

The Community and the countries and regions of the Mediterranean

European File

'Geopolitical reasons in themselves make an impressive case for the necessity of a coherent European Community policy on the Mediterranean. A glance at the map proves it. Look first at the Balkans and then at the mouth of the Atlantic. Take in the Dardanelles and the petrol-producing region of the Near East; remember too that the Mediterranean is the inescapable north-south axis for links between Europe and Africa. We must question whether the Community could survive a serious disturbance in the Mediterranean region...' These comments by Vice-President Lorenzo Natali, the European Commissioner with special responsibility for Mediterranean affairs, illustrate the need for a cohesive, forward-looking Community policy for this region of the world.

As Greece became an integral part of the Community in January 1981, and Spain and Portugal currently negotiate their own terms of accession, so the centre of balance of the European Community shifts to the south and increasing importance is attached to the two central aspects of Community Mediterranean policy:

- Internal aspect: since the creation of the Community the economic and social gulf between member countries in the north and the south has widened. A true Community must do all in its power to narrow this gulf.
- External aspect: its history, commitment to cooperation with developing countries and recognition of its own economic, political and strategic interests oblige the Community to maintain and strengthen links with the non-member countries with which it shares the Mediterranean basin.

In fact the European Community has long concerned itself with the problems of its own Mediterranean region and other Mediterranean countries. Internally and externally, a whole series of measures have been taken.

□ *Measures to assist the Mediterranean regions of the Community.* Most Community policies acknowledge the need for special assistance for less-developed Mediterranean regions. Examples include:

- **Regional policy:** since their inception, the European Investment Bank (EIB) and European Regional Development Fund (ERDF) have devoted just over 45% of their resources to Mediterranean projects. Between 1958 and 1981 loans to the area topped 8 500 million ECU.¹ Between 1975 and 1981 grants exceeded 2 500 million ECU.
- **Agriculture policy:** the Community has taken steps to adapt the basic rules of 'Green Europe' to the specific needs of Mediterranean producers. In addition, the development section of the European agriculture fund EAGGF has stepped up its financial assistance to the modernization of rural infrastructures, marketing and production methods.
- **Social policy:** the European Social Fund gives priority and a higher rate of financial assistance to job training and retraining schemes in Greece and southern Italy.

Between 1975 and 1981, the Mezzogiorno in Italy, the South of France and Greece received a total of more than 3 800 million ECU in Community grants and nearly 4 900 million ECU in Community loans. Europe's efforts have not been negligible yet they have proved insufficient to remedy the economic imbalance which still exists between north and south:

- Agriculture still accounts for a large proportion of economic activity in the Mediterranean area (between 20% and 60% of the working population). It faces serious handicaps, caused by natural conditions, the type of produce traditionally grown (fruit, vegetables, wine and olives) and a structural economic lag.
 - The unemployment situation in the Mediterranean area is disturbing and economic growth and gross domestic product remain weak. In the Mezzogiorno and Greece, for instance, GDP per head is less than half the Community average.
- *Cooperation with non-Community Mediterranean countries.* The Community has signed agreements with almost every country in the Mediterranean basin. Negotiated individually in the 1960s, the agreements were renewed in 1972 as part of an overall Community policy. In the present state of affairs:
- Turkey, Cyprus and Malta have signed association agreements which will progressively create a customs union with the Community. In Turkey's case the agreement ultimately envisages full membership.

¹ 1 ECU (European Currency Unit) = about £ 0.57, Ir. £ 0.69 or US \$ 0.92 (at exchange rates current on 19 November 1982).

- The Maghreb countries (Algeria, Morocco and Tunisia) and the Mashreq countries (Egypt, Jordan, Lebanon and Syria), together with Israel and Yugoslavia have signed commercial, industrial, technical and financial cooperation agreements.

Although their scope varies politically, all the agreements give the Mediterranean countries customs-free access to the Community for industrial goods. They also make a variety of customs concessions for agricultural produce. Financial aid is provided in the form of direct grants as well as loans from the European Investment Bank. It is envisaged that a total of 2 300 million ECU will be paid out between now and 1986.

Nevertheless, this policy has not yielded the expected results. Conceived in a period of economic growth, the policy took effect in a period of recession. It has not proved adaptable to the changed economic climate:

- The generous industrial concessions have not led to the expected growth in exports from the Mediterranean partner countries. Consequently, there has been little impact on their pace of industrial development. In practice, the sectors in which the Mediterranean countries were able to boost their exports were just those sectors — such as textiles and steel — which the recession made sensitive in the European Community. To permit the orderly restructuring of its own industries, the Community found itself obliged to negotiate import restraint agreements.
- Because of difficulties experienced in its own Mediterranean regions, the Community has not been able to extend the concessions made for agricultural imports. The produce of the partner countries is frequently in direct competition with Community produce.
- Far from narrowing the trade deficit of the Mediterranean countries with the Community as the agreements intended, the deficit grew from 4 000 million ECU to 9 000 million ECU between 1973 and 1980. This forced the partner countries to curb their imports, to the detriment of European exporters of machinery and other technical goods.
- Growing unemployment in the Community has reduced opportunities for migrant workers and consequently the flow of remittances which the Mediterranean countries counted on to improve their balance of payments.

