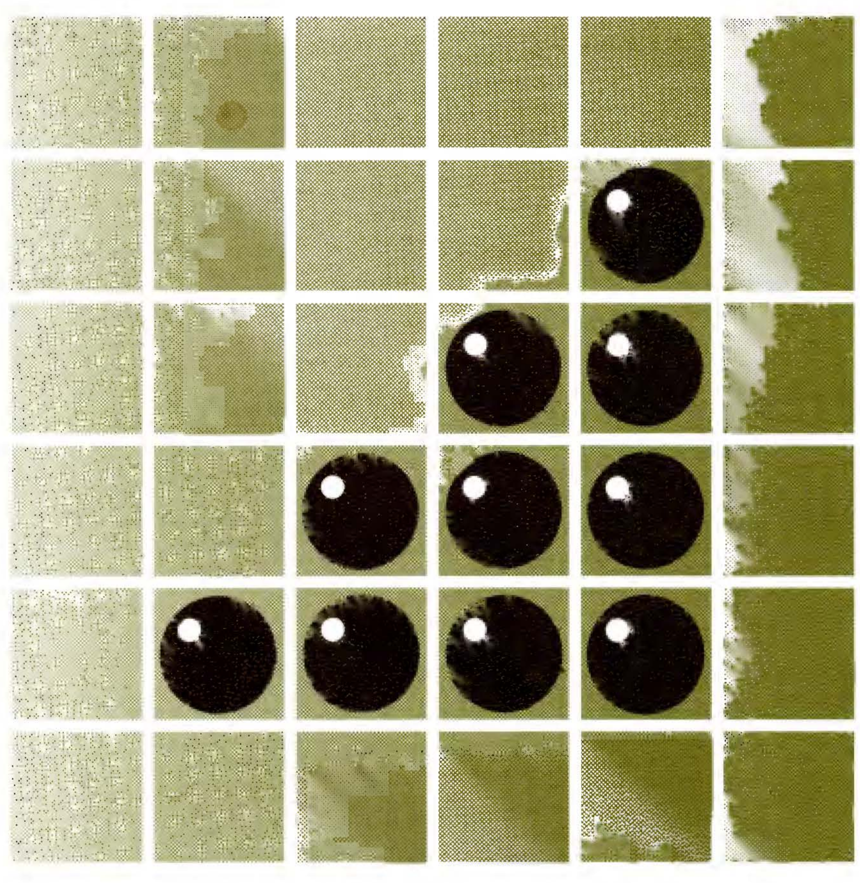
Periodical 3-4/1985

THE EUROPEAN COMMUNITY AND THE MEDITERRANEAN



EUROPEAN DOCUMENTATION

E

In the same collection

Education of migrant workers' children in the European Community *(out of print)*
The European Community and nuclear safety *(out of print)*
The protection of workers in multinational companies *(out of print)*
The European Community's external trade *(out of print)*
Teacher training in the European Community *(out of print)*
The elimination of non-tariff barriers to intra-Community trade *(out of print)*
The European Community's competition policy *(out of print)*
The European Community and the developing countries *(out of print)*
Worker participation in Europe *(out of print)*
The consumer in the European Community *(out of print)*
25 years of European Community external relations *(out of print)*
The second enlargement of the European Community *(out of print)*
The Community and its regions *(third edition)*
Cultural action in the European Community
The European Community's research policy
The European Community and vocational training
The economic and monetary union *(second edition)*
The European Community's financial system *(third edition)*
Freedom of movement for persons in the European Community
An education policy for Europe *(second edition)*
The European Community's industrial strategy
The agricultural policy of the European Community *(third edition)*
The European Community and the energy problem (third edition)
Wine in the European Community
The Court of Justice of the European Communities *(third edition)*
The social policy of the European Community *(third edition)*
The Customs unions *(third edition)*
Europe as seen by Europeans — Ten years of European polling
The European Community's Environmental Policy *(second edition)*
The ABC of Community law

(continuation on third page of cover)

Originating department:
Division IX/D-5 — Coordination and preparation of publications

The European Community and the Mediterranean

Manuscript written by François Duchene and completed in November 1984.

The text does not necessarily reflect the opinion of the Commission of the European Communities.

This publication is also available in the following languages:

DA	ISBN 92-825-5323-X	Det europæiske Fællesskab og middelhavslandene
DE	ISBN 92-825-5324-8	Die Europäische Gemeinschaft und der Mittelmeerraum
GR	ISBN 92-825-5325-6	Η Ευρωπαϊκη Κοινότητα και η Μεσόγειος
FR	ISBN 92-825-5327-2	La Communauté européenne et le bassin méditerranéen
IT	ISBN 92-825-5328-0	La Comunità europea e il Mediterraneo
NL	ISBN 92-825-5329-9	De Europese Gemeenschap en het Middellandse-zeegebied

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 1985

ISBN 92-825-5326-4

Catalogue number: CB-NC-85-004-EN-C

Reproduction in whole or in part of the contents of this publications is free, provided the source is acknowledged.

Printed in the FR of Germany

Contents

Glossary

Part I — Europe and the Mediterranean ....

1 - Ancient and modern ....

2 - Europe and the Mediterranean since the war ....

3 - The European Community's stake in the Mediterranean ....

Part II — The Mediterranean global approach and the enlargement of the Community ....

4 - Community-Mediterranean agreements and prospects ....

5 - The stakes of the Mediterranean countries ....

6 - Agriculture ....

7 - Sensitive sectors of industry ....

8 - Migrant labour ....

9 - Countries and concerns ....

Part III — Policy options ....

10 - Contexts ....

11 - Trade policies (A): diversification ....

12 - Trade policies (B): preferential concessions ....

13 - Trade policies (C): financial compensation ....

14 - Development policies ....

15 - Contacts for cooperation ....

16 - Conclusion: playing for high stakes ....

Statistical tables ....

Bibliography ....

Glossary

ACP — 66 African, Caribbean and Pacific countries: signatories of Lomé Convention with EC (mostly countries of former European empires).

Asean — Association of South East Asian nations: Indonesia, Malaysia, Philippines, Singapore, Thailand.

CAP — Common agricultural policy of EC, see market organization.

CMEA — Council of Mutual Economic Aid (referred to sometimes as Comecon): association of East European countries whose aim is economic development on a complementary basis, through central planning.

Comecon — see CMEA.

EC — European Community of 10 Member States: Belgium, Denmark, Federal Republic of Germany, France, Greece (since 1981), Ireland, Italy, Luxembourg, Netherlands, United Kingdom. To be enlarged to 12 Member States after entry of Portugal and Spain.

ECU — European Currency Unit: used for financial transactions of EC among other things; introduced when EMS established in 1979.

EFTA — European Free Trade Association: association that groups Austria, Iceland, Norway, Portugal, Sweden and Switzerland, while Finland is an associate member.

Enlargement
- First: entry into Community of Denmark, Ireland and United Kingdom in 1973.
- Second: entry of Greece in 1981 (end of transition period: 1. 1. 1986 and, for a few items, 1. 1. 1988).
- Third: entry of Portugal and Spain.

EMS — European monetary system: established in 1979, with the objective of stabilizing exchange rates betweeen Community currencies and, in longer term, creating a European money (see ECU)

FAO — Food and Agriculture Organization of United Nations.

GATT — General Agreement on Tariffs and Trade established in Geneva in 1948 as a legislative and negotiating framework for international trade realtions.

GDP — Gross domestic product: similar to GNP but less income from investment abroad.

GNP — Gross national product: the money value of goods and services produced in an economy, generally over a period of one year.

GSP — Generalized system of preferences: tariff cuts granted by EC in order to encourage exports from developing countries.

Mashrek — Egypt, Lebanon, Jordan and Syria.

Maghreb — Algeria, Morocco and Tunisia.

Market Organization — set up under CAP (see above) for most agricultural products of EC. It supports the prices farmers receive for their produce primarily by these means:
- the buying up of output by public authorities to reduce quantities on market and so raise prices;

— a system of minimum prices for imports, which prevents them from undercutting and so lowering Community prices.

MFA — Multifibre arrangements: system of limits, under GATT, on imports of textiles and clothing from low cost countries. The MFA generally do not affect MNCs (see below), whose exports of textiles and clothing are subject to voluntary export restrictions.

MNCs — Mediterranean non-candidates: countries with which the Community has preferential agreements. These are: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey and Yugoslavia. Albania and Libya have no agreements with the European Community, while Portugal and Spain are candidates for membership (see Enlargement).

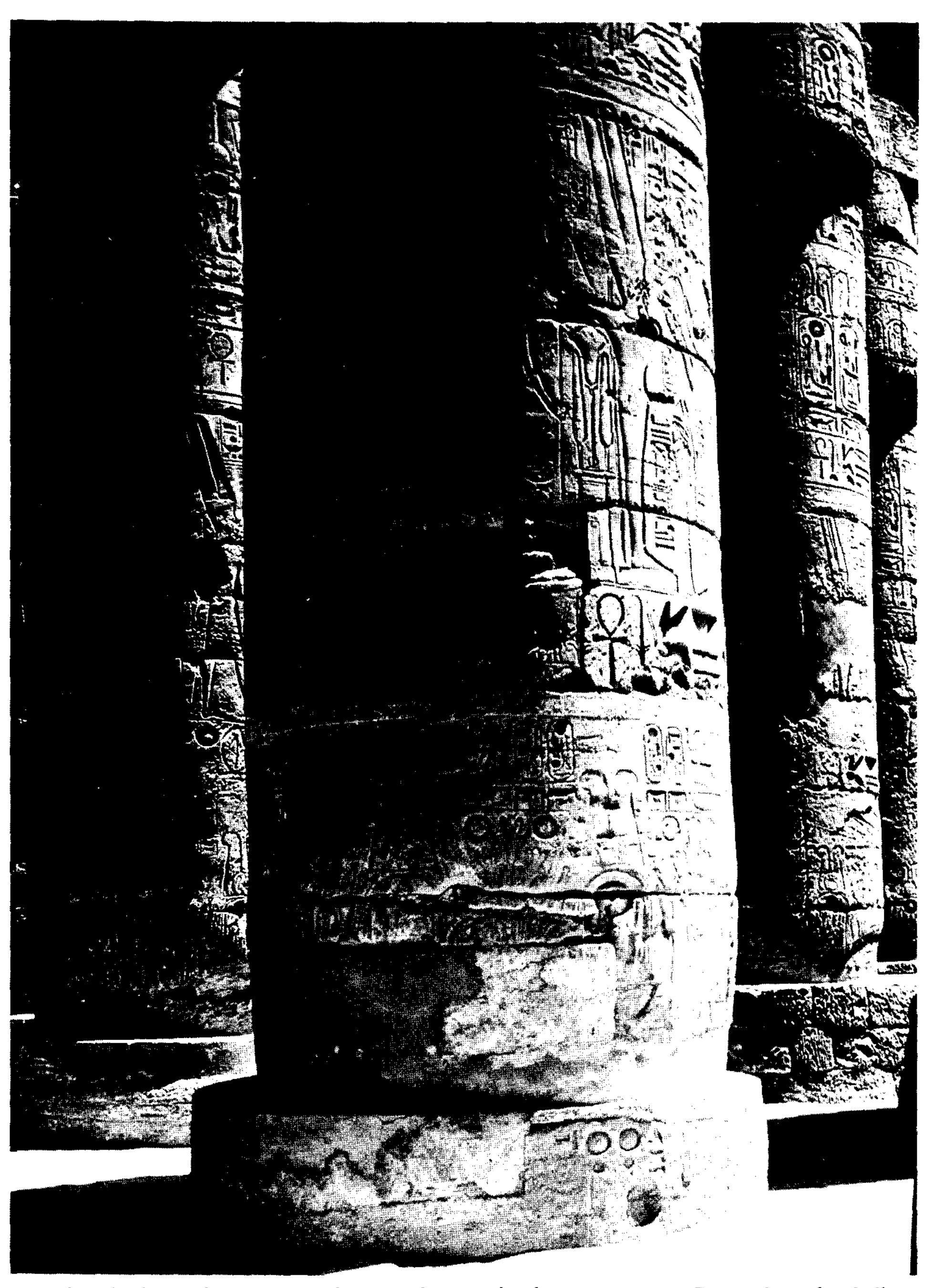
OECD — Organization for Economic Cooperation and Development: established in 1961 to promote economic growth and the expansion of trade. Consists of 24 countries: USA, Canada, Japan, Australia and New Zealand, all EC and EFTA Member States, Spain and Turkey (Yugoslavia is an associate member). The usual forum for the discussion of economic policies between industrialized market countries.

