



## The Political Economy of Governance in the Euro-Mediterranean Partnership

**Deliverable No 11**  
Working Package 9  
New Challenges: Demography, Migration and Culture

### **Working Package Summary: Working Package 9 New Challenges: Demography, Migration and Culture**

Working Package Coordinator: Laboratoire d'Économie d'Orléans (LEO),  
University of Orléans  
France

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# 1. Introduction

Demographic change in the Euro-Mediterranean region carries enormous implications for economies and societies. The generations born after 1980 constitute the majority of the Arab world's population and will need education, jobs and a decent standard of living if they are to remain contented citizens of their countries and region. Meanwhile, Europe's population is ageing, and there is likely to be demand for migrant workers as baby boomers retire. The nature and degree of severity of these problems are not uniform, and neither are European attitudes and policies for dealing with them. Managing demographic change will require institutional means capable of dealing with the myriad of economic, political and cultural issues that arise on both sides. All parties to the EMP must face the challenges posed by demographic change and migration flows.

This Working Package 9 is an extension of the research carried out within the Working Package 3, and is devoted to the political economy of labour and migration in the Euro-Med Partnership. It aims at investigating and identifying concrete institutional solutions to cope with the demographic challenge during the next decades. Since WP 3 extensively dealt with the governance of labour markets, the 'brain drain' issue and the European migration policy, this WP9 explores the economic and financial issues related to demographic challenges. It first identifies the main demographic challenges both in Mediterranean Partner Countries and in European Union (section 1). It then explores the role of current and expected transfers between these two areas. Beyond their effect on consumption and the reduction of poverty, 'remittances' of emigrated workers contribute to the improvement of the economic performance of the Southern countries. In an intergenerational perspective, flows of young migrants from Southern to Northern countries may help the latter to overcome their rapid ageing. The WP9 thus examines the conditions under which migration can be considered as a 'win-win' process between MPCs and EU countries (section 2). Finally, once a certain volume of migrant labour has been selected, for example on the basis of demographic considerations, it is necessary to ask what profiles should be determined for the migrants so as to facilitate their social and cultural inclusion, as well as their integration into the labour market (section 3). The Working Package 9 thus consists of the following three outputs:

“An Analysis of Demographic Trends in the Euro Mediterranean Region and migration movements in the EU” (IUEE, Universidad CEU San Pablo and Universidad Autonoma de Madrid, Spain with the participation of LEO, France)

“Migration as a Win-Win Process in the Euro-Mediterranean Area: Remittances and Intergenerational Transfers between Countries with Different Demographic Cycles” (LEO, France)

“Variety of Cultural Values and the Role of Education and Research for the Improvement of Intercultural Dialogues” (IEAPS, Al Akhawayn University, Morocco and LEO, France).

## **2. Major Findings of Individual Reports**

### **Paper 1, Spain: “An Analysis of Demographic Changes in the Euro-Mediterranean Region and Migration Movements in the EU”**

The first contribution sets out the current and expected demographic trends in the Euro-Mediterranean region (11 non EU member states which border the Mediterranean Sea: Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, the Palestinian Territories, Israel, Lebanon, Syria and Turkey). It starts with an overall review of the world’s population until 2050, stressing the differences in population growth between developed and less developed regions: population growth for EU15 countries is nil between 2007 and 2050, whereas the ‘medium variant’ UN scenario estimates an increase of more than 133 million people for the Euromed region over the same period. The contribution then shows that the consolidation of specific demographic trends such as a decline in the mortality under the age of five, improvements in life expectancy, and the stabilisation of fertility rates will slow down population growth in the next forty years. This implies a sharp increase in the potentially active population (15-64 age group): in 2035, the 15-64 age group will represent 68% of the population, that makes more than 250 million people, in the ‘medium variant’ scenario. Case studies have been conducted on the 11 Euromed countries over the 2005-2050 period, displaying very different patterns of the five key variables: fertility; infant mortality; life expectancy; proportion of 15-64% in the overall population; and population growth. These demographic trends will lead in turn to a scenario of increased migratory pressure in the coming decades. The Spanish contribution ends with an analysis of current and expected migration movements between Euromed

countries and EU countries. A special focus is made on labour migration, showing differences in migration motives with respect to destination countries: with the exception of France where work migration represents only 13.5% of migration motives, the EU countries see between 25% and 45% of permanent immigrants arriving in Europe for work related reasons. The contribution of foreign workers to European labour markets has increased significantly in the past few years, acquiring a special importance in services. Immigrant workers have a lower educational level than native-born workers, especially in Southern EU countries. They also tend to work in low-skilled sectors.