A new departure in Mediterranean development policy

There are, then, a multitude of reasons for European leaders to work out a new strategy for the development of the Mediterranean area. Despite Community efforts, the economic imbalance between the northern and southern parts of the Community itself has resisted correction. Cooperation agreements with non-Community Mediterranean countries have had limited success. The imminent accession of two more southern European countries to full membership raises the prospect of increased competition between many Mediterranean products on Community markets. A new Mediterranean strategy must aim to foster

an economic 'catching up' by the Community's own Mediterranean regions. It must also promote the development of the other Mediterranean countries, while avoiding 'poor man's quarrels' between these various countries and regions. It must ensure that the burdens of Spanish and Portuguese accession do not fall excessively on the weakest of the Community's partners. It must aim, in sum, to offer new opportunities for peace and economic revival to the Community as a whole by promoting the stability of this sensitive area and the imaginative development of new markets.

1. Integrated programmes for the Mediterranean regions of the Community

National and Community policies must give greater attention to the problems and the indigenous potential of the Mediterranean regions. The European Commission has outlined the principles of a new approach, aiming at balance and justice between all parts of the Community, and based on the restructuring of the Community budget which began in 1981. This approach is built around the concept of integrated development programmes, drawn up in partnership with the governments concerned. These programmes will be 'integrated' in two senses. Firstly, they will make the greatest possible use of existing Community policies and funds, blending them with the measures adopted by the Member States themselves. Secondly, they will cover all aspects of the Mediterranean economy, from agriculture to tourism, new technologies to protection of the environment. In view of the industrial recession they will give more weight than before to underpinning a high level of viable agricultural activity. At the same time, they will endeavour to generate local jobs for those who, despite these efforts, are forced to quit the land.

- The relative importance of agriculture to the Mediterranean economy, coupled with the need to improve competitiveness in advance of Spanish and Portuguese accession, means that agriculture will play a major role in the new programmes.
- Improved competitiveness can only be achieved through a wide variety of actions, which take account of the diversity of the Mediterranean region. In areas where irrigation is traditionally employed, it may be necessary to encourage growers to switch from one variety of produce to another. In areas where new irrigation schemes are feasible, the Community can lend financial support. In other areas where the economic and social fabric of society is most threatened — in hilly or mountainous regions or on low-lying land not suitable for irrigation — the Community will attempt to increase yield from crops, flocks or forests. It will seek to encourage products, both new and traditional, for which markets can most easily be found.
- Throughout the region steps must be taken to upgrade the training of those employed on the land and to popularize new methods of production which will permit, where necessary, a fresh start to be made. Action is also needed to improve the processing and marketing of crops, notably through encouraging viable producer organizations.
- Finally, efforts will continue to reform the common agriculture policy, without challenging the basic principles of 'Green Europe'. Marketing arrangements must be

strengthened, extended or adapted specifically to the needs of Mediterranean produce. To prevent the creation of new surpluses, quality products must be encouraged.

- In the non-agricultural sector, action will be taken to generate alternative forms of employment by exploiting the development potential of individual regions.
- Fisheries: the common fisheries policy must be extended to embrace measures suited especially to the Mediterranean. These should include the development of fisheries in new areas, the creation of protected zones, action against pollution of the sea, the promotion of inshore fisheries and fish farming and the improvement of harbour facilities.
- Small, medium-size and craft enterprises: these are the stuff of which the Mediterranean economy is made. The Community should help them to widen their contacts with the outside world. This can be achieved by improving information services, making details of technical regulations more accessible and by developing awareness of market trends. Action should also be taken to promote modern methods, especially of management and to improve training.
- Tourism: the Mediterranean area holds trump cards which have not always been well played. Special efforts are needed to promote rural tourism, to increase accommodation and to improve those tourist facilities which make the best use of the area's natural beauty and cultural heritage.
- Energy: the high degree of dependence of the Mediterranean region on imported energy must be reduced. The Community should increase its contribution to development of solar and geothermal energy sources.
- Transport and infrastructures: to remove the Mediterranean from the periphery of Europe and develop its potential as a commercial cross-roads between north and south, improved transport infrastructures are needed in every sector: sea, rail, air and road.