OPEC — Organization of Petroleum Exporting Countries: formed in 1960, its members are Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Quatar, Saudi Arabia, United Arab Emirates and Venezuela. It sets an official price for crude oil which influences world price levels.

Unctad — United Nations Conference on Trade and Development: established in 1964 to promote better international trading conditions for developing countries and to help raise their standard of living.

PART I

Europe and the Mediterranean



Before the dawn of European civilization: the Temple of Amon in ancient Egypt. One of its halls contained no fewer than 122 giant pillars.

1. Ancient and modern

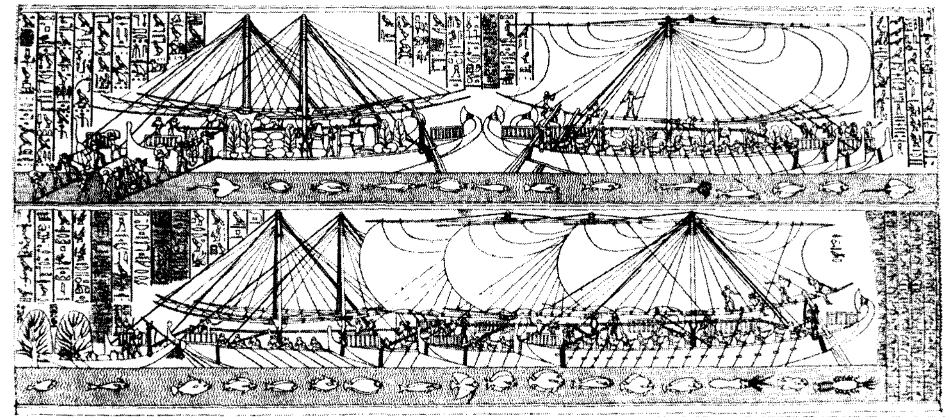
Though Europe feels old for having given birth to the modern world and almost parental towards the superpowers, it is itself, as history goes, a pretty raw newcomer. Despite the Gothic cathedrals, Northern Europe counted for little until it borrowed a toga from the older centres of civilization. Europe's claims to antiquity rest mainly on its southern flank, in the Mediterranean. Vicarious pride in ancestral achievements fed the fascination of the south for the post-Renaissance European mind from du Bellay to Goethe and Burckhardt. Today, after four centuries, an industrial revolution and the emergence of a world political system this has somewhat abated. The Classical world is a vague memory or a tourist attraction not a dominant influence in the 'electronic global village'. Across the Atlantic, Palladian columns add another touch of *kitsch* to basement malls in cities of glass and steel. A cultural supremacy has gone. Yet, up to a point, it still provides an inner light behind the sun that bakes the millions on overcrowded beaches or in cities that are repositories of the culture and, from the hinterland of space and time, gives the Mediterranean an aura which remains unique in the west.

Where antiquity is genuine, it is not that easily shaken off; and the Mediterranean is no exception. Age can be discerned even behind one of the most remarkable characteristics of the region on the contemporary political map. The basin is one of the few zones on earth, where the capitalist First World, the socialist Second World and the developing Third World meet and it is arguably the one in which they come together in the most intense proximity. The capitalist European Community occupies the north-west of the Mediterranean. The Balkans are socialist except for Greece and Turkey. Aside from Isreal, the eastern and southern shores form part of the Third World.

These divisions, though specifically modern, are in some respects far older than they look. The three worlds meeting in the basin run up against the fissures of an East-West dichotomy which goes back over three millenia and of a North-South divide which, though much more recent, is still as old as Muhammad. And that ignores Israel, which echoes the Old Testament. There are, in short, some astonishing continuities in the cultural frontiers which are the deposit of the exigencies of the past. Since these give greater depth to the issues even today, it is worth casting a brief glance at what they represent.

East and West

The Mediterranean began history on the edge of civilization. Egypt and Syria were already old when the maritime empire of Crete unified the Aegean in the second mil-



Maritime trade was already big business in ancient Egypt two thousand years and more before Christ. This wall illustration at the Temple of Deir el Bahri shows a trading fleet returning to Thebes during the reign of Queen Hatshepsut (1490-1468 BC). (from collection of the Fondation Egyptienne, Brussels)

lenium BC and set up trading posts in Sicily and perhaps Andalusia, both of them barbarian sources of materials and markets. A thousand years later, Phoenicians and Greeks were still planting colonies in the western Mediterranean as in a New World. Civilization in the Mediterranean has migrated from east to west, and this simple fact has led to some lasting results.

As the historian of the crusades, Sir Steven Runciman, has written, 'throughout the history of the Roman Empire there was a latent struggle between East and West'. It came into the open when the Western empire collapsed and the Hellenistic East prospered for another thousand years. The differences were reinforced by the medieval split between the western and eastern Churches, still evident along a line from the Lebanon and Greece to Russia.

It may seem fanciful, because of the political and religious influence of the Eastern Roman Empire on the early development of Russia, to relate Soviet domination of Eastern Europe and the Balkans, which in its specific forms is an accident of the last war, to the Byzantine (and Ottoman) inheritance. After all, Greece herself and Turkey are both outside the Soviet pale, struggling to integrate Western political norms in their traditions. Yet Eastern Europe and the Balkans have both missed the experiences of the mercantile and historically decentralized West, just as they have missed its liberal emancipation. Leninism is not the heir of Byzantium, but some of the roots they share, like others they have never had, underline frontiers with the West.

North and South

Unlike the division between East and West, the one between North and South in the Mediterranean hardly calls for emphasis. In a famous 'thesis', put forward in the 1920s, the Belgian historian, Henri Pirenne, argued that Muhammad and Charlemagne were mirror images of one another, that the Classical World died and the special identity of Western Europe emerged only because Islam destroyed the unity of the far more advanced and civilized Mediterranean. Though the view is not held in that form today, the frontier is still plain for all to see. It has in some respects been reinforced by the political and economic decline of Islam from the 18th century to the first world war, when many Moslem parts of the Mediterranean fell into the hands of Europeans. These layers of experience are visible today, for instance, in the dichotomy between 'developed' and 'developing' worlds; and in the latent struggle in Moslem States between a secular 'socialism' owing much to Europe and a reviving Islamic fundamentalism.

Four worlds in one

In short, the Mediterranean which strikes one as a unit on the map, and in some respects is a vital channel of communications and shared experience, is also in crucial ways diverse, a frontier zone betweeen two, three and, if one includes Israel even four, cultural traditions. No assessment can afford to ignore these depths.They are part of the rules of the game which policies must respect to have any hope of lasting.

2. Europe and the Mediterranean since the war

The cold war

There have been a number of phases since the war in European relations with the Mediterranean region. The first was marked by Europe's massive retreat following the 1939-45 war, and its replacement by superpower patterns dominating the cold war. The region thus became a major theatre of the East-West balance, not quite as obviously crucial as the European central front based on Germany, or Norway as the egress of the main Soviet fleet from Murmansk, but not far behind.

This situation has gradually come to be seen not as a misfortune imposed from outside but as a framework with considerable, if unforeseen, local advantages. There

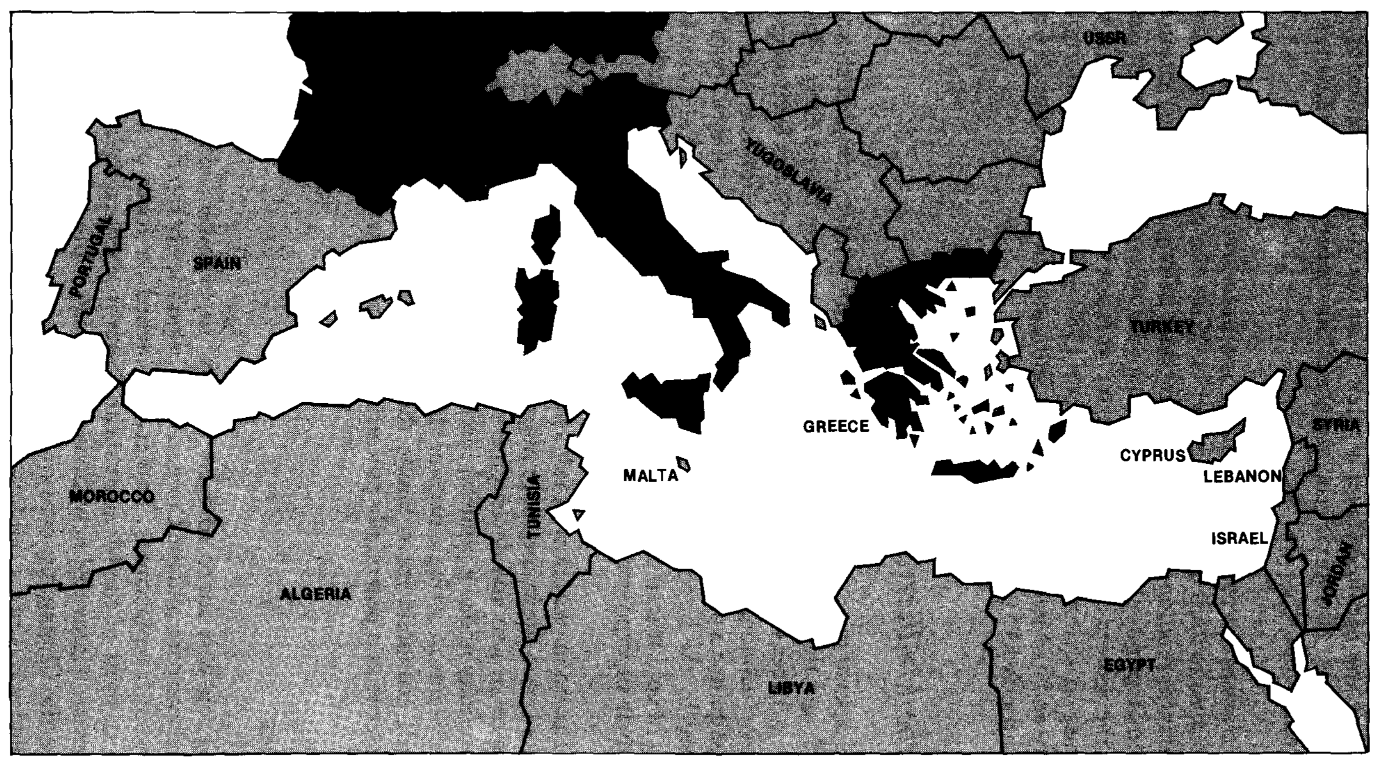
have been calls from coastal States for a 'Mediterranean for the Mediterraneans'. But they have had at most moderate force, because the superpower stalemate has come to be tacitly regarded as a guarantee of regional stability. It has eliminated many contextual uncertainties, sometimes helped regimes to take root, and even in some senses given indigenous States economic and political room within which to promote their own priorities.

