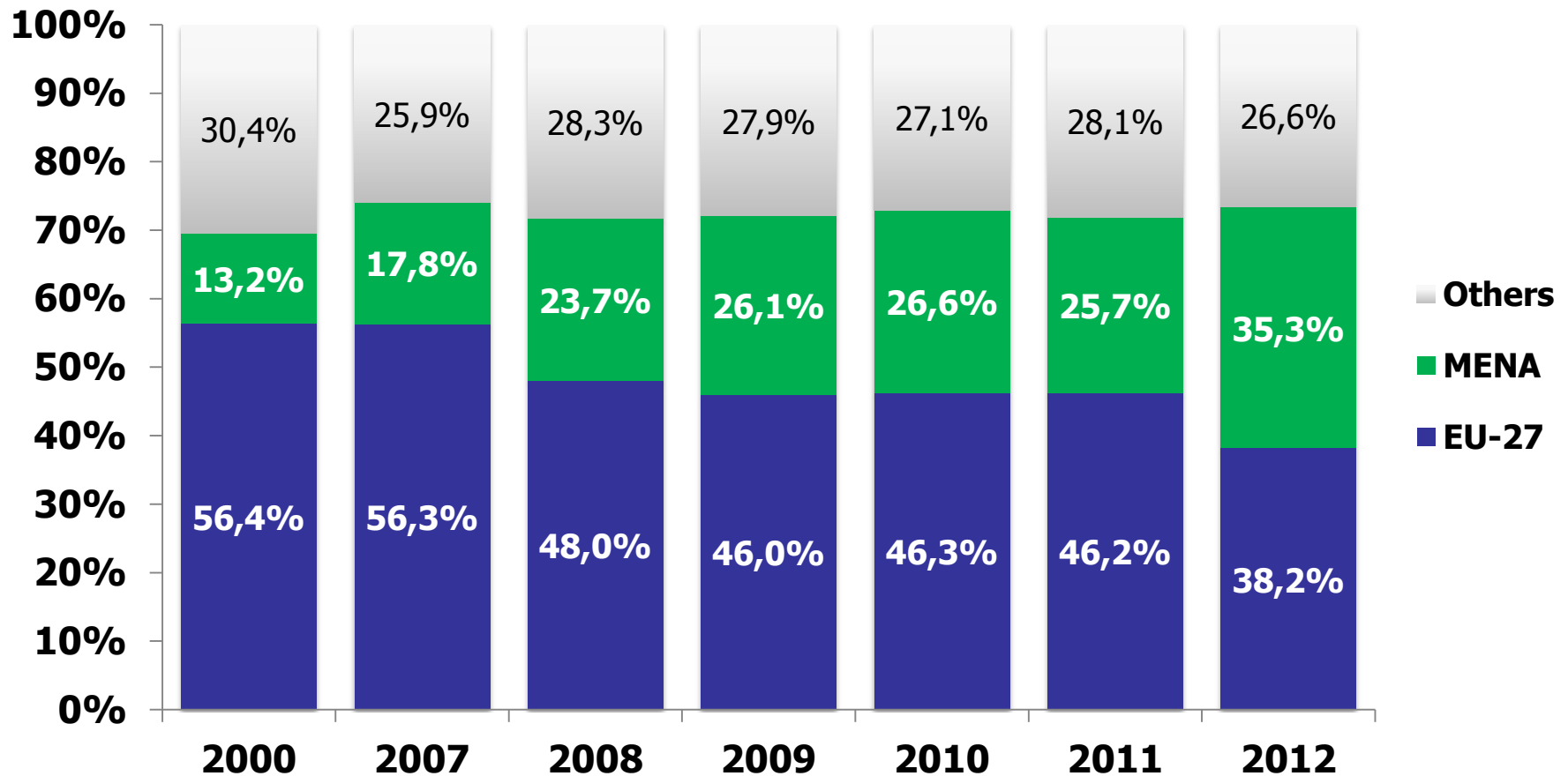
Turkey has become the largest manufacturer in the region after the CU agreement

Share in exports of the region and level of industrialization (2010)