**Paper 2, France: “Migration as a Win-Win Process in the Euro-Mediterranean Area: Remittances and Intergenerational Transfers between Countries with Different Demographic Cycles”**

The French contribution focuses on the main economic challenges linked to migration from MPCs towards EU countries. The first section takes as an assumption the “migratory pressure scenario” put forward in the first contribution and reviews both the concepts and the trends in so-called “replacement migration”. The main findings are as follows:

Replacement migration is needed but the levels of migration needed to prevent population ageing (i.e. to maintain the potential support ratio, defined as the population aged 15-64 in proportion of the population aged 65 and over) are extremely large and unlikely to happen. More plausible scenarios include replacement migration along with changes in labour markets and social security policies.

Replacement migration policies must take into account education, skills, age-structure and gender-structure of migrants and changes in demand on labour markets. The new migrants in European countries are better educated than ten years ago. Moreover, there is a dual need on the demand side: highly-skilled occupations linked to ICT (both secondary and tertiary sector) and low-skilled occupations (services).

Replacement migration should be encouraged for macroeconomic purposes in EU Countries (labour markets, capital markets, growth, and external balance), but the macroeconomic gains are likely to be modest.

The French contribution then focuses on actual transfers between MPCs and EU countries. Migrants from MPCs to EU countries are a source of funding for their origin countries through the remittances they currently send back. Are remittances fostering development thanks to external financing of small and medium enterprises in origin countries?

Or, conversely, is this external funding mainly spent in consumption and thus not invested in firms or education? What are the impacts of such remittances on growth in the sending countries?

Return policies and temporary migration programs initiated either by European or Maghrebi governments do not seem to be appropriate to reduce and stop migration, in the current socio-economical context. Tightening of visa policies makes Maghrebi migrants fear that coming back to Europe might be impossible if they return to their origin country, and pushes migrants into permanent settlement. Excessive restrictions are likely to be very costly, especially for source countries when applied to unskilled migrants, and for destination countries when applied to skilled migrants and students. Given the important gains from migration and remittances for sending countries, governments should aim to reduce or remove the transactions costs and other barriers to sending remittances, which can be quite substantial. Such policies also failed because they were implemented with the idea of complementarity between trade, FDI, capital movements, knowledge and technology (globalisation) on the one hand, and migration on the other hand. On the contrary, the Moroccan case study shows that policies to increase remittances and channel them through formal channels can be successful if they coincide with general macroeconomic stability and banking infrastructure. Policies aiming at securing stable and increasing saving transfers from migrants and development projects supported by migrants permit a reduction of poverty and a development of public services, transport and public utilities infrastructures in urban and rural areas.

Success of migration and remittances to foster development in a more business-friendly environment (i.e. improving trust in political and legal institutions) is contingent on how association agreements with the EU will be implemented, how this will affect MPCs' competitiveness and to what extent market integration will also allow increased access of North African producers to the EU market. Keeping in mind that trade liberalisation will not reduce migration since migration and trade are complementary not substitutes, at least in the short-run.

In contrast with other financial inflows (FDI and portfolio investments), remittances are countercyclical in line with their role of compensatory income. Moreover, if remittances tend to slightly increase income and growth, since their amount remains limited and they are primarily spent to meet households' primary needs, their role in fostering growth is still limited. In addition, while controversial, the impact of remittances on poverty reduction is still circumscribed to transient poverty reduction, with no effect on structural poverty. For all these reasons, basing a development policy only on remittances is mistaken. Voluntary

development policies, funded by national and international public subventions, are still needed.

The final French contribution addresses the question of the desirability of replacement migration for welfare purposes in EU countries (sustainability of fiscal systems in general, and pension schemes in particular). Based on previous literature, the followings findings can be highlighted:

The age-structure of replacement migration can help overcome the demographic hump of the post-WW2 baby-boom generation. But there remain ambiguous effects, when we take into account the fact that (young, skilled and permanent) migrants are themselves ageing, and will be a burden in the future.

In EU countries, selective migration through facilitating immigration of those with high levels of education and wealth could be desirable but is constrained by the freedom of movement in the EU. If a given EU country has weak internal border controls, or a non-selective immigration policy, there are spill-over effects which render the selective migration policies of other EU countries ineffective. Selective migration policies are subject to coordination among national governments or to EU regulatory mechanisms.

The coordination of migration policies in the EU is linked to the coordination of the fiscal systems. The spill-over effects of weak internal border controls interact with the fiscal competition among EU countries. All aspects of fiscal schemes are concerned: capital tax, payroll tax, social contributions and benefits.

