

GES Brief 2011



Aiding the Emerging States of Northern Africa

Solutions from the Roundtable at the Global
Economic Symposium (GES) 2011



The Challenge

Northern Africa has attracted renewed international attention since the “jasmine revolution” in Tunisia. But after the fall of Mubarak in Egypt, the civil war and NATO intervention in Libya and the bloodshed in Bahrain and Syria, Western countries are far from agreement on ways to aid the transition in Northern Africa.

While countries like Egypt and Tunisia seem to be promising candidates for emerging new democracies, whereas Morocco seems to be able to find

its way to more democracy and economic growth without a revolution, several key challenges lie ahead that will shape the future of these states and their relations with Western countries. Answers to these challenges will help the international community on how to move ahead to avoid chaos, further wars and large streams of refugees. Action must be taken soon to aid and stabilize the successful building of states and markets in Northern Africa.



Disclaimer

The proposals summarized in this document are meant to provide insights for action to promote global cooperation in addressing major global problems. These insights have received sizable agreement from the GES panelists, participants and the wider GES community, but they do not reflect the views of any particular panelist, participant or community member. Nor do they reflect the views of any organization to which these individuals belong.

Solution Proposals

1. Reduce or better remove all trade barriers, especially for agricultural and fishery products.

Agricultural production could be increased much easier and faster than industrial production. Relatively low investments are necessary. Producing agricultural products would quickly create employment, and its export would improve the trade balance, enabling the countries to buy more industrial products and equipment necessary to invest in infrastructure and in own industries.

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A guiding solution proposed during the GES 2010 was to concentrate on productivity increases and improved market access for small-scale farmers using public-private partnerships and modern communication technologies to disseminate technical assistance. The contribution of small-scale farm production to food security could be improved significantly with the current level of technology if more small-scale farmers had access to modern technologies and markets. Private investments are necessary to develop cutting-edge technologies and their dissemination, but there may not be sufficient incentives to reach the most remote areas where purchasing power is low.

To overcome this drawback, public-private partnerships can be a suitable tool to ensure that small-scale farmers have access to the newest seeds that suit their environments and to technologies that can improve their market access. Mobile telephones have already improved market access and the delivery of technical assistance in a number of African countries, notably Kenya. Such successful approaches should be scaled up using public-private partnerships along with the participation of local NGOs and farmers' organizations. Trade barriers in form of custom duties, limited contingencies and complicated procedures could be reduced easily without seriously disturbing the European economy.

Especially Germany has a great trade surplus which could be reduced by larger imports. And last but not least: custom duties, if any, should never be higher for finished goods than for raw materials. The production of value added goods in the countries of origin should be supported, and the import into the European Union should at least be more facilitated than the import of pure commodities.

In agricultural trade, removing unnecessary non-tariff barriers and building partnerships with poor food-exporting countries to raise quality standards, where appropriate, could be a first step as mentioned in the GES 2009. Europe and other developed regions have become expert in setting the bar ever higher for agricultural imports, placing unreasonable demands on poor world farmers. These measures are often simply protectionism under another name and those that are should be scrapped. Sanitary and phytosanitary standards (SPSS) act as non-tariff barriers against agricultural products from developing economies. While some SPSS may serve as a legitimate way to address consumer protection, they are often defined and applied in an ambiguous way to act as trade barriers. The World Trade Organization (WTO) should play an active role in defining the legitimacy of SPSS (and other non-tariff barriers) and enforcing the rules.

Importing countries can be partners with poor exporting countries to raise quality standards through education, extension, and aid. This would increase investments in new agricultural markets in developing countries and support rural development.

Solution Proposals

2. Facilitate granting of visas, especially for students, scientists and businessmen.

The most efficient way to help Northern Africa to build democracies is by showing them how democracy works in real life. Programs for exchanges of students should be started (e.g., like Copernicus for Eastern Europe since 1991). For developing new businesses it is absolutely necessary to travel and contact customers without complicated visa restrictions. At the same time, the threat “brain drain” has to be tackled, which often deprives developing countries of their human capital and has serious consequences for the delivery of key services such as education or health care.