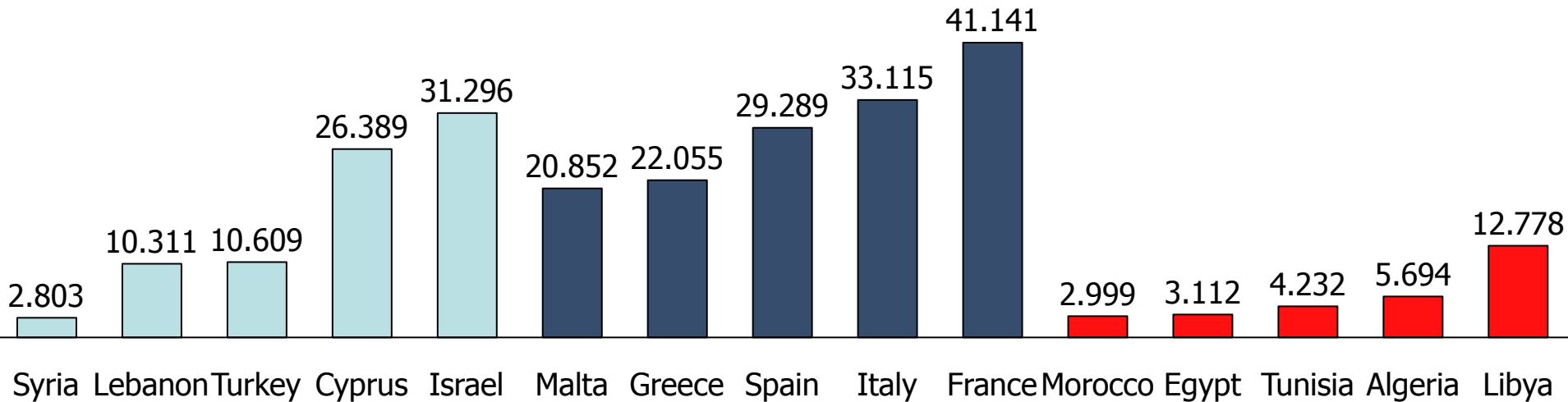
South Mediterranean's economic development is more important than ever for Turkey

Share of geographic regions in Turkey's exports

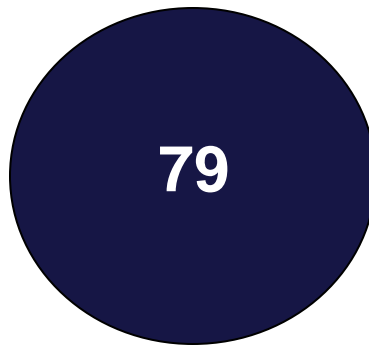


Intra-regional disparity in the Mediterranean

GDP per capita in the Med countries (2011, current USD)