Since the beginning of civilization the Mediterranean has been not only a highway for trade and a source of food, but the vehicle for countless confrontations and wars. Today is no different, with fleets of the superpowers sailing round eyeball to eyeball. Photo shows a Soviet guided missile destroyer cruising near the American airccaft carrier USS Saratoga *in the Mediterranean.* (Photo US Navy)

Of course, for western Europe the Mediterranean is not merely important as one of Nato's flanks but as a next-door neighbour with a long and complicated history of mutual relations. In the early postwar years, it may have seemed that these were going through a recession. The European States, largely knocked out of the arena as a result of the war, carried on at most a rearguard action in delaying the end of empire. By 1962, no colonies in the region remained. Yet the ties forged between societies, economies and cultures in the defunct empires, and by the simple facts of geography going much further back, were not so fragile as they seemed. They still play a major part in economic and political relations.

Trade flows alone show that many have remained closer than political decolonization might have led one the expect; and have even in some cases been reinforced. On top of this, the development of the postwar boom on the base of vast imports of

The Mediterranean Area



	Morocco	Algeria	Tunisia	Malta	Egypt	Israel	Jordan	Syria	Lebanon	Cyprus	Turkey	Yugoslavia
Population (1982 — in millions)	21.7	20.3	6.7	0.3	44.7	4.0	3.5	9.7	2.7	0.7	46.3	22.7
Gross domestic product per inhabitant (1982 — in dollars)	680	2 210	1 180	3 670	710	5 780	1 115	1 910	2 560	3 000	1 140	2 540

Source: United Nations.

cheap oil have made the Mediterranean a gateway to the Gulf and an important source of energy in itself. This too is crucial since oil has become the dominant fuel of the European economy.

Thus, the Mediterranean matters to Western Europe on several levels, each of which is of major importance in itself and that together build up into greater moment still: the East-West balance; relations with close neighbours belonging to other cultures, some of them with large populations and covering vast areas; and as a line of communication with the sources of the oil for industry. It is not surprising then, that the European Commission's 'Communication' of June 1982 underlined the importance to the Community and its Member States of sustaining stability in the region. This is one of western Europe's few truly 'vital interests'.

Europe and the Mediterranean revival

Behind the initial appearances in the 1950s of European retreat, complex changes were taking place, and these began to reshape into a new phase by the early 1960s. In essence, the new forces were the product of the revival of the States bordering on the basin as postwar economic miracles began to spread. The restlessness with cold war this generated gained a positive content from the growing sense of new room for manoeuvre opened by the hope of detente. Local regimes began to feel more free than at the height of cold war to pursue their own goals and seek new partners without repudiating their superpower connections.

The West European boom was now in full swing. It offered a huge potential outlet to exporters. It sucked in more and more migrant workers from the Mediterranean and was a source of growth and development for the whole region. The establishment of the Community added a political force to the economic magnet. By mobilizing the Member States in a single organization, the Community conjured up the notion of a third, economic force beside the superpowers. It brought Western Europe onto the scene as a potentially powerful actor in its own right.

Civilian power

Europe's reviving role was not to compete with the superpowers, since their stalemate tacitly suited everyone and the Community was politically too close to the United States to serve as a replacement. Rather, it switched the focus of the Western-oriented policies of most of the Mediterranean States in a direction in which they were leaning anyway. It provided new kinds of openings in the economic and civilian spheres where the Community was overwhelmingly the largest regional force. Since the Community was not a military superpower, emphasizing European rela-

tions was a way of playing down security alliances without renoucing them. The emergence of the Community marked a shift from the psychology of the cold war and military confrontation to economic and social development with greater emphasis on regional concerns.

Special relations

In this phase, the Community's influence was enormous, but more as a passive than an active agent. The Community's very existence impelled government after government in the basin, beginning with the Greek in 1960, to seek special relations with it, either to join the Community if possible for European democracies or if not to have some kind of association or preferential trade agreement safeguarding access and status. Each Mediterranean State was determined not to be relegated to a back seat in relations with the Community. A series of *ad hoc* bilateral agreements were little by little signed with every Mediterranean country, save Albania and Libya, and in 1972 the Community announced a 'Mediterranean global approach' which gave them a common framework.

Mediterranean global approach

There were several political reasons for the global approach. One was the recognition that relations with Mediterranean countries had regional and not morely bilat-

Tangiers — meeting place of ancient and modern, of Arab and European cultures. The European Community has proposed a global Mediterranean policy to rationalize its relations with 12 countries around the Mediterranean that are neither members nor candidates for membership of the European Community (i.e. all except Libya and Albania, plus Jordan). (Photo Moroccan Tourist Office)

eral connotations. Moreover, the contradictions and loose ends almost inevitable in uncoordinated bilateral relations carried risks of creating rivalries between partners of the Community and even conceivably helping to destabilize the area, which was the exact opposite of the goal pursued. Over and above these motives, however, was the importance for the Community to give practical and visible expression to the political priority it accorded the region.

For reasons that are explained in Section 4 below, the most marked practical feature of the global approach was the Community's promise to free, or almost free, the entry of the partners' industrial exports onto the markets of the Member States.

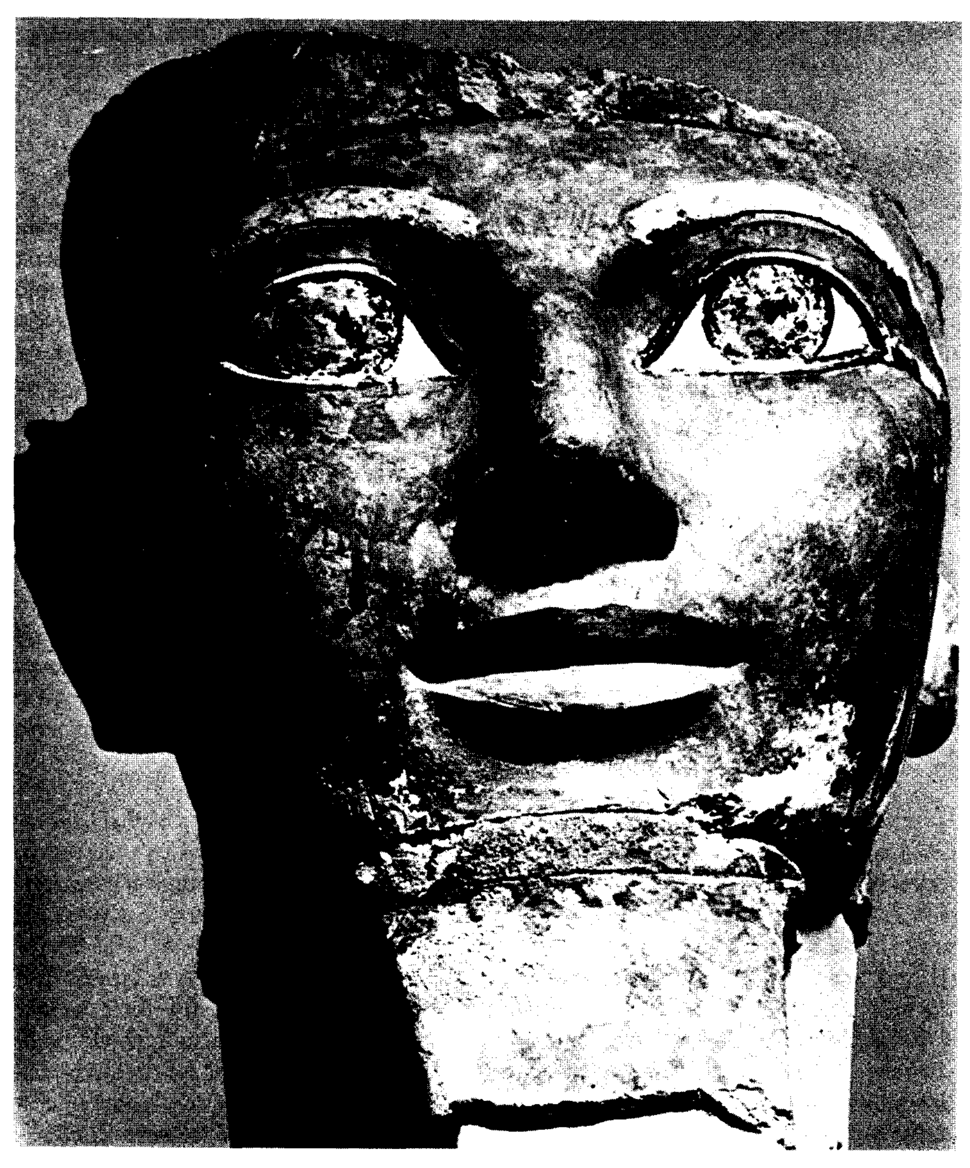
Free entry into Europe

This policy was in many ways a Mediterranean pendant to the trade agreements of the Community in central and northern Europe with the mostly much richer States of EFTA (the European Free Trade Area) that covers Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland). The Community set up free trade areas in manufactured goods with the EFTA States. Only farm goods were excluded.

While the creation of a free trade area was the political justification to GATT, the world trade organization, of otherwise unacceptable preferential relations with the Mediterranean, full free trade arrangements like those with EFTA were envisaged only for the Community's relations with Israel and the European market economies in the basin, Greece, Turkey, Cyprus and Malta (Spain, under Franco, was ruled out for political reasons). The other States were regarded, and regarded themselves, as ecnomically too weak to stand up to free trade with the Community. In practice even those with whom free trade was envisaged have had to renounce for the indefinite future their part of the deal. The nearest to meeting it is Isreal, which is due to free its imports from the Community by 1989. For the rest, the global approach has in practice given Mediterranean countries free entry for their manufactures to the Community without substantial reciprocity. It has allowed these States, most of which have over a third, and some more than a half, of their trade with the Community, to enter into close preferential relations with it.

From the Artic to southern Africa

The Community now sits at the centre of a web of relations, in principle of free trade, one or both ways, embracing the whole of non-socialist Europe and virtually all the Mediterranean basin, 31 countries in all. This even extends to a further 66 developing countries (as of September 1984) mainly in Africa, through the Lomé Convention. However, the gaps in development between rich and poor are in this case so great that the real relations are necessarily of a very different character.



Egyptian sculpture has played a key role in the development of art around the Mediterranean. It was in its prime for three thousand years (from 3000 to 30 BC). Photo shows the scribe Kais (Vth Dynasty, 2563-2423 BC).

Nevertheless, the Community-related zone stretches 7 000 miles from North Cape in Norway to the frontiers of the Republic of South Africa.