2. A new policy towards the non-Community countries of the Mediterranean basin

'The Community of 12 remains the indispensable outlet for the exports of Mediterranean countries, and is indeed their natural partner in development. It is in its best interest to avoid increasing their economic and social difficulties which might encourage the destabilization of the region. The Community should therefore prove itself a reliable partner to the Mediterranean countries, whose trade and aid policy can be counted on in a long-term view.' This is one of the points underlined by the recent communication (June 1982) of the European Commission on 'A Mediterranean policy for the enlarged Community'. The comparative failure of past efforts and the prospect of the enlargement of the Community to include Spain and Portugal oblige the Community to draw up a new policy for the Mediterranean. This should progress gradually towards a more formal kind of cooperation between the different regions and should be built on a triple foundation:

- Agriculture: Mediterranean produce has a limited export market, which is slow to expand. Surpluses are difficult to sell on world markets and, by the nature of the produce, can make little contribution to the fight against world hunger. This emphasizes the need to prevent permanent surpluses. It also demonstrates the paramount importance of the Community market for all the countries of the Mediterranean basin. Community action must, therefore, be developed in three ways:
 - Consolidation of imports from the Mediterranean partner countries, permitting products covered by the agreements continued access to Community markets.
 - Development of complementary agriculture policies in the Community and the partner countries. Firstly, the Community must control its own production trends to avoid damage to the partner countries. Secondly, it must do all in its power to coordinate the timing of the production and the marketing of Mediterranean produce.
 - Persuasion of non-Community Mediterranean countries to improve their trade balances, not by ceaselessly increasing exports but by reducing their dependence on food imports, as far as technical conditions and the labour market allows. It is therefore a question of helping these countries to develop agricultural potential where there is a shortfall at present, as well as of encouraging them to continue with the reconversion of the sectors in surplus.
- Industry: the Mediterranean countries must be offered real opportunities to expand exports of the products they are best able to manufacture. These tend, at present, to be products, such as textiles, footwear and processed foodstuffs, which have been hardest hit by the economic crisis in Europe. But a Mediterranean policy cannot succeed if the Community closes the door to industrial goods from the partner countries. Limitations imposed in the textile sector are already much resented. The Community must therefore:
 - Return to its 1972 commitment to allow customs and quota-free access to industrial goods from the Mediterranean countries.
 - Create, along with this commitment, negotiating machinery which will allow genuinely concerted action when the need arises. Exchanges of information on market trends in sensitive sectors would give early warning of crises and allow effective measures to be taken when the orderly operation of the market is threatened. The Community's partners could then have renewed confidence in the operation of the agreements. They would be better able to plan their industrial development.
- Cooperation: the principle aim of a Community Mediterranean policy must be to assist the development of the partner countries while respecting their right to independent domestic and foreign policies. The Community should discuss with interested countries to what extent it can help them to achieve their own development targets. At the same time, it must try to foresee possible conflicts of interest and to encourage a complementary development of the different economies of the partner States. This will inevitably

involve a certain amount of economic reconversion on all sides. Like the Community's own Mediterranean regions, the non-Community countries in the area are therefore in need of increased financial aid. The Community must step up its assistance and it must also promote a flow of capital into the partner countries. This can be achieved through loans from the Community's own financial machinery and through mobilizing funds on world finance markets.

Cooperation must also be improved in the social field. A new influx of migrant workers into the Community is extremely unlikely. But the Community should increase its efforts to ensure equal treatment for workers from the Mediterranean countries. It must also improve training opportunities which can ultimately benefit the country of origin.



The development of Mediterranean policy is in the political and economic interest of the whole Community. It can help to maintain peace and to generate new markets. But it could also create a gulf between different parts of the Community. The developed north will be given opportunities to export, for example, large quantities of technical goods and cereals. On the other hand, the Community's Mediterranean regions will face increased competition just when they also face the bulk of the burden of the enlargement of the Community. Enlargement is another factor which, though positive in itself, could widen the economic imbalance between different parts of the Community. It is therefore evident that the creation of an external policy for the Mediterranean must also involve great efforts to bolster internal solidarity. Measures favouring the Mediterranean regions of the Community must be extended.

By simultaneously promoting the development of its own Mediterranean regions and the partner countries of the Mediterranean basin, the Community can reduce the risk of a conflict of interests. Implementation of such a policy is made particularly urgent by the imminent accession of Spain and Portugal. But it will be necessary in any event if Europe wishes to become a true Community, founded on solidarity and social justice, capable of economic expansion and wide international influence. Such influence is especially important in the Mediterranean, one of the most sensitive areas of the world and one of the cradles of human civilization ■



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