Global Economic Solutions

A solution of the GES 2009 that even attracted the World Bank’s attention is “circular migration.” The idea is to provide re-entry visas for migrants on renewable short-term contracts, portable pensions, and other social benefits. “Ethical recruitment” practices and measures to improve working conditions, infrastructure and career opportunities for high-skilled personnel in developing countries should accompany the acquisition of professionals from sectors exposed to the brain drain. On-the-job training and skill acquisition schemes affecting migrants’ employability and knowledge transfer can also support circular migration. The number of professionals could be increased through a trade-off with developed countries. For example, a developing country trains four nurses: a developed country takes one while the developing country retains three. Countries who take on skilled professionals from developing countries should pay for

the skills and the training that have been invested in them.

Example of Implementation

“Circular migration is indeed a promising idea,” said Jean-Pierre Bou, a policy officer in the Directorate General for Justice, Fundamental Rights and Citizenship at the European Commission. Colombia and Spain have run a successful project in the farming sector: 1200 migrants from a small number of rural communities in Colombia have worked for 600 Catalan farmers and cooperatives in Spain. Belgium also allows for the issuing of multiple-entry visas for certain migrants. They can return to their country of origin without losing Belgian residency. One interesting project is the “MIDA Grands Lacs” program which enables members of the Central African diaspora to return temporarily to their country of origin in order to participate in development projects. A similar program is being developed in Morocco. France has concluded agreements with third-party countries on circular migration, which enable third country nationals to acquire new skills in France on the basis of temporary non-renewable visas. The Netherlands has set up a pilot project on circular migration, involving a small group of labor migrants from Indonesia and South Africa trained at secondary educational level. These people are permitted to “work and learn” in the Member State for a maximum of two years, in particular in areas with labor shortages.

Solution Proposals

3. Encourage entrepreneurs with good business ideas by granting credits to small- and medium-private enterprises (SME)

For the whole economy, but especially for any private business, reliable and understandable laws, standards and rules are necessary. Europe should help to develop, to improve and implement such laws and standards.

Global Economic Solutions

An idea that came up during the GES 2010 was to encourage signaling of good governance through the rapid pursuit of efficiency, transparency and accountability in government.

Indicators such as the World Bank's Doing Business Index show that countries can move up

the "business environment ladder" in a fairly short period of time. But this is only the easy part, as low levels of investment despite high returns mainly reflect high perceived risk on the side of potential investors. Hence, to allay the fears of investors, it is essential for governments to send strong signals of their commitment to reforms so as to distinguish themselves clearly from "bad" governments. Uganda's government, for example, reduced its overstuffed public sector workforce by 30 percent, which helped generate a surge in investment.

4. Support partnerships between small- and medium-sized enterprises (SME).

Information on all economic sectors and opportunities for cooperation on equal terms should be provided, especially in innovative sectors, like renewables & environment. By providing know-how new jobs could be created. Often, the partnership between SMEs is difficult, due to scarce financial resources.

Global Economic Solutions

Therefore, as stated in the GES 2009, governments should facilitate the creation of knowledge groups—including innovators, knowledge partners, and funders—to promote knowledge creation on health, environmental, and poverty issues. Knowledge creation networks should operate as partnerships between government and private sector companies in specific countries or localities, particularly in developing countries, in areas of research such as health and education. The aim is to use these as concrete demonstrations of deliverables in socially important areas.

Improved interaction between the various participants engaged in creating knowledge can effi-

ciently reduce operation costs, extract more value from business projects, and lead to more competitive companies and more new products. It is the role of the government—especially in developing countries—to enhance and facilitate this interaction by adapting the infrastructure and the functioning of the system of intellectual property rights to new business models, even taking part in the interaction through public-private partnerships. But the rules should be defined in a way that prevents excessive "closed-shop" situations in the value-added chain. Given the reluctance of innovators and knowledge providers to submit themselves to new rules, demonstration projects limited in scope and time should be offered by governments as a "training field."

Networks like the Euro-Mediterranean Association for Cooperation and Development (EMA) could provide important contacts, play a role as door openers and can offer consulting of financing projects, notably in projects of PPP.