Industrialization and politics

The boom years produced a marked revival of vitality in the Mediterranean. During the 20 years from 1960 to 1980, the non-Community Mediterranean for the first time emerged as one of those relatively hopeful areas which harbour what to OECD (the organization of advanced industrial societies) has christened 'NICs' or Newly industrializing countries. The basin has shown strong signs of coming out of its long sleep since the 16th-century heyday of the Spanish and Ottoman empires. The extraordinary success of OPEC (the Organization of Petroleum Exporting Countries) in the mid-1970s, which helped several Mediterranean States to prolong high growth almost to the end of the decade, was a symbol of this reviving status in the world.

In southern Europe, the boom years brought special changes. They reduced the gap which was still enormous in mid-century between the areas north of the Alps and Pyrenees and those to the south. Peasant societies migrated *en masse* to the cities and their culture became dominated by the mass media. Today, the southern countries still have far larger populations on the land than the northern ones. But for the first time, the day when agriculture becomes an activity in industrial society on a par with the others can clearly be glimpsed at the end of the road.

This has had major political consequences. The simultaneous collapse of three dictatorships in Greece, Portugal and Spain in 1974-75 and their prompt conversion to parliamentary regimes on the west European model seems to have marked a watershed in their adjustment to the political culture of the rest of western Europe. All three very soon applied to join the Community, Greece entered in 1981 and Portugal and Spain will follow in 1986. The centuries-old split between northern and southern Europe seems in process of being closed. It is an important reinforcement of the world's minority of European-style democratic States. It is also in the logic of what the Community was set up to achieve. This was, first, to consolidate western Europe as a political entity by giving all democratic States a seat and a voice in collective policy-making. It was, second, to mobilize the potential of western Europe's States to act effectively together in a rapidly changing world and help shape the international process. In the Mediterranean, shaping the process means giving a political and economic base to prosperity and making security less dependent on the technical-military stalemate of the superpowers.

Intensive irrigation has helped to bring large areas of land into agricultural use. However, for most of the countries that are neither in the European Community nor candidates for entry, it is still not enough. They need to import increasing amounts of food to keep their peoples fed. Photo shows the result of such irrigation in Morocco, seen from the top of Afourer in the Atlas Mountains. (Photo Vivante Afrique)

Recession

However, by the time Greece (in 1975), Portugal and Spain (in 1977) had formally applied to join the Community, conditions had changed again, and this opened a third phase in Community Mediterranean relations. The main reason was recession. This began with, though not only because of, the first energy crisis in 1973 and was aggravated by the second energy crisis, beginning in 1979. The recession did not immediately affect the Mediterranean economies, for which, in general, the middle 1970s were still a period of high or respectable growth. In a number of individual cases growth in the 1970s exceeded, on the average, that of the previous decade. Between 1970 and 1980 and leaving aside Lebanon, hurt by civil war, national growth rates averaged between a minimum of 3.9% in Cyprus and a maximum of 10.9% in Malta (Table 1). But from 1980 onwards at the latest (in many cases from 1977 or 1978) growth rates fell, some of them steeply. A country like Egypt, growing economically at 8% a year in the early 1980s, was quite exceptional.

From then on, the impact of recession made its weight cumulatively felt. The crisis in the Community of so-called 'sensitive' industries, such as textiles and clothing, undermined the free entry into Europe for manufactures promised in the global Mediterranean approach. From the point of view of the Mediterranean countries, promises were broken. The fall in worldwide economic activity after the second oil shock of 1979 cut the revenues even of oil exporters. No country in the Mediterranean accumulated the balance of payments deficits of some Latin American States like Brazil, Mexico or Argentina. Nevertheless, several countries experienced significant trouble, or risked doing so, including Turkey, Yugoslavia, Morocco and Algeria. Growth rates fell seriously as a result of reduced outlets in the narrower markets of developed countries, especially of the Community whose economies slowed up more than those of the United States and Japan. By the early 1980s, the great Mediterranean boom was over. The Community's economic performance, far from sustaining growth as in the heady 1960s and until the mid-1970s, had become a source of constriction and anxiety for development planners throughout the region.

Enlargement

In such a context, the Mediterranean enlargement of the Community, important as it is for Europe, complicates the outlook for the rest of the region. Inside the Community, Portugal and Spain, on top of Greece, could expand their sales at the cost of the other Mediterranean exporters. Spain alone, which is in almost every respect twice as big as Greece and Portugal put together, exports more non-fuel products to the Community than all the non-candidates! In any period, but more especially one of constricted general opportunities, this would be potentially a major problem for the less well-endowed.

Demographic growth and recession

All this has political implications. The Mediterranean is less stable than central or northern Europe, with their wealthy societies, longstanding independence and solid political traditions. Even when dynamic and prosperous, the Third World Mediterranean countries have been subject to a range of tensions, any one of which could generate turmoil at almost any time: poverty, high population growth, a youthful society short of jobs, enormous social changes, colonial inheritances manifest in conflicts like the Arab-Israeli and Polisario wars, and a love-hate relationship with the all-pervading intrusiveness of Western culture. Moreover, the historic Mediterranean divisions continue to rule out the cultural unity now taken for granted in Europe. Despite striking recent progress, the Mediterranean is politically diverse and conflict-ridden, and could be destablized by adverse conditions.

Recession and politics

The most explosive forces are to be found in the Islamic areas, at least partly because of their high birth-rates. These create social frustrations and diffuse anger that can all too easily focus as xenophobia. Recession was not necessary for this. The *mullahs* triumphed over the Shah's regime in the full tide of OPEC wealth. It is also a familiar thesis that revolutions can be an expression of rising, not falling prosperity. But recession adds to the pressures. Even apparently solid secular regimes have shown signs of stress in recent years. Unexplained and unpublicized curfews have been imposed in Algeria, bread riots have broken out in Tunisia and Morocco and so on.

Such uncertainties give added significance to the increasing interest taken by the Community's Member States since the early 1970s, in shaping security in the Mediterranean. This concern has been shown in Community policies from the Portuguese revolution to the Turkish near-civil war before 1980. Similar preoccupations have governed the transfer, in NATO, of economic responsibility for Malta from Britain to Italy; and in the political prominence given to the Yugoslav-Community relationship since the death of Tito. There is a potential contradiction between on the one hand the concern of the European States to stabilize the political situation, especially on the northern shores, and on the other the economic trends, including recession and the possible consequences of the enlargement of the Community, which could help to destabilize the other parts of the area. Removing this contradiction must be the basic purpose of all Community policies to handle Mediterranean problems.

3. The European Community's stake in the Mediterranean

European pottery has its origins beside the Mediterranean. Photo shows an earthenware plate found at Paterna, Spain (14th Century).

The Mediterranean region more or less corresponds to the old Roman Empire without Britain, Gaul north of 'the Province' and most of the Danubian basin. Today, it covers about 6% of the land area of the world, 7% of its people and 8% of its pro-

duction of wealth. This seems moderately favourable. However, the figures include Italy, Greece, Portugal and Spain, all of which belong, or expect soon to belong, to the European Community. If one looks at the remaining countries of the region, the picture looks rather different. Area apparently does not change much, but agriculturally useful land does, because some of the biggest non-Community countries (e.g. Algeria, Egypt) include so much desert. Numbers of people fall to 4% of the world total and, more important, output to between 2 and 2.5%. Italy alone in 1980 had a gross domestic product (GDP) nearly half as large again as that of all the Mediterranean non-candidates (MNCs) put together.[1]

The Mediterranean and European Community economies

	Land area (million sq. km.)	Agriculture area (million sq. km)	Population 1982 (millions)	GDP 1982 ($ 1 000 million)
European Community (10)	1.7	1.0	271	2 813
Portugal and Spain	0.6	0.4	47	204
Italy	0.3	0.2	56	384
Non-candidates	5.4	1.8	181	266

Sources: Eurostat, IMF, FAO.

There is, then, an enormous gap in economic weight between not merely each, but all, the Mediterranean non-candidates, including a major oil exporter like Algeria, and the Community.[2] This disparity is inescapably the dominant feature of the relationship between Community Europe and the rest of the Mediterranean basin.

Precisely because the Community has gigantic economic power compared to the Mediterranean States, taken alone or together, there is a temptation to deduce that is does not depend on them much. This impression is reinforced by looking at the size of the Community Member States' exports to the area in terms of their GDP (gross domestic product). Whereas for half the Mediterranean countries the proportion rises over 7%, for none of the Community members does it rise over 1.7% — Greece, followed by Italy 1.6% per cent and, more surprisingly, Benelux 1.4% (Table 3 B). And yet the presumption of lordly independence this might suggest is

[1] The Mediterranean non-candidates (MNCs), as defined here, are Algeria, Morocco and Tunisia (The Maghreb, in Arabic meaning 'the West'); Egypt, Jordan, Lebanon, Syria (the Mashreq, in Arabic meaning 'the East'); Israel; and in Europe Cyprus, Malta, Turkey and Yugoslavia. Albania and Libya, with whom the Community has no association or cooperation agreements, are excluded.

[2] Even Libya, with its oil wealth, does not substantially change the orders of magnitude evident from the statistical table above. Its GDP in 1982 was about $ 30 000 million.

quite misleading. The Community's stake in the Mediterranean States is in economic, let alone political, terms substantial.

Exports to the Mediterranean non-candidates (MNCs) at some 29 000 million ECUs) in 1982, represented a little less than a tenth of total Community exports to the rest of the world. However for some Member States the proportion is much higher: around 15-16% in the case of France and Italy and 25 in that of Greece. Equally important is the fact that, whereas the Community's trade with North America, as with Japan or OPEC is massively in deficit, the Mediterranean has consistently yielded a large surplus (Table 3A). The region is one of the few in the world — EFTA is another — where the Community consistently runs a trade surplus to set against its deficits with the other major industrial powers and the oil exporters.

Dynamic markets for Europe

The Community's surplus with the Mediterranean was also rising until recession hit the region hard after 1980 and reduced its capacity to import. The region has been much more important to the Community as a dynamic market than as a productive threat. Exports to the MNCs of vehicles alone are worth more than total Community imports from them of textiles and clothing. Exports of capital goods (engineering and electrical engineering) are worth twice the imports of all other manufactures (Table 3A).

The implication is clear. If trade recedes, the Community has much more to lose by the difficulties of the Mediterranean countries in financing their imports from Europe than it has to gain by reducing its own imports which threaten employment in sensitive sectors at home. This could be more than a short-term or cyclical problem. If Mediterranean exporters are frustrated by obstacles to exports into Europe and more generally by prolonged low growth in western Europe, they may be tempted to review their overwhelming concentration on trade across the Mediterranean (Table 4). If Japanese or other exporters took hold in the Mediterranean markets where European producers have predominated, it is doubtful that ground Europe lost would later be regained, at least in full.

Jobs in exports

The composition of trade is crucial to this balance-sheet of the economic significance of commercial links in the basin. Three-fifths of the MNC's exports to the Community are oil and phosphates, neither of which generates much employment. But in manufactures, the Community's exports to the non-candidates were almost four times theirs in return (Table 3A).

The labour input in manufacturing is much higher than in oil. In terms of employment, then, the stake of the Community in Mediterranean trade is higher, and to that extent also more vulnerable, than would appear from more comparisons of trade flows. This is a substantial factor in a period when unemployment has risen to over 10% of the working population.