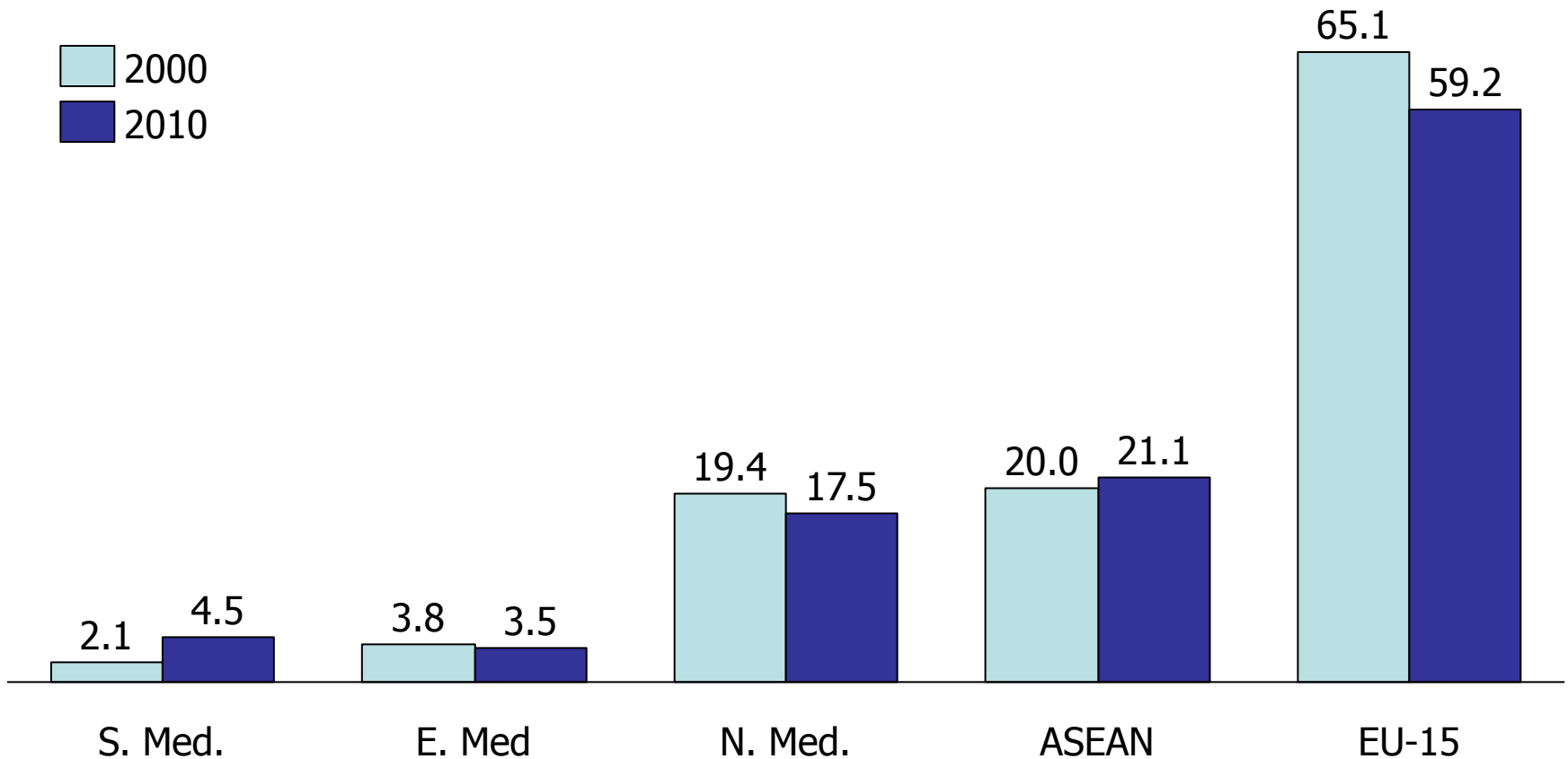


% of total MED GDP



Intra-south trade has remained small relative to the rest of the region and other trading blocks

Share of intraregion import in total processed industrial supplies (BEC 22) import of the region, %



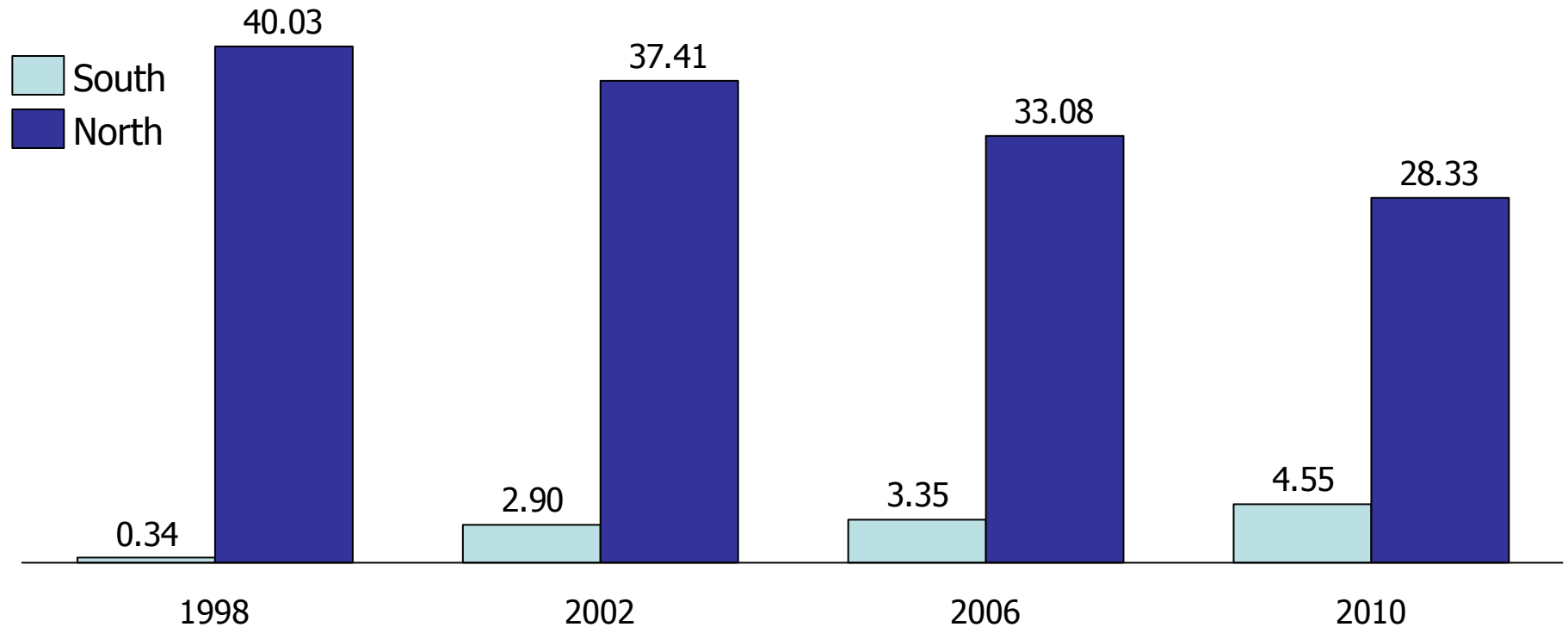
S. Med: Morocco, Algeria, Tunisia, Libya, Egypt