In order to assess the overall impact of migration on economic welfare in a context of aging in the European Union countries, an overlapping generation model in discrete time has been built with two regions: a developed region and a less developed region, differentiated by their demographic cycle. Because of its complexity, even if simple specifications have been used, this theoretical model only provides few unambiguous results which can be summarised as follows:

Provided that the migration level does exceed a given threshold, enabling migration of skilled workers leads to Pareto-improvement when the population in the developed region is low. The skilled workers are better off and the unskilled remaining in their home region are not

worse off. This result mainly relies on the increase in pension contributions needed to finance the pension benefits of a relatively small number of retirees;

Migration of skilled workers has an undetermined effect on the rate of return on capital and on capital accumulation; for certain values of parameters (essentially the relative level of labour productivity in the two regions), there is an increase in capital accumulation in both regions, the reverse being true for other values of parameters. This indeterminacy should be solved through numerical simulations;

Migration of skilled workers has ambiguous welfare effects when the population level in the developed region is high: migrating skilled workers deprive their source region from capital accumulation, and do not get higher wages in their destination region. Again, this indeterminacy should be solved through numerical simulations.

### **Paper 3, Morocco: “The Variety of Cultural Values and the Role of Education & Research for the Improvement of Intercultural Dialogues”**

A series of publications and reports have focused on the role played by intercultural dialogues in promoting the benefits stemming from migration through creating better living conditions, integration, and expansion of trade and development between North and South Mediterranean countries. The Franco-Moroccan working paper makes an additional contribution in this area, and seeks to find better ways of sustaining superior outcomes for migrants and both source and destination countries through education and research. Education and research, with their related policies, are considered to be amongst the most important tools and means for strengthening intercultural dialogue and creating better grounds for ensuring bilateral understanding among different cultural groups and countries. The first part of the paper deals with the issue of heterogeneity of cultural values owned by individuals, groups and countries, while the second part focuses on the roles of education and research policies in sustaining intercultural dialogues with higher outcomes to migrants and to countries in the North and South..

The first part of this working paper provides new original indexes for cultural values in the MENA countries. In order to carry out this investigation, the theoretical relation between migration and cultural values is reviewed; the attention is then focussed on three “universal values”: social capital (meaning the ability to work together and to respect shares norms and attitudes); gender equality; and tolerance (meaning the capacity to accept people having different opinions or traditions), with the intention of measuring to what extent these values

are adopted in the countries of the Euro-Mediterranean Region. It shows that these indexes are, on average, lower in Mediterranean countries than in European countries, but the dispersion remains higher in the Northern region compared to the Southern one:

When comparing the countries of the European Union with the Mediterranean countries of the sample (including Turkey), the mean level of 'social capital' index in the EU is near 33 while it is only about 23 in the Southern and Eastern Mediterranean Countries (SEMCs). However, the dispersion is wider in Europe, with a coefficient of variation (defined as the ratio of the standard deviation to the mean) of nearly 0.50, while it is only 0.37 in the SEMCs. France has a weaker index of social capital than most of the SEMCs.

As far as gender equality and tolerance indexes are concerned, the most striking fact is that in the SEMCs these indexes are low, compared to Europe or any other country in the world except China. This phenomenon is most likely due to the assumed conception of tolerance, i.e. tolerance for homosexuality and for atheism. Since tolerance is considered as a universal value, and if the World Value Survey data are reliable, issues in the confrontation of cultural values when speaking of gender equality and the tolerance towards homosexuality have been identified.

The second part of the working paper assumes that the recognition of diversity and the persistence of gaps in the mobilization of common values are mainly related to differences existing in education and research between North and South. While education and research are interdependent, they are analysed separately here in order to determine how North and South have been promoting these areas. As far as education is concerned, it is sustained that educational vehicles and communication tools, for example the learning of foreign languages, can be efficient means for sharing values. Education also enhances the understanding of others, and gives a relevant signal to better integrate the labour market. Lastly, education is a means to avoid cultural traps and failures in cultural exchange. All these benefits can be obtained through education cooperation, at a governmental level (e.g. academic exchanges) or through non governmental agencies (e.g. private universities).

Considering research, several channels through which research can be an engine for the acceleration of North-South cultural relations have been identified. The first one is the change in mindset through knowledge. In research efforts, especially applied research, social sciences play an important role at the identification, analysis and assessment stages. They also provide instruments and tools devoted to enhancing both the technological and institutional set-ups where growth and development take place. Regarding the support of both access to knowledge and promotion of culture, the North and South entered into agreements and

conventions where both North and South can develop their synergies to reduce the gaps and to promote policies of proximity. Governmental organizations from different countries in the Northern Mediterranean area continue their actions for the development of the Southern region through both bilateral and multilateral programs. For example, France is supporting very large programs that include education, culture, health care and environment besides other traditional components in Morocco, Tunisia, and Algeria among other countries in the MENA region. With the active support of the institutions of the European Union, both public and non-governmental actions are conducted in relation to the Southern countries. Besides governmental entities, a large number of Non-Governmental Organizations are operating actively within the Barcelona and Tarragona frameworks on the area of reducing the cultural bridge between North and South of the Mediterranean. Among the NGOs that are actively involved in linking education and cultural exchange, there is the Anna Lindh Euro Mediterranean Foundation for the dialogue between cultures.