The Community's dependence is sharpend, curiously enough, by the dependence in return of the Mediterranean partners. For both exports and imports, their share of trade with the Community is among the highest of all countries, on a par with EFTA. This means that any restriction in imports from the Mediterranean is likely to hit the Mediterranean economies very quickly. But since they also import intensively from the Community any cutbacks will have a high level of repercussion on the exporters of the Community. As the main supplier of the Mediterranean States, the Community is most vulnerable to their vulnerability.

Main exporters

Mutual dependence does not solely concern the Mediterranean regions of the Community. The main exporter to the area (in absolute amounts) is Germany. France and Italy came second and third in 1982 (Table 3B). All the Member States earn a surplus on the trade. Germany had much the largest surplus in 1982 (over 3 000 Million ECU), partly because France imports large quantities of fuel from Algeria, and Italy from Egypt. However, the countries with the largest surpluses relative to the size of their trade with the MNCs are the most remote from the basin — Denmark, Ireland and Britain. All of them export much more to the Mediterranean non-candidates than they import. There is a marked specialization on countries with which the exporter has traditional ties: France with the Maghreb, Germany with Yugoslavia and Turkey, Britain with the islands, Israel and Jordan, Italy with Libya. The only marked exceptions are Syria and Lebanon where Italy has replaced France as the main exporter.

Main exports

Most Community exports are of capital goods and vehicles. At the same time, the range of exports is wide. Thus, the non-candidates constitute the biggest market for Community cereals and Ireland's exports of live animals to Libya alone account for 1.5% of her total exports to the world. Such markets clearly depend on a substantial degree of economic reciprocity.

Farm trade and EC regions

All this has regional as well as national implications inside the Community. Unfortunately, regional data in the Community are limited, but some initial approaches can be made. In agriculture, the MNC's in 1982 bought 18% (by weight) of the Community's dairy exports to the world and 22% of those of cereals. This amounts to a greater concentration of the Community's main food exports on the Mediterranean than applies to any industrial sector. Other farm exports were also important. Community sales to the MNCs of sugar, meat and fish grew, respectively, threee, five and ten times (by weight) during the recession from 1974 to 1982. The trade is of importance for northern livestock farmers, especially in Benelux, Denmark and Ireland, for French milk, cereal and sugar farmers and to some extent for Italian grain growers. Together, these cut a wide swathe through Community agriculture, whose interests in enlargement are usually thought of not in terms of sales to the Medierranean basin but of imports of fruit and vegetables from Spain.

Industrial exports and EC regions

The industrial investment in the trade with the Mediterranean basin is necessarily wider, because industry, like agriculture, is spread virtually throughout the Community and most Community exports to the region are in fact industrial. Since engineering, elecrical engineering, vehicles and steel account for half the trade, interest in it is virtually as broad as the traditional industrial areas of northern Europe, defined in its widest sense to include eastern France and northern and central Italy. To take only the least involved, two-fifths of British exports to the MNCs, a quarter of Benelux and a third of Danish were in these sectors in 1982. Denmark, for instance, has a small but significant trade in optics and scientifc instruments with Yugoslavia and Egypt. Dependence on the continuing success of exports to the Mediterranean non-candidates is not regionally confined but located all over the Community.

Exporting and importing regions of the Community

However, there is an important difference of interest between sectors and regions of the Community which will on balance be more concerned with building up protection against imports from the non-candidates and those whose main interest is in exports to the Mediterranean.

Fruit and vegetable producers throughout the Community, from the Mediterranean to the greenhouses of the Netherlands and Britain, necessarily apprehend enlargement. So does the less competitive end of industries like textiles and clothing. It is conceivable too that Greece, Portugal and Spain, under pressure from northern

competition in the more advanced industries and anxious to consolidate their gains where they can, will wish to exclude outside competition from the sectors of agriculture and industry where they are realtively strong — and these are precisely the typical Mediterranean exports, such as fruit and vegetables, textiles, clothing and footwear. This will parallel the interests of Italy which has seized the opportunity presented by protection against east Asian exporters of textiles and clothing to become the biggest exporter of both inside the Community. In short, there will be a variety of interests, most of them sourthern, though not all by any means, which will want the Community closed as much as possible against outside exporters of typical Mediterranean products. This interest will be reinforced by the feeling of the south that it is the poorer, under-privileged part of the Community even,though not recently, in the provision of Community finance. In these circumstances, both in agriculture and in the more sensitive industries, one can expect many southern regions of the Community to take a protectionist view of post-enlargement policies. This would be despite the fact that the economies of the Mediterranean Member States benefit from trade with the MNCs.

On the contrary, the northern regions of the Community, with the exeptions already noted, will have primary interests in a dynamic Mediterranean as an outlet for their agricultural and industrial goods as well as services (most, though not all, of which are in northern centres). As the richer regions and countries, the northern Member States will also expect to foot most of the bill for any compensation paid to MNCs for losses these may incur as a result of Community enlargement and protection. They are therefore likely to lean to more open forms of relations with the Mediterranean non-candidates.

North and south in the Community

These differences of outlook are of considerable political importance. The south feels that it incurs most of the risks of enlargement. It is also the less developed part of the Community, whether as constituted now or enlarged. Recession makes the contrasts between rich and poor still harder to bear. The south, therefore, considering itself to be under-privileged, will expect the north to accept trade protection or pay for financial support, in order to cushion competition from the MNCs. This is implicitly part of a demand that incomes should not be allowed to become more unequal than they already are within the Community. The north, on the other hand, tends to see protection as a danger to its exports and support as expensive for the budget. At a time when the emphasis is on limiting budgets, adjusting industries out of old lines into new and faster-growing ones, and placing limits on farm output and expenditure under the CAP, it will be reluctant to take on more commitments to the south.

Yet, if protection is to be avoided, and is not to complicate economic and political prospects in the Mediterranean, the north of the Community will have to recognize

that more open policies demand a degree of acceptance of responsibility for the welfare and development of the southern Community sectors and regions which bear the brunt of enlargement. These problems are posed within the Community in any case. They are primarily a domestic Community problem. Devising viable policies for the rest of the Mediterranean basin will be a secondary element in this unavoidable Community reappraisal. It will nevertheless be an important part of the process, for the health of European exports as well as of Community security policies in a vital zone.

PART II

The Mediterranean global approach and the enlargement of the Community

4. Community — Mediterranean agreements and prospects

The Community has been under pressure from its earliest beginnings, in 1958, to open up its membership or its markets to Mediterranean countries seeking closer participation or, failing that, entry for their goods. The first off the mark were Greece and Turkey who, as aspiring members, obtained association agreements which went into force in 1962 and 1964 respectively. These associations were designed to lead, after very long transition periods and under certain conditions, to full membership. There followed, in 1967, association agreements with the three Maghreb countries, which could not be designed to lead to membership since these countries were not European, a basic condition of joining the Community. By this time, the queue was lengthening and it was becoming clear that purely *ad hoc* arragements with the range of Mediterranean countries pressing for agreements would lead to difficulties and that a more systematic and coherent policy was required.

Politics of special relations

The reasons were both political and commercial. Politically, it was necessary to draw a distinction between European States potentially eligible for membership of the Community and other countries that were not. Association became the mark of those who were potentially eligible, trade or cooperation agreements of those who could not join. Commercially, it was becoming impossible to conclude individual preferential agreements with a wide series of partners. First, this would lead to rivalries between Mediterranean partners which would undo the very purpose of special relations with Mediterranean countries. Second, such preferential agreements violated the rules of GATT (the General Agreement on Tariffs and Trade) which regulates international commerce, unless it could be demonstrated they pointed to complete free trade. This was not just a formal requirement, since the United States and other developed-country exporters were restive at the number of exceptions in GATT rules to which the emergence of the Community seemed to give rise. Third, there was pressure on industrial powers from the developing countries, through the United Nations Conference on Trade and Development (Unctad), to provide guaranteed free entry for all Third World exports, *inter alia* to make it easier for developing countries to plan development. Thus, by 1970 a variety of pressures were making for the replacement of bilateral agreements by multilateral ones.

Towards the global approach

In 1971, the Community gave the lead to the other industrial powers by introducing the Generalized system of preferences (GSP) which gave some satisfaction to Unctad demands. This was applied unilaterally by the importing power to all developing countries without discrimination and without demands for reciprocal concessions. The practical effect of the new system was to remove all customs duties from imports on manufactured goods. However, there were major restrictions. The most obvious were the upper limits set on the volumes of imports of items benefitting by the exemption from customs duties. The practical issue therefore was the volume for each product which a given industrial State unilaterally allowed in duty-free under the GSP; and this allowed each importing power in effect to ration concessions as it thought fit.

Such a system still fell short of the Community's Mediterranean partners' ambitions. They wanted unconditional free entry to European markets for their exports or, failing that, preferences over other developing countries. Further Mediterranean preferences within the general ones for developing countries would, however, have been unacceptable to the rest of the world, including the industrial countries. Accordingly in 1972, the Community announced its Mediterranean global approach, the centrepiece of which was free entry to Community markets for all the manufactured exports of the Mediterranean partners; this was justified to other countries as the only possible step forward to a free trade area, since developing countries were not strong enough to reciprocate by opening up their own markets.

Free entry for industrial goods

Agreeements implementing this approach were then gradually drawn up with all the Mediterranean countries, except Albania and Libya. Israel in 1975 and Portugal in 1976 reached free trade area agreements with the Community. With them, free trade would work both ways and the partner would ultimately give free entry to Community industrial exports. The earlier agreements with Cyprus, Malta, Spain, Turkey also provided for some reciprocal concessions. All the other countries obtained free entry into the Community for their industrial products without reciprocity, irrespective of whether the agreement signed was one of association, for European countries except Yugoslavia, or of cooperation for others.

Things were different with Spain. Because of political opposition in the Community to Franco's regime, the Community refused an association agreement and in 1970 simply reduced its duties on her exports by 60%. Since Community customs duties on manufactures are generally moderate to low, the handicap, compared to other Mediterranean countries, was not very large. It was primarily a mark of political disapproval.

Nevertheless, it existed. Thus, Spain has suffered from less favourable terms of entry into the Community than any other of the Mediterranean countries. With this major exception, the Mediterranean countries have enjoyed the same access, in principle, to Community markets for their manufactures as have the Member States themselves or the rich economies of EFTA.

But not for agriculture

Agricultural trade was different. Imports into the Community are not only controlled by tariffs but also, in the case of most products, by the system of minimum prices established under the common agricultural policy to protect domestic producers[1] The agreements granted reductions in tariffs on the MNCs' main agricultural exports (in some cases subject to limits). However they did not suppress tariffs completely, as with industrial goods. Nor did they change the system or levels of minimum import prices, which in practice has a much stronger impact than tariffs on the level of imports of food products. These minimum import prices in fact cover all major Mediterranean agricultural items except early potatoes and flowers. They are much the most important practical restraints on Mediterranean food imports.