E. Med: Israel, Lebanon, Syria, Turkey, Cyprus

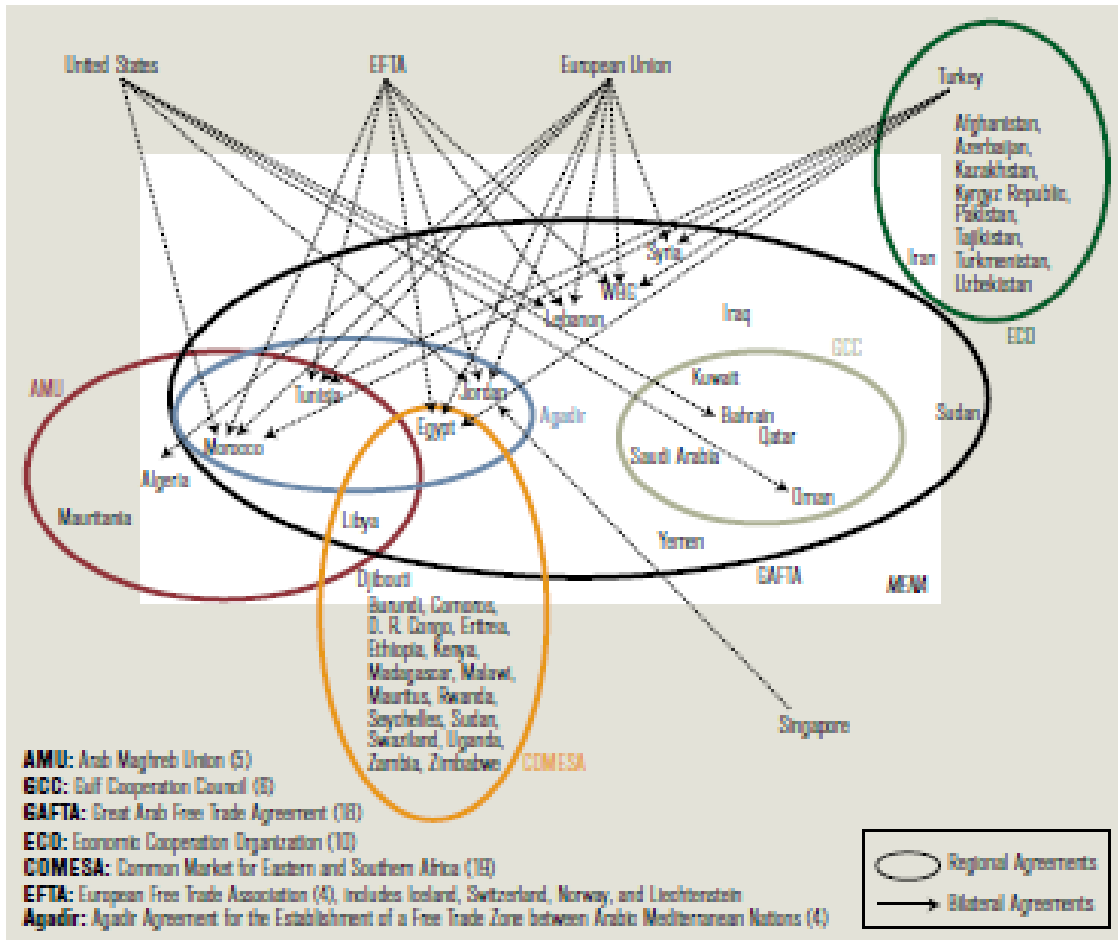
N. Med: France, Greece, Italy, Spain, Malta

South is more connected with the North; intra-south trade is rising, though still low