Solution Proposals

5. Develop a controlled immigration policy.

In most European countries there exists a “demographic” problem due to the aging population. In the Northern African countries there exists a “demographic” problem due to too many young people (average age in Egypt is 24 years, in Tunisia 28 years, in Libya 23 and in Morocco 24 years). Why could these problems not be solved by an intelligent immigration policy? Such a policy should urgently be developed before the pressure increases and becomes uncontrolled. Given the problems of the refugees (“boat people”) from Libya and Tunisia, all European countries are requested to accept their share according to their population. Compared to the many of thousands of refugees which are accepted by Turkey from Syria and the large number of daily refugees in East Africa, the number of refugees from North Africa trying to enter Europe could almost be neglected in view of a population of 500 million people in the EU.

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The GES 2008 already suggested giving irregular immigrants the opportunity and incentives to integrate through continuous “earned regularization” leading to naturalization.

Even with tighter controls and more deportations, developed countries will continue to be confronted with a substantial inflow and the resulting stock of irregular immigrants, most of whom are there to stay. The denial of this fact risks the accumulation of a massive integration problem just like the denial that the “guest workers” were there to stay. To address this problem, earned regularization programs leading to opportunities for naturalization of those irregular migrants who rapidly acquire language skills and display other characteristics conducive to labor market success and rapid integration are preferable both to the haphazard mass

regularizations that have repeatedly occurred in some EU countries and to unrealistic and ultimately irresponsible political declarations about mass removals. It is worth acknowledging that irregular immigrants have often jumped the queue ahead of those who were following the rules. Thus, such immigrants need to satisfy additional conditions before being regularized, including the acquisition of language skills and other characteristics conducive to rapid integration.

In order to make migration more beneficial for host as well as sending countries, the GES 2009 demanded bilateral agreements between both sides. These should

- liberalize migration regulation for those who do not compete with vulnerable host groups,
- expand legal migration, if needed by restricting access to social transfers in the host country, and
- ensure safe and equitable treatment of migrants by establishing labor standards and certificates for intermediaries.

In the absence of a multilateral policy framework for international labor migration, many high-emigration countries are now negotiating bilateral agreements with host countries. These should be used to expand migration opportunities, particularly for those potential migrants who cannot benefit from the privileged arrangements that exist in many host countries for high-skilled immigrants. At the same time, bilateral agreements should establish labor standards and certification for intermediaries to protect migrants from exploitation. To expand migration with a minimal fiscal burden to host countries and, thus, render it politically feasible, circular migration schemes could restrict migrants’ access to some social transfers in the host country.

Solution Proposals

6. Encourage private European companies and funds to invest in countries of Northern Africa, especially in solar- or wind-energy projects.

The Desertec Project shows that the European energy problems due to shutting down the nuclear plants (in Germany) and due to the demanding target of reducing CO₂ emission could be solved to a great extent by solar-energy projects in North Africa. Energy produced by solar- and wind-plants could both be used for the local energy requirements as well as for exports to Europe. It should be done both in small plants, but also in larger "Megawatt"-scale plants.

The enormous costs of adapting the electricity grid to the future challenges of higher fluctuations and longer distances are too high to be borne by single players. But institutional investors such as pension funds could provide the necessary capital in a decentralized way. Since electricity grids are natural monopolies that are highly regulated, investors could rely on a stable and considerable return, reflecting the low risk involved.

Global Economic Solutions

In addition, electrification of rural areas is an essential part for successful development. Thus, the GES 2010 called for the implementation of off-grid electricity generation devices. Electricity is a necessity for social and economic development. It has been estimated that in 2008, 1.5 billion people (22 percent of the world's population) had no access to electricity. Since the majority of people without access to electricity live in rural areas, a quick connection to the existing power grid is difficult and costly. Off-grid solutions, especially

but not exclusively based on renewable sources, provide a low-cost, fast and easily implementable alternative. Poor people in developing countries are often unable to afford electricity, but have dire need of the services that electricity provides, such as light, cooling and communication (including internet access). This opens new opportunities for investors. Aid programs should include investments in decentralized electricity generation, especially targeting the female population, perhaps making them coinvestors via microcredits.