Recession and sensitive sectors

The MNCs' agricultural exports, then, were excluded from free entry into the Community from the start. Recession has led the Community to limit imports of other products, mostly in the branches of textiles and clothing, shipping, steel, synthetic fibres, paper, machine tools and motor cars. Except for textiles and clothing, these industries are not of immediate importance to Mediterranean trade, either because the exports of the non-candidates are negligible and/or because Portugal and Spain themselves are unlikely to be competitive in the Community. But the mere existence of restrictions unilaterally imposed by the Community because of internal difficulties creates a general doubt about free access for exports being secure. Such doubts sap the confidence needed for investments and industrial strategies in the Mediterranean countries that remain outside the Community. They constitute an obstacle to the development of any economy whose exports depend heavily on Community outlets. More particularly, in the case of a few sectors, there are immediate problems. It is not an accident that these are the strongest export sectors of the MNCs.

[1] See glossary for explanation.

Oil is one of the Mediterranean non-member countries' principal exports to the European Community. Together with natural gas and phosphates it accounts for 60% of MNC exports to the Community. Photo shows an oil well and plant at Mercksen, Algeria. (Photo by Charliat, TOTAL, photo library)

Agriculture, textiles and clothing

The MNCs' exports to the Community break down into four broad groups (Table 4). More than 60% of their exports to the Community in 1982 consisted of oil, natural gas or phosphates (a major fertilizer). These products more or less sold themselves and in any case are not affected by the enlargement of the Community because the new entrants are buyers not producers. Of the remaining 40% of the MNCs' exports, there are three fairly equal categories (Table 4).

The first and smallest is agriculture, including the food industry (10%). The second is textiles and clothing (12%). The third is other manufactures, which is somewhat larger than either of the first two (16%). Both agriculture on the one hand, and textiles and clothing on the other, are among the 'sensitive' sectors where the Community applies trade restrictions. In the case of agriculture, these restrictions existed from the beginning. For textiles and clothing, they have mainly been imposed since 1978. Because of this retreat from earlier concessions, textiles and clothing are the sector which has most depressed the MNCs' political expectations of the Mediterranean global approach. On the other hand, for a variety of reasons which will be analysed in considering each of these sectors in turn, the most acute difficulties in fact arise over agriculture.

Thus, in 1984, the situation was broadly that all MNCs had free entry to Community markets for their manufactures, without limits of the kind that exist in the GSP,

so long as a Community sector did not become 'sensitive'. This facility was not available to Spain which still faces tariff barriers to her exports to the Community, though these are in general low.

Enlargement and manufactures

As regards the majority of exports of manufactures — in sectors that are not sensitive in the Community — there was not, then, any particular problem of principle for the non-candidates in the entry of Portugal and especially Spain into the Community. It has been estimated (see bibliography — Yannopoulos (2) 1983) that the scope for Spain to expand exports to the Community as a result of the elimination of the European customs duties which remain will be about USD 350 million of 1979 (a modest proportion of Spanish exports to the Community of nearly USD 9 000 Million that year) and that only a fraction of this would concern the MNCs. In the case of Greece, which is already a Member State, and Portugal, which also has virtual free access to the Community, the changes should be negligible. The one Mediterranean country which might have some problems could be Yugoslavia which compêtes with Spain in a number of the less technologically sophisticated engineering products. In general, there should not be major new problems for manufactured exports.

Enlargement and sensitive sectors

However, the main sensitive sectors, first, of agriculture and processed foods, and, second, of textiles and clothing are another matter. In these sectors, the new entrants would gain a very substantial preference from being inside the Community, by the end of transitional periods which could admittedly linger on until the mid-1990s for Portugal and Spain. Agriculture and the food industry inside the Community are highly protected and in 1982 Spain alone sold almost as much in agricultural items and food manufactures to the Community as all the non-candidates put together (about 1 950 as against 2 300 million ECU). Since Community prices tend to be higher than Greek and Spanish prices for most Mediterranean products, the farmers of these two countries could be encouraged to expand output in a number of important lines. They will also ultimately face no obstacles to their exports.

In the case of textiles and clothing, the situation is similar in principle, but rather different in practice. First (as will be shown in Section 7), there are more openings to expand Mediterranean trade in textiles and clothing than in agriculture. Second, the Portuguese and above all the Greeks tend in these lines to be more competitive than the Spaniards. Nevertheless, here again the three new entrants exported nearly as much textiles and clothing to the Community in 1982 as all the other Mediterranean exporters. In both the Community's sensitive sectors, of agriculture (including the

food industry which is a major producer in all the Meditrranean countries) and of textiles and clothing, the strongest exporters will tend to obtain the most favourable treatment. It is a daunting prospect for their competitors, the non-candidates.

A Morrocan bus driver in Brussels. He is one of 306 318 migrant workers in Belgium, or one of nearly three million Mediterranean migrant workers in the European Community. They have been a source of growth and development for the whole region, and also a source of foreign currency earnings for their home countries. (Photo INBEL)

Migrant labour

One more problem has arisen, of a different nature: the drying up, due to recession, of employment opportunities in the Community for migrant workers from the MNCs. At the height of the European boom, from 1963 when full employment was attained in Italy, to 1973 when the recession began, millions of workers were sucked into jobs in northern Europe from the non-candidates. In the decade after recession

began, this source of relief for countries without sufficient jobs, and expectations of future income as a result of migrants' sometimes very large remittances home, began to stagnate. Employment prospects are likely to improve only slowly if at all in the Community; and its enlargement to 12 countries will give the new entrants first choice of the migrant jobs that may be available. This would hit Turkey, Yugoslavia and the Maghreb countries in particular. For them it is an important issue, even if it is doubtful whether they would be much better off without enlargement of the Community. The patent loss of an option, however remote, engenders a sense of deprivation and closes a safety valve for the Mediterranean countries with overloaded labour markets.

More than enlargement

It is, in short, an oversimplification to consider European Community relations with the Mediterranean, even when limited to purely economic issues, in terms solely of the third enlargement of the Community to Portugal and Spain. The situation is in reality much more complex. One problem, which antedates both the second and third enlargements, is the steady expansion of the Community's agricultural output. Another problem is recession, which has affected both textiles and clothing, on the one hand, and the prospects for Mediterranean migrant labour on the other. Enlargement itself breaks down into two parts. The completed second enlargement of the Community to Greece, which has been a member since 1981, itself poses some competitive problems for other Mediterranean countries. The further third enlargement of the Community, to Portugal and above all Spain, poses still more. The issues for Europe and the Mediterranean encompass all these four developments. To confine them to the third enlargement narrows analysis to an area smaller than that which policy-makers will in practice have to face.

5. The stakes of the Mediterranean countries

Economically, the Mediterranean non-candidates (indeed the basin as a whole) have proved one of the successes of the postwar years. Progress has been steady and rapid, with an average annual growth rate in the region of about 6% a year througout the two decades from 1960 to 1980. This is remarkable and, though there are no statistics for earlier periods, quite plainly without precedent over such a sustained period. The result has been better than a tripling of output in 20 years, and a doubling even per head of rapidly rising population. The countries of the region have also

become in a number of ways more self-reliant. Decolonization has been carried through. New states have been built up. National political styles have been asserted against external powers. Considering the multiple tensions in rapidly evolving societies, this has been a political achievement of some note.

Nevertheless, there are a number of ways in which the countries of the region remain highly vulnerable and under stress, both from within and in response to outside forces. These tend, cumulatively, to make at least some of the local States highly dependent on developments in the Community as the economic superpower of the region, though the degrees of relationship vary greatly from country to country.

Booming population

One of these forces is the rate of growth of population, which is radically different on what might, for want of a better term, be called the Christian shores of Mediterranean Europe and the rest of the basin. In Europe (so defined), the population has been growing at rates of 1% a year or less (Table 1). Elsewhere, the rates range from over 2% a year on average throughout the 20 years 1960-80 in Tunisia to more than 3 % a year on average in several Moslem countries.

Some observers notably in France, where memories vividly associate the low national birthrate from the 18th century onwards with political decline, argue that this will in the long run mean far greater dynamism in the non-European areas and Turkey than in the Community, and spell possible danger; others note that, in the foreseeable future at least, high birthrates are a major obstacle to development and in that respect a dire weakness. In recession, the disadvantages of booming population are compounded.

Youth unemployment

The enormous pressure to provide jobs is an obvious instance. High birthrates necessarily mean that the average age of the population is very young usually well under 20. This generates a need to find jobs for young people coming onto the labour market at an alarming rate. In fact, there is virtually permanent high unemployment, open in the towns, concealed in the countryside. Taking only the urban centres where unemployment is registered (though almost certainly understated), rates of 15-20% of the working population are the official norm. In these circumstances, emigration, however regrettable, is a safety valve. The drying up of such opportunities in the Community in the 1970s, and the slowing up in the Gulf in the 1980s, add to the painful dilemmas of the labour supplying countries. High youth unemployment in countries too poor to have comprehensible social security systems is

potentially the single biggest motor of political upheaval throughout the Islamic Mediterranean.

Rising food imports

There are also bizarre effects in unexpected corners of society. The assumption inherited by many Europeans from imperial times is that industrial countries export manufactures while poor countries produce food. This is almost the reverse of the case, as far as food is concerned, in the Mediterranean as in most of the Third World. High birthrates make it very difficult to feed the population from domestic resources, especially as people with rising incomes, in the early stages of development and industrialization, tend to concentrate first on the purchase of more food. This is not so bad where a country has a small population in comparison with the cultivated area. But the problems become almost unmanageable in one like Egypt which has an arable area no larger than that of Portugal but a population four times as big and growing twice as fast.

Of the Mediterranean countries neither in the Community nor proposing to join, only Cyprus, Turkey and Yugoslavia have a surplus on their food trade with the world. All the others are in deficit. Some, like the States of the Maghreb as well as Egypt, are among the world's major importers of cereals (see Section 6, below).

Young industries

A second source of vulnerability inherent in the Mediterranean countries' stage of development is that they are nearly all dependent on a rather narrow range of industries. Most of them focus heavily on food processing or textiles and clothing. Though this output is primarily directed to the domestic market in the larger countries, in the smaller ones it is bound up with exports to the Community. Malta and Tunisia are heavily specialized in clothing. The manufacturing base is broader in Turkey, Israel and particularly Yugoslavia. Yugoslavia has a range of engineering industries closely parallel to those of Spain and often with similar weaknesses. In both countries, past commitment to sectors now in trouble, like ships and steel, has become an adjustment problem. In some ways, Israel is better placed, because of a near monopoly in industrial diamonds and of a growing number of high technology branches. Turkey's industries, however, suffer from a long tradition of inward-looking policies, going back to the prewar years and, outside some basic textiles, such as cotton yarn, are apt to be uncompetitive.