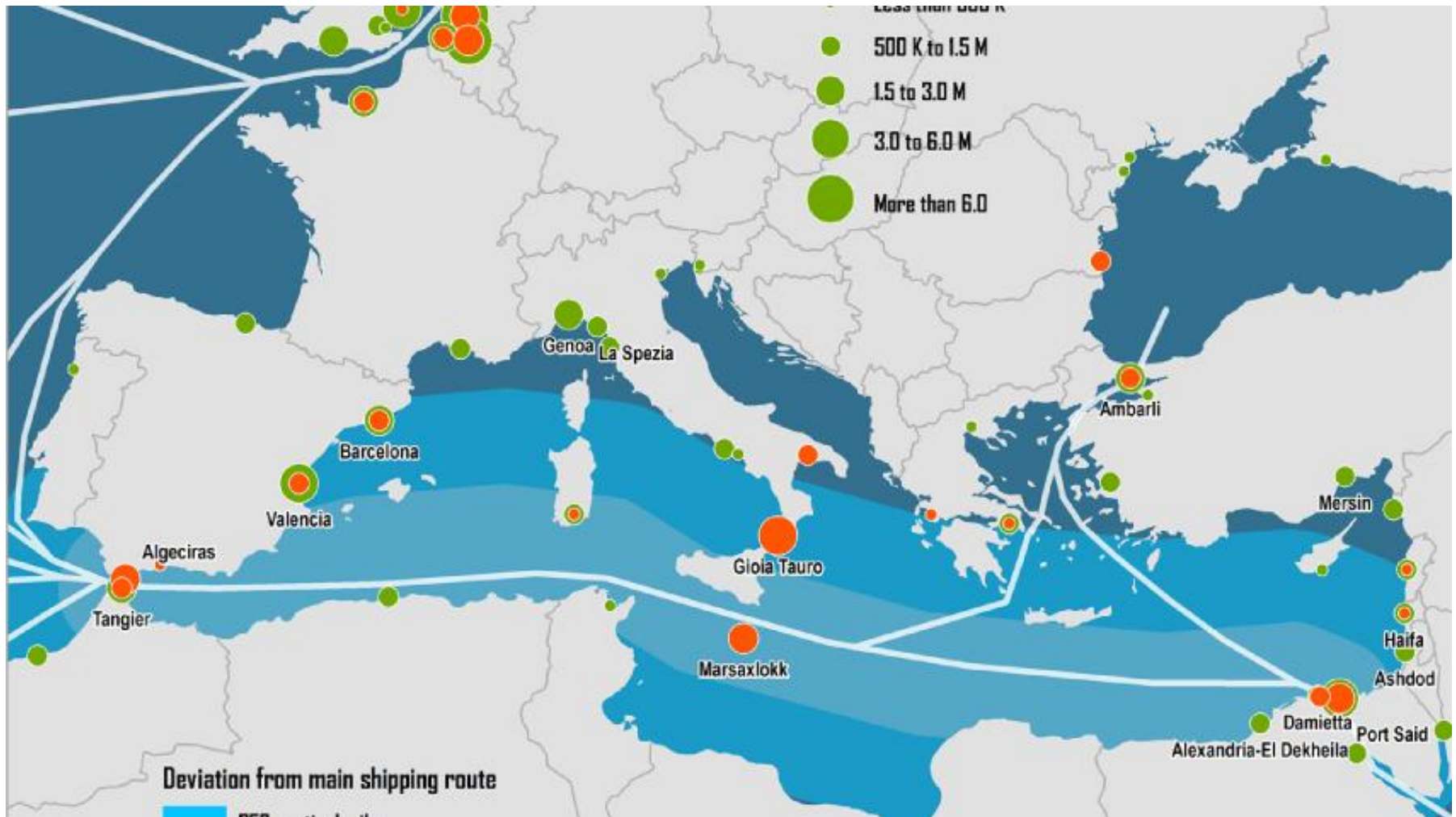
Share of intraregion import and import from North Mediterranean in total processed industrial supplies (BEC 22) import of the South Mediterranean, %



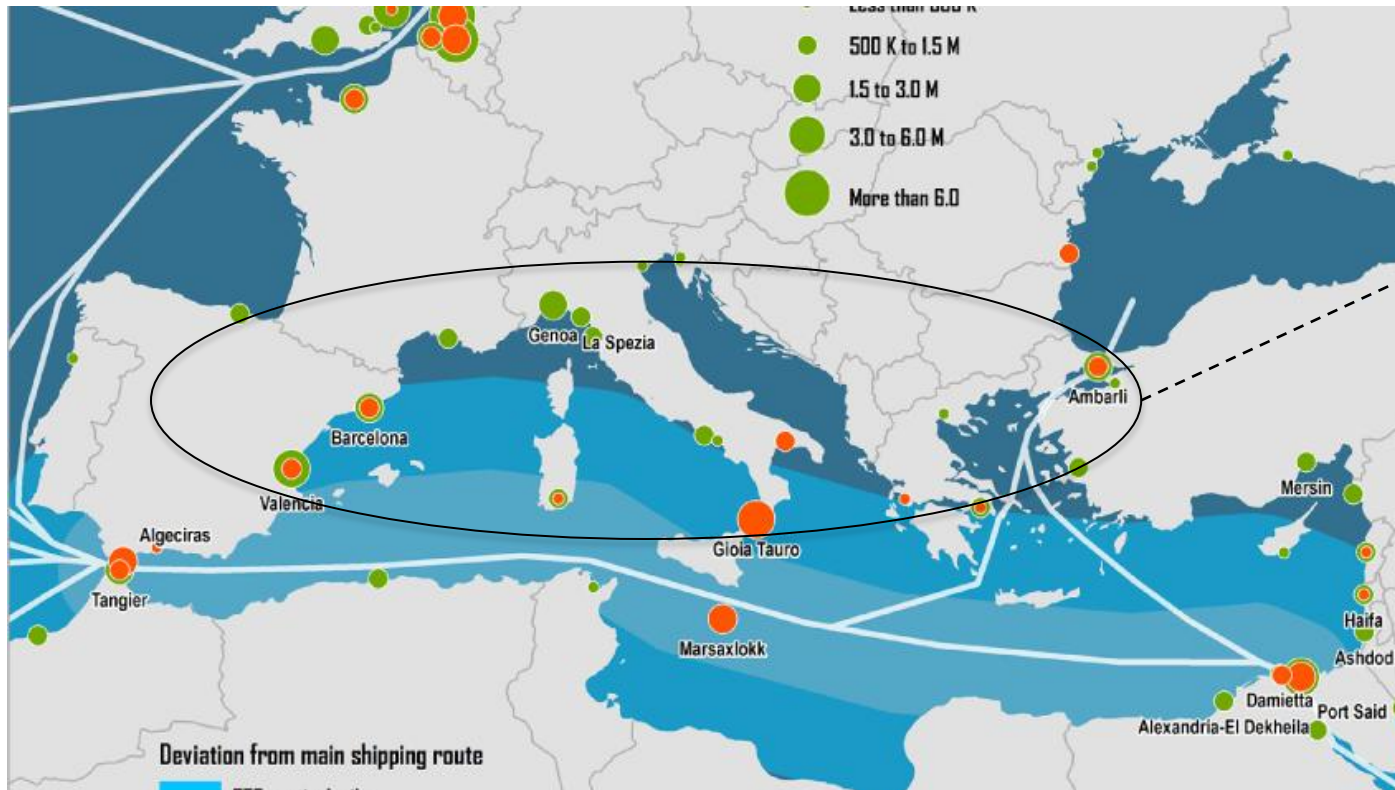
Is it possible to increase connectivity solely through FTAs?