Example of Implementation

The GES 2010 offered Sanjit Bunker Roy a platform for a related pilot project by the Barefoot College: "Training Illiterate Rural Grandmothers to Solar Electrify their own Villages all over Africa". Barefoot College trains rural, illiterate and semi-literate women (both mothers and grandmothers) to fabricate, install, maintain, and repair fixed individual home lighting systems with solar lanterns for off-grid electrification. Participants from developing countries (mostly in Africa) are trained in six months at the Barefoot College campus in Tilonia, Rajasthan. Air fare and 6 months training costs are covered by the Government of India. After completing the course, with funds from private foundations and SGP (UNDP) solar equipment is shipped to their villages where it is used to electrify the whole village. These are the first technically and financially full solar electrified villages in Africa.

7. Support public investments by European countries in connecting existing national electricity grids from Morocco, Algeria, Tunisia and Libya to Europe.

In principle, solar and wind are more than enough to deliver any amount of energy that the world's population might need. But these sources are usually best exploited in areas that are far from centers of demand. It is technologically challeng-

ing to transport electricity over large distances and even more to store it. As a consequence, electricity markets have tended to develop as regional markets.

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Connecting existing national electricity grids and expanding transmission capacity within and across countries is an effective and efficient way of balancing fluctuations in the supply of renewable electricity across regions. Large transmission capacities make it possible to locate new renewable power plants at the most profitable and efficient locations, thus leading to a decrease in the overall costs of renewable power generation. Up to now only connections exist between Morocco and Spain.

The integration of power grids would come with a number of positive side-effects: conflicts among states over limited primary energy resources for

electricity generation (most notably natural gas but also coal) are more likely to be avoided if competitors are integrated in the same market; and market power vis-à-vis exporters of energy fuels would increase.

Nevertheless, infrastructure investments are a precondition for further integration of national grids. These include cross-border interconnection lines, high voltage direct current transmission lines and buffer capacities to cope with the increased risk of electricity supply disruptions. Similarly indispensable is the harmonization of national regulations, which would overcome the implied invisible trade barriers.

8. Education on the elementary and secondary level should be supported as a basis for a general successful development.

Basic skills form the fundament of higher levels of education and culture. This includes languages, especially English and—as already well-known in Morocco, Algeria and Tunisia—French. Students should be invited and encouraged to take English-courses for example in neighbouring Malta. The rate of illiteracy is rather high, especially amongst the rural population (e.g., in Morocco over 30%).

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Complementary to traditional learning, reinventing education by using powerful distance-learning tools was voted the 4th most popular solution of the whole GES 2011 to improve educational infrastructure in rural areas. Therefore, equipping schools with adequate hardware, software and internet connections, taking account of inequality in financial and human capital endowments between different regions and countries is essential. The efficient use of older ICT products has great potential. Many economically backward regions and countries still lack financial and human capital and the supportive institutions to enable them to build telecommunication networks and to use ICT

products within their education systems. In conditions of poverty, use could be made of older, more affordable yet still functioning equipment, perhaps slightly outdated models of computers and mobile telephones or surplus stock from developed countries. These models could be an acceptable substitute for the most advanced ICT equipment (which very often contains the mere “prestige” value of owning the latest model of a known brand). Virtual mobility is an important tool to address rising costs of education in developed countries and to tackle access to quality education, especially in developing countries. Using technologies such as video conferencing, learners can develop connections beyond their culture, countries and expertise and access specialist teaching remotely and globally. To implement this, teachers have to be trained to make intelligent use of ICT resources and to integrate e-learning into their curricula.

Learners should be taught not only how to use ICT products in the narrow sense but also how to use ICT as tools to help them to learn and think independently. They should be allowed to

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leave the learning path given by the traditional learning materials, following their own interests to search for related information on the internet or in an integrated package of e-learning materials. Awareness needs to be raised at the highest level as to why ICT is such an important element

in education. ICT is the key driver of productivity growth and social change, yet there is a worldwide gap in professionals with e-skills. Leaders need to create the right policy environment to enable ICT to flourish in education and to tackle social barriers that hamper economic growth.

9. At least some of the States of Northern Africa should have a long-term perspective to become an associated or even full member of the European Union—under the condition, that they fulfil all the European Standards.

Under the strict condition that a State of North Africa fulfils all the necessary European Standards there seems to be no reason why such a state should not be in the same position than Turkey, i.e., to become an associated or even full mem-

ber of the European Union. The opportunity itself could encourage these states to develop democracy, legal systems and ethics and trust in society and business much faster.

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