Limits of dutarchy

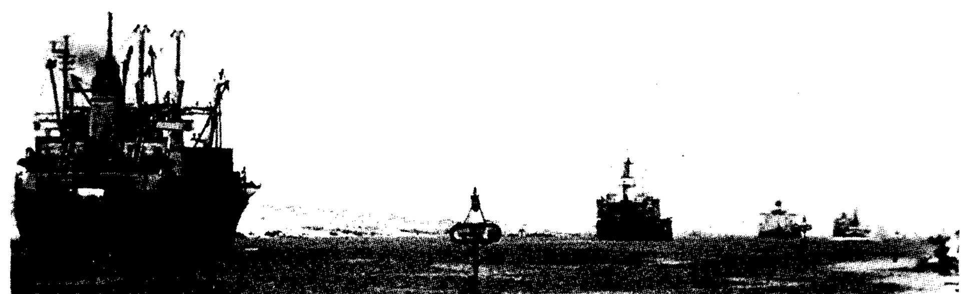
This illustrates a difficulty which most of the Mediterranean countries with large populations or radical regimes — Algeria, Egypt, Syria, Turkey and Yugoslavia — have had to face at some time or other. This is the limited potential of programmes that try, in the name of faster or better-directed development, to insulate the national economy from the uncertainties and competition of the international market. The basic problem is that any country which aims at self-sufficiency necessarily has to produce all it can across the range in order to satisfy State goals or popular expectations. In practice, the network of needs for a broad-based industrial system of this kind is so wide and so hard to predict that it is impossible to produce all the capital goods, all the spares, replacements and services and all the raw materials, which the productive machine requires to operate at anything like capacity. The more ambitious the self-sufficiency, the wider (by a merely apparent paradox) the range of products which have to be imported. At this point, a second major problem rises to the surface. Self-sufficiency nearly always builds up internationally uncompetitive industries for the reason, inherent to the approach, that the international division of labour and of competitive advantage has been ignored. Since national output is not competitive, it is very difficult to earn the foreign exchange needed to buy the imports essential to the system. As a result, even States like Yugoslavia, Algeria and Turkey have been veering towards policies which place more stress on exports to earn foreign exchange.

Small domestic markets

This is related in turn to the third source of vulnerability of the Mediterranean economies. Even the biggest of them, such as Turkey or Egypt, which have populations of the order of Spain or Italy, are in comparative economic terms very small markets and countries. The two MNCs with the highest GDP, Turkey and Yugoslavia, have a national income that is less than a third that of Spain and no larger than that of Denmark with only five million people. Though a major oil exporter, Algeria, has a GDP half that of Belgium's. This means that they are all, or nearly all, forced to enter the international economy if they are to sustain development. This is necessary and in the long run an advantage but it entails many vulnerabilities on the way. It does not mean they always have to rely on the Community. But given the Community's size and geographical situation in practice they very often do; and, being relatively small, they are necessarily subject to the infection of the ups and downs of its fortunes. In a phrase which was current in describing Europe's dependence on America shortly after the war, when the Community sneezes they risk pneumonia.

Diversity of foreign earnings

That being said, earnings are not, as they are so often painted, merely a matter of exporting goods. There are many other sources, and this provides a measure of insurance against trouble. Services are a particularly important category: tourism for many countries, Suez Canal dues for Egypt, are important earners of foreign exchange. So are migrant workers sending their savings home either from the Community or, for some east Mediterranean countries, the Gulf. For Turkey, Yugoslavia and the three Maghreb countries it is only a slight oversimplification to say such earnings plug the gaps in the trade in goods (Table 2). For some countries, capital transfers also matter. Last but far from least, some countries have political sources of income. The major instances are the 'frontline' States of the Arab-Israeli conflict. Israel can count on the USA, Jordan and Syria on the Gulf States, to fill the deepest holes in their balances of payment.



Foreign exchange earnings are not merely a matter of exporting goods. There are many other sources — which provide an insurance against trouble. They include the Suez Canal (pictured here) for Egypt, tourism, and remittances from migrant workers principally in western Europe.

All these sources of income are highly valuable to the recipients, and all are not dependent on the Community.

Reliance on EC outlets

Dependence on Community markets for goods is also very varied (Table 4). Jordan and Lebanon sell very little indeed to western Europe. Along with Cyprus, they sell much more to the Gulf and Mediterranean. Yugoslavia and to a leser extent Syria sell substantially to eastern Europe. Moreover, sales of fuels and fertilizers are little

affected by restrictions on entry to the Community market but rather by the general condition of the world economy. For a number of countries this is crucial. The obvious case is Algeria, but virtually all Syria's exports to the Community also come in this category (95%) and the same is almost as true of Egypt (84%). Tunisia exports both oil and phosphates, which together account for 39% of her sales. Morocco exports phosphates (30% of total exports). All these exports can be excluded from the political shopping list.

The major issues are, then, confined to trade in farm products, manufactures and migrant's remittances of savings home. Taking trade in food and manufactures alone, the involvement of the MNCs in exports to the Community, expressed as a share of national GDP, is as follows:

Country	Share of GDP %
Malta	23.8
Tunisia	8.6
Israel	6.9
Cyprus	6.0
Morocco	5.0
Yugoslavia	3.4
Turkey	2.8
Source: Eurostat.	

None of the other countries comes up to 1% of GDP, except Jordan (1.1%), and all can be virtually ignored in this respect. Moreover, none (except Algeria) has a significant migrant worker force in the Community. In short, the countries that are closely geared to the Community are the European States Cyprus, Malta, Yugoslavia and Turkey (which has a large migrant labour force in Germany); Israel and among the Arabs, only the two non-OPEC countries of the Mahgreb, Morocco and Tunisia.

One further consideration needs to be stressed. Any measurement of problems based on existing channels of trade and inter-relationships between the Community and Mediterranean partners is necessarily backward-looking or at best static. It does not say anything about either the development needs of the Mediterranean countries or the appropriate policies the Community should pursue, in its own long-term interest, to promote their fulfilment. In so far as the Community's evolution and enlargement in particular, pose future development problems, these go beyond the scope of measurements embedded in the past. But while existing interests are not sufficient for a general strategy, they are the necessary base from which any search for one must start. Accordingly, the next sections are devoted to the three main areas where existing interests are clearly affected by enlargement: first agriculture; then industry; and last migrant labour.

6. Agriculture

Agriculture poses problems on two quite different levels for EC-Mediterranean relations. The first concerns the falling self-sufficiency in food of a number of the Mediterranean non-candidates, a problem becoming increasingly common in other developing countries. Basic output, especially of cereals, is failing to keep up with demand swollen by rising population, urbanization and improving incomes. This becomes a serious burden for the country's foreign account as imports of food grow. The second problems is almost a mirror-image of the first, in that it reflects the difficulties of selling to a Community where supply bas been steadily outrunning consumption (the direct opposite of the situation in the MNCs). This has already restricted outlets in the Community for Mediterranean exporters. The fear is that the third enlargement, letting major producers of Mediterranean-type foods into the Community, will restrict them even further and perhaps on a larger scale. Thus, for the MNCs food imports rise and exports fall.

MNC imports

The basic problems of the MNCs as food producers can be seen clearly from the following table that shows output per head as it has evolved since the first energy crisis; the surprisingly adverse balance of the food trade of most; and the development of imports of grain.

Country	Food output per head changes: 1982 as % of 1971 - 73	Food exports as % of food imports 1981	Grain imports		Grain imports as % of total exports 1981
			1960	1982	
	%	%	million	tonnes	%
Morocco	− 17	40	0.2	1.9	24
Algeria	− 16	5	0.6	3.8	5
Tunisia	± 0	37	0.2	0.9	11
Malta	+ 13	17	0.1	0.1	7
Egypt	− 8	6	1.4	6.7	43
Israel	− 1	83	0.7	1.6	6
Jordan	− 13	39	0.3	0.7	17
Syria	+ 75	8	0.5	0.4	10
Lebanon	+ 12	n.a.	0.3	0.5	n.a.
Cyprus	+ 13	117	0.1	0.3	14
Turkey	+ 13	875	0.1	0.5	1
Yugoslavia	+ 23	125	0.2	1.3	1

Source: FAO.

Egypt once had a thriving agriculture. However, the demands of a growing population and the continuous encroachment of the desert over cultivated land have forced it to become a major importer of grain and other farm produce. Illustration from 'Tracings from the Tomb of Nakht at Thebes' by the Metropolitan Museum of Art, New York. (By courtesy of the Fondation Egyptienne, Brussels)

Food output has fallen badly behind rising demand in Morocco, Algeria, Egypt and Jordan. Significantly, among the MNCs, only three European countries have a surplus on their food trade. Grain imports have quadrupled over the past two decades among the MNCs and reached some of the highest levels in the world in Algeria and, especially, Egypt. The burden of these imports is heavy, relative to exports, for Syria, Tunisia, Cyprus and Jordan and, on the face of it, crippling for Morocco and above all Egypt. This is mitigated, in Egypt's case, though not Morocco's, by the diversified nature of the balance of payments (Table 2). Nevertheless, the weakening of some of the Arab MNCs' agricultural balance is a serious, growing, and potentially crippling, problem. It arises irrespective of events such as enlargement of the Community, and must be of concern to the Community's policy-makers in any plausible future.

MNC exports

The issues facing the MNCs in their food exports to the Community have to be viewed in this broader context. The expansion of domestic European food production relative to near-stagnant consumption has for some time been reducing the MNCs outlets in the Community. Whereas in 1974, 19% of Community imports from the MNCs were of food, by 1982 the proportion had shrunk to 10.5%. In part, this merely reflects the healthy growth of other MNC exports to the Community. By 1982, their food sales to the Community were only a sixth of those of fuel and little more than a third even of those of industry (Table 4). The changes in comparison with industry, in particular, express the general economic progress of the MNCs in recent years. The fact remains that, in constant prices, Community food imports from the non-candidates declined by 17% between 1974 and 1982 (Table 4). The loss has not been only relative but absolute. Here again, the fears aroused by the enlargement of the Community must be seen against the broader background of the decline of the MNCs' food balance.

Why agriculture is a headache

Moreover, though at first blush the food trade may seem a much less important issue than in the past, even within the context of the Community's enlargement, it still presents some of the worst headaches. There are two reasons why this is so. One, already familiar in other instances, is that some items are more sensitive than others. Situations which can in general be viewed with equanimity nevertheless create difficulties which, for some countries and commodities, are acute. Farm goods loom large in the exports of Cyprus, Turkey, Israel, Morocco, Tunisia and Yugoslavia (Table 4). However, since exports vary so much from country to country in relation to the economy, the best indicator is the proportion of GDP vested in the farm trade.

By this criterion, Yugoslavia falls out of the leading group. If the countries outside the group have problems in given sectors, these will not, at least at first sight, have much significance across the board.

The second reason why agriculture is a difficult area is that it will be hard to find remedies when problems do arise. This is because Community farm production has been outpacing demand for two decades; Community self-sufficiency in most Mediterranean products will rise from the mere fact of the entry of Greece, Portugal and Spain; and these countries' output of Mediterranean crops could well grow once inside the Community, because for them many agricultural prices (e.g. for wine and olive oil) will rise significantly. Enlargement threatens to produce Community export surpluses where these did not exist before and, in some cases, outsiders could be cut out of traditional markets not only in Europe but in other parts of the world.

Fruit and vegetables (fresh and processed) overshadow everything else in the MNCs' food exports to the Community. In 1982, these alone exceeded 60% of all their food sales to the Community. Another 13% (in 1982) were represented by flowers, olive oil, wines and tobacco in roughly equal amounts, so that these items together, all of them typically Mediterranean, covered about 75% of the MNCs' food exports to the Community. However, a further 20% of sales were in products that are not peculiarly Mediterranean: live animals, meat and fish (fresh and tinned), oilseeds and animal feed. These products are affected by the non-Mediterranean aspects of the CAP; and there are at least two further reasons why it is useful to treat them separately before looking at the main body of problems.