Med has become a main trans-continental transit route



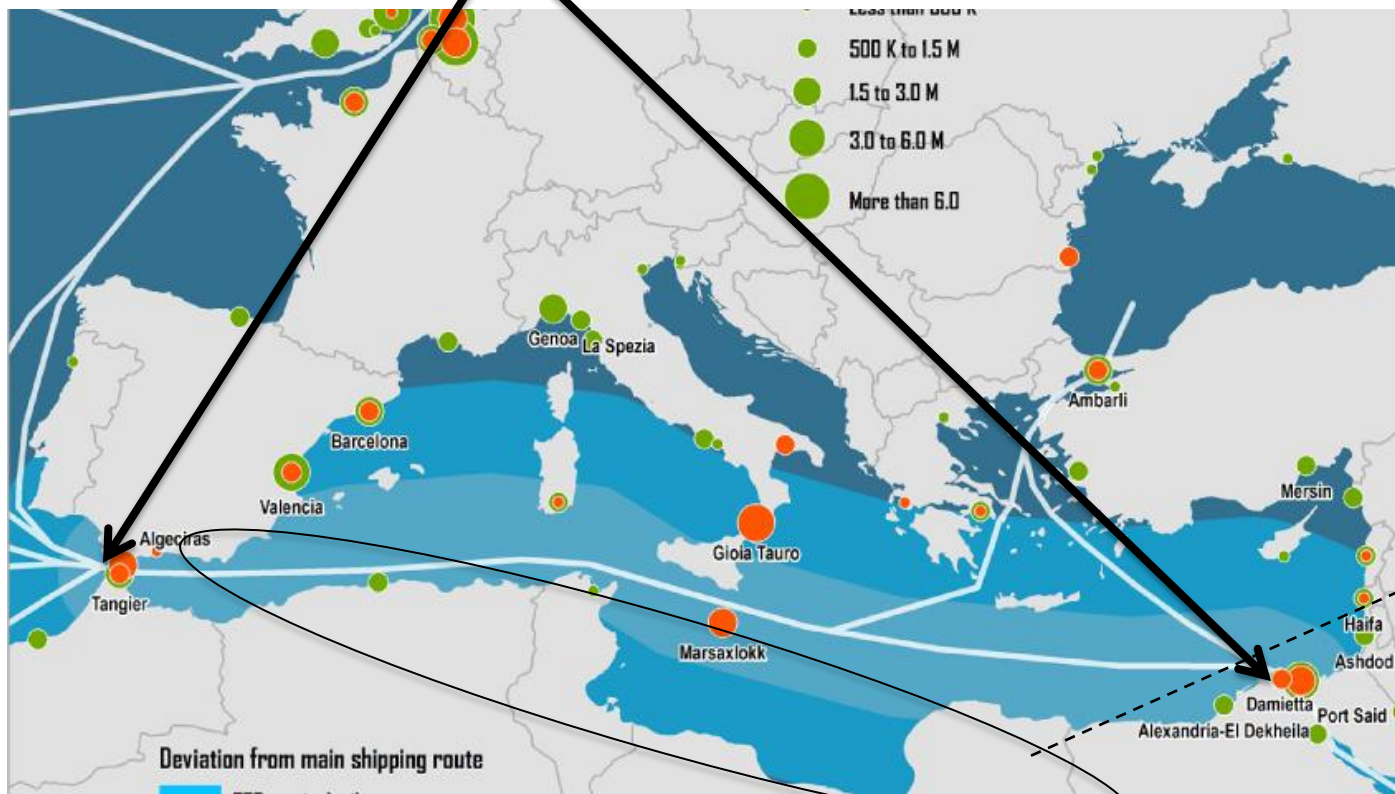
North Mediterranean has a well developed maritime transport infrastructure



