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الشبكة الأورو-متوسطية للدراسات الإقتصادية

EMNES Policygraphic 8

Global Value Chains (GVCs) in the Euro-Mediterranean: The future Pillar for Regional Integration

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Critical Issues in Southern and Eastern Mediterranean countries (SEMCs)

- Exports of manufacturing products remain limited due to compliance difficulties with EU standards.
- Exports of agricultural products and trade in services remain mostly excluded from Association Agreements.
- EU investments are heavily allocated towards the oil sector.

Leading to

- Limited potential for job-rich growth.
- The creation of GVCs is hindered, especially for Small and Medium Sized Enterprises (SMEs) wanting to compete and export.

Extremely low share of SEMC firms belonging to GVCs:

1.5% for all firms

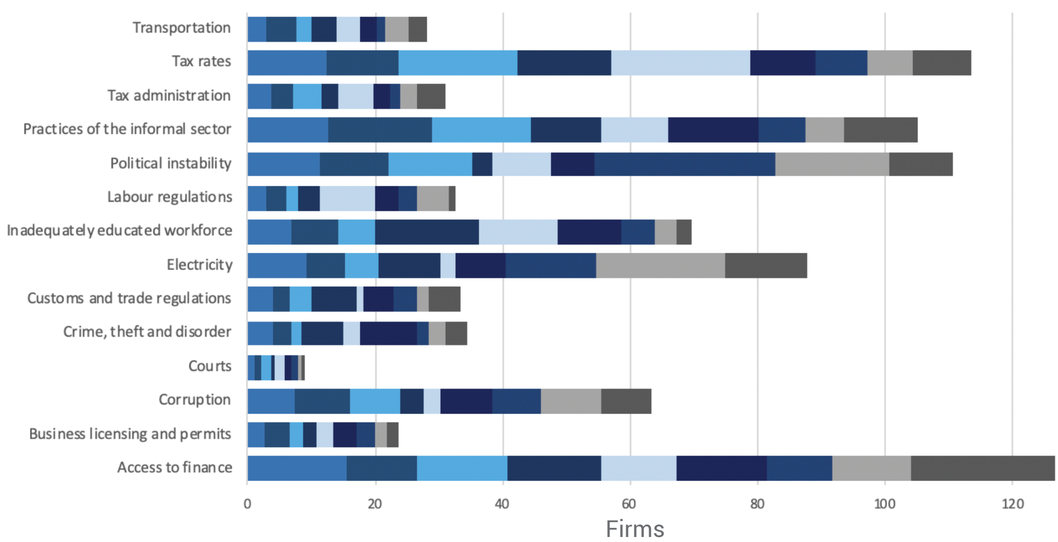
0.4% for SMEs

The share of firms that belong to a GVC in SEMCs is extremely low for most countries - especially when the firm exports, imports, has foreign capital and foreign certification. Then, it drops to an average of 1.5% across all firms and just 0.4% amongst SMEs.

Reasons for the low level of insertion in GVC

- Inadequate skill endowments (blue collar workers).
- Inefficient business environment hindering SME expansion.
- Non-harmonised standards and regulations.
- Low investment in physical and digital infrastructure.

Share of firms reporting obstacles to insertion in GVC (per aspect)



Figures represent share of firms reporting each aspect as the biggest obstacle to their business.

Source: Authors' own elaborations, based on Dovis and Zaki (2018) using the WBES.

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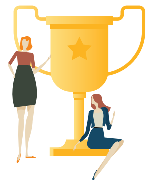
There is a huge potential between both shores of the Mediterranean for two reasons:

1

Geographical proximity remains a key determinant to the emergence of regional value chains.



2

The two regions have impressive complementary differentials in terms of know-how and wages, demography, and resource endowment.

Policy Proposals

Attract foreign direct investments(FDI) in the manufacturing (non-oil) sector

- FDI will enhance job creation and inclusivity.
- Technology transfer will help firms integrate into GVCs.

Improve worker skills

- More GVCs will increase the demand for skilled (blue-collar) workers.
- Strengthening partnerships between business, government and academia will improve skill provision.

Enhance infrastructure and business environment

- Increased productivity and exports = Firms becoming more eligible for GVC integration.

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