Major ports in the North Mediterranean

Lack of maritime transport infrastructure impedes regional economic integration in the South

Hubs that mainly serve inter-continental traffic

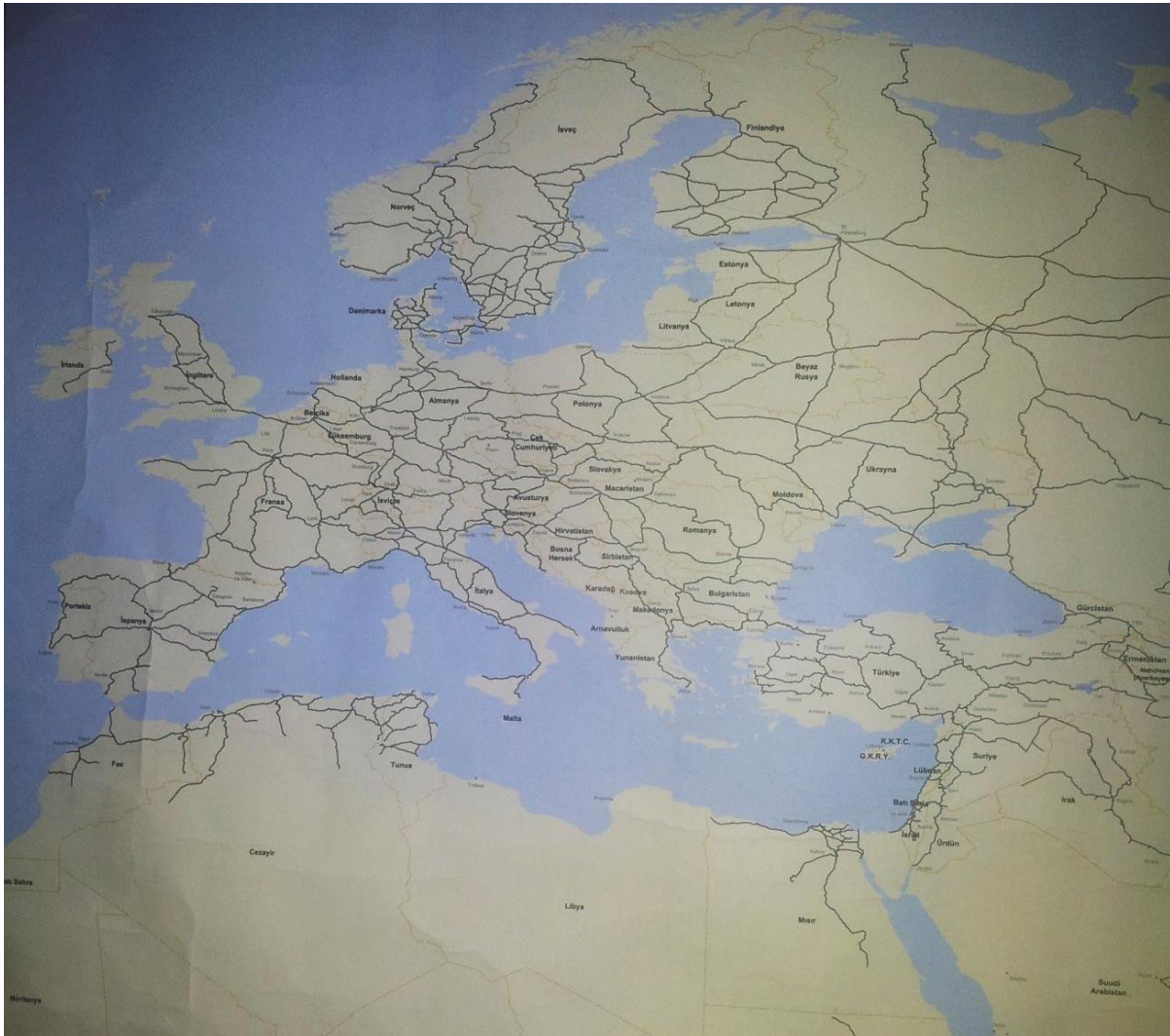


Almost no major ports in the South

Land connectivity is also weak in the South

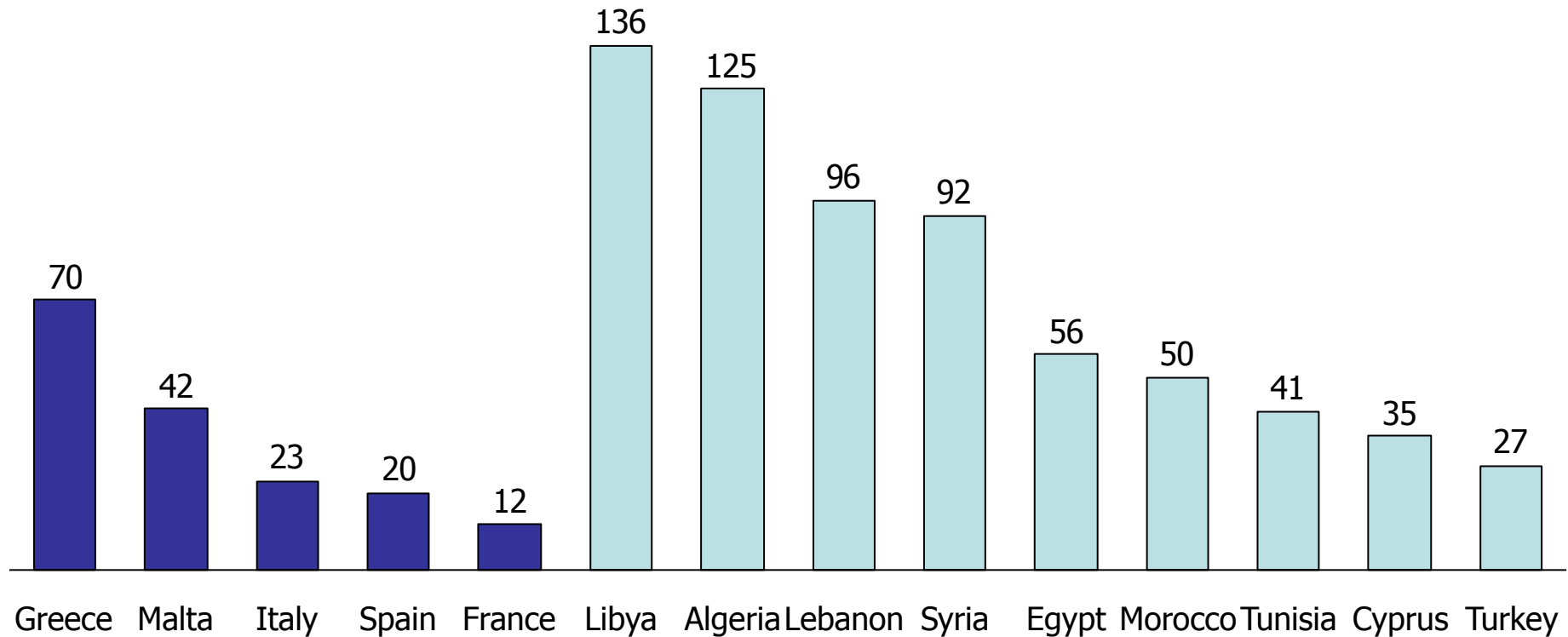
■ Railways

- ➔ Virtually none in Libya
- ➔ No connection over Sinai
- ➔ Operation and compatibility problems in Morocco, Algeria and Tunisia



South Mediterranean countries rank low in logistics performance indicators

Mediterranean countries' rank in the Logistics Performance Index



How to overcome transport bottlenecks?

- Cross-country cooperation in
 - Infrastructure
 - Border crossings and customs
 - Road standards
 - Legal regulations
 - National project and investment program design
- Transport corridor approach
 - Corridor management agencies
 - Joint investment funds
- Policy reform for
 - Public – private partnerships
 - Inter-agency partnerships within governments

Innovative approaches: 2010 Afghan – Pakistan Transit Trade Agreement (one way corridor from Afghanistan to India)



Samsun – Mersin- Haifa – Aqaba Trade Corridor

- New transport corridor emerging after Syria civil war
- Long-run opportunity to improve Aqaba port & create an alternative to potential instability in Suez



Conclusions

- Regional integration has a way to go in the MED
 - Bilateral FTAs not much of a help
- Impediments to trade and investment are obvious
 - Political problems between countries/SW Asia type
 - No policy reforms/need for zero problems policy
 - No major transport corridors
- Role for US policy in the region: TransAtlantic nature
 - Inclusive governance
 - Market based policy reforms
 - Connectivity enhancing transport infrastructure