Non-Mediterranean MNC exports

The first reason is that oil seeds, animal feed and fish (fresh and tinned) raise no special problems, even though the tinned sardines from Morocco (the main Mediterranean fish exporter) compete with those of Portugal. The new entrants to the Community are considerable importers of fish and, on the whole, supply is not overabundant. As for oilseeds, they enter the Community free. Meat, fresh and processed, is overwhelmingly supplied by Yugoslavia and to a lesser extent by Israel, and is not problem-free in this way. On the other hand, and this is the second reason for separate treatment, the problems posed are virtually a mirror-image of those characteristic of the Mediterranean products.

The fear of MNCs about Mediterranean products is that the new Community members will pre-empt their traditional outlets in the markets of the rest of the Community. Yugoslavia's loss, which has already materialized, is that the exporters of the existing Community have bitten deep into her erstwhile 'baby-beef' outlets first in Italy then in Greece. Here is the case *par excellence* in the Mediterranean of an

Morocco is a major exporter of fish — in particular sardines — to the European Community. Extension of the European Community's common fisheries policy to the Mediterranean will ensure that the sea is not overfished and that fish continues to be a source of employment and of food. Photo shows fishermen outside Tangiers preparing nets for the coming night's fishing. (Photo Moroccan Tourist Office)

exporter affected by the expansion of Northern Community farm production. Yugoslavia's exports to Italy, helped by preferential quotas, seem to be picking up again, but from much below the peak levels of the past. As Yugoslavia never had similar outlets in Spain and Portugal, the next enlargement does not concern her as a meat exporter. Since her sales of live animals and meat (fresh or processed) account for more than half her food sales to the Community, she is in a very different category from the other MNCs. In fact, Yugoslavia's agriculture is only marginally Mediterranean.

Mediterranean-type exports

If one looks at the three-quarters of MNC sales to the Community represented by the major Mediterranean categories of exports (fruit and vegetables in all forms,

flowers, olive oil, wines and tobacco), an initial statistical breakdown of problems can be obtained by looking at patterns of market shares. It is possible to distinguish between products which are, on statistical first impressions, less or more vulnerable to the Community's third enlargement (the method was suggested by Yannopoulos[1]).

The 'low' vulnerability items rest on two typical market patterns. The first is where sales on Community markets from existing Member States, from the candidates of the third enlargement and from third countries are all low. This can suggest that MNC exporters have some kind of monopoly and are not too vulnerable. The cases where this seems to apply are not many but surprisingly important — Turkey's huge exports to the Community of shelled hazelnuts are the outstanding instance. The second situation is where third countries, with no preferential access to the Community of the kind the MNCs can claim, account for a high proportion of food exports. These exporters are typically, the USA, Brazil, Argentina, South Africa, Australia and even some East Europeans. These exporters are much more likely to suffer from a narrowing of outlets than the MNCs, although this does not suggest they will acquiesce and that there will be no problems.

The 'high' vulnerability group of products also comprises two dominant market patterns. These are where Community producers, either alone (in the first category), or with Portugal and Spain (in the second) are large and even dominant exporters to Community markets. The assumption behind this, of course, is that the Community, either as now constituted or when enlarged, will generate surpluses; this is likely to be often the case if the CAP does not change sufficiently.

Vulnerability of MNC exporters

Detailed statistics are laid out in Tables 5A (low vulnerability) and 5B (high vulnerability), tobacco being excluded because it seems to pose no special problems for MNCs. The tables suggest that, on purely statistical criteria, a little more than half their exports of Mediterranean-type products (not quite 55%) might be regarded as low risk but the rest (a little over 45%) enter the high risk category. Since these Mediterranean products as a whole come to some 68% of total MNC food exports to the Community (all agricultural products included), this implies that a little under one-third of the MNCs' food exports to the Community are those products which, on statistical grounds, are highly at risk.

More significant, in practical politics, is the distribution of high and low risk items between the major food exporting MNCs. The breakdown by country emerges from the following table.

---

[1] See bibliography.

Country	EC imports Mediterranean products, 1982 (million Ecu)	. . . of which high risk (million ECU)	High risk imports as percentage:	
			GDP %	imports all products %
Cyprus	133	92	2.4	31
Morocco	295	251	1.4	19
Israel	496	293	1.2	16
Tunisia	99	75	0.8	6
Egypt	48	29	0.05	1
Turkey	375	26	0.05	2
Yugoslavia	83	16	0.02	1

Source: Eurostat.

Plainly, there are two sharply differentiated groups. The trio of Yugoslavia, Turkey and Egypt seem far less vulnerable (in the Mediterranean-type food trade) than the quartet of Cyprus, Morocco, Israel and Tunisia. In value of trade, Israel and Morocco have much the most at stake. Relative to GDP, however, Cyprus seems to have even more. Tunisia's vulnerability, to be discussed below, does not emerge with special force from the statistics.

Qualitative factors

Statistics, indeed, offer only a preliminary approach to a judgment. Qualitative factors often fail to come through the figures and yet are vital to the real picture.

If one takes the relatively less vulnerable trade flows, those contained in Table 5A, the major items starting from the biggest down are shelled hazelnuts (somewhat unexpectedly the largest of all), grapefruit (both fresh and juice), orange juice, sultanas, avocados, summer oranges and winter carnations. Turkey, on the Black Sea coast, which is both wet and warm, seems to have enormous climatic advantages and to a enjoy a near-monolpoly in hazelnuts, the nearest competitor being Italy. As for grapefruit, fresh and processed, there seems no technical reason why Andalusia, in southern Spain, should remain a marginal producer, but there appears to be strong economic ones. Markets are nearing saturation, and processing plants require heavy investments. It would probably not be profitable to enter the field. Orange juice seems a similar case, and to be also sheltered by the fact that Brazil accounts for over half of all Community imports and would be more likely to suffer than Israel or Morocco, the main MNC exporters. Turkish sultanas are traditionally a different section of the trade from the smaller Greek currants and seem protected by their distinctness.

The main item which might be under potential threat is avocados, which Israel exports (about 50 million ECUs in 1982). Though third country exporters loom large in the trade, they operate at other seasons and constitute in effect a separate category. This item apart, qualitative analyses tend to confirm, or at least do not undermine, the suggestion of relatively low risk for the MNCs in the statistically more encouraging categories of trade.

Vulnerable products

The major vulnerable products include citrus fruit (except grapefruit and summer oranges); early potatoes and tomatoes; olive oil and preserved olives and capers; table grapes and wines; and a range of minor but cumulatively significant items that can be grouped under the heading of market gardening. There is little doubt that if the economic incentives were right, the new entrants, and in many cases Spain alone, could expand output to pre-empt MNC sales on a number of export items, though it does not follow that they could simultaneously do so across the board. Except for oranges, the tonnages exported to the Community by the MNCs are quite small compared with the productive capacity of the candidate countries, especially Spain.

Products	Imports by EC from MNCs 1982 (thousand tons)	Output in Portugal & Spain 1982 (thousand tons)	Imports from MNCs as % output in Portugal and Spain (Col. 1 : Col. 2)	Imports by EC from MNC 1982 (million ECU)
Oranges	633	1.793	31	216
Clementines	121	857	13	59
Tomatoes	68	2.594	2	52
Table grapes	15	389[1]	4	22
Lemons	29	448	6	10
Peppers	12	571	3	9
Onions	27	1.136	4	7

Sources: Eurostat.

[1] Spain only 1980. Anouario Estatistica, Espana 1982

In these and similar products, it would often, even usually, take only slight changes in Spanish production to reduce or close MNC outlets.

A quarter of all MNC sales to the Community of fruit and vegetables are accounted for by citrus fruit, of which oranges represent roughly three-fifths, grapefruit and clementines rather less than a fifth each, and lemons the residue. The MNCs are

worried about a possible increase in Spanish poduction as a result of irrigation. Estimates of this increase conflict; while a substantial rise is possible, the extension of irrigation in Spain is becoming difficult and costly, which would tend to limit increases. It is interesting that over the last two decades, when Spain was not a member of the Community, her output of oranges hardly changed. An FAO study of 1979 suggested the net supply of *oranges* in the Twelve might increase between 1975-77 and 1990 by 80 000 tons without enlargement and by 230 000 tons with. Set against the MNCs' exports of 735 000 tons in 1982 (mainly from Israel, Morocco and Cyprus), this suggests a constriction of their exports of 10-30%.

During the last 20 years, Spanish expansion of citrus production has taken place in *clementines*. For these, the expansion of output in Western Europe is likely to exceed the MNC exports to the Community whether the latter enlarges to Iberia or not. Virtually the only major MNC exporter is Morocco who would suffer most of the consequences. It must be noted that, because the gestation period for citrus trees is long, many of the effects of Community expansion might be felt more keenly after 1990.

Morocco is also most vulnerable in *tomatoes*. She has been losing market shares to Spain throughout the past decade, which suggests marketing weaknesses. The World Bank is helping her develop earlier varieties to move as far as possible out of the vulnerable trading season. But the climatic advance on southern Spain is not long and for transport reasons there is little alternative to Community markets. In the summer, the Netherlands dominates the trade: Morocco has long complained that the Community's minimum import prices are fixed too high in order to protect Dutch sales.

For *early potatoes*, politics could be vital. Potatoes are the one important farm product in the Community still under national regulation. As a result, trade channels are bilateral: Cyprus to Britain, Morocco to France, Malta to the Netherlands and Egypt to Germany. Italy has been pressing to bring potatoes under the CAP ever since British entry into the Community in 1973. For Cyprus, potatoes are a vital crop (Table 6).

So is the complex of *grapes and wine* (Table 6). Because of the Spanish article, Cyprus 'sherry' may not even be able to keep its name. Yugoslav wines compete very effectively in quality, while Algeria's old colonial flood to France has dwindled to a less and less significant trickle. Tunisia and Morocco are minor exporters. Cyprus' exports of *table grapes*, which are also important to her, seem competitive.

Tunisia is even more dependent on *olive oil* than Cyprus on potatoes. She has built up her olive groves for export to the Community; they provide 8% of all employment in the country, as much as, or more than, the whole of agriculture in most Community countries and play a key role in holding back the Sahara in areas where,

it is alleged, nothing else will grow. Tunisian olive oil really is a vital national interest in the true sense of a normally overworked term. Italy, Spain and Greece, however, are the world's three top producers. An enlarged Community could be about 20% in surplus by the late 1980s on present trends and assuming no remedial measures. This implies excess supplies more or less equal to the whole of world trade. Enlargement could pre-empt not only Community markets but international ones as well. Morocco and Turkey are smaller exporters than Tunisia and have potentially larger domestic markets.

There remain a wide variety of *market garden* products, of which the largest commercially are flowers, garlic, peppers, melons, watermelons and strawberries, in which Israel and Spain especially compete. In many of these items Israel has something like a 10% tariff preference over Spain, which will turn into something like a 5% advantage for Spain once she is fully integrated in the EC. More important, however, will be whether the Community fixes minimum import prices at levels which protect domestic producers and discourage outside suppliers.

The vulnerable stake

The peaks and troughs of the MNCs' commercial vulnerability to the Community's enlargement are thus roughly what the statistical breakdown suggests. Some items, like avocados, may be more vulnerable than the figures suggest, others like oranges (a much bigger item) somewhat less so. There is no certainty about such assessments since relative prices and production strategies are all mobile and not always predictable. This leads to a first conclusion: remedial policies must be geared to dealing with uncertainty and should not assume fixed ideas of how the main problems may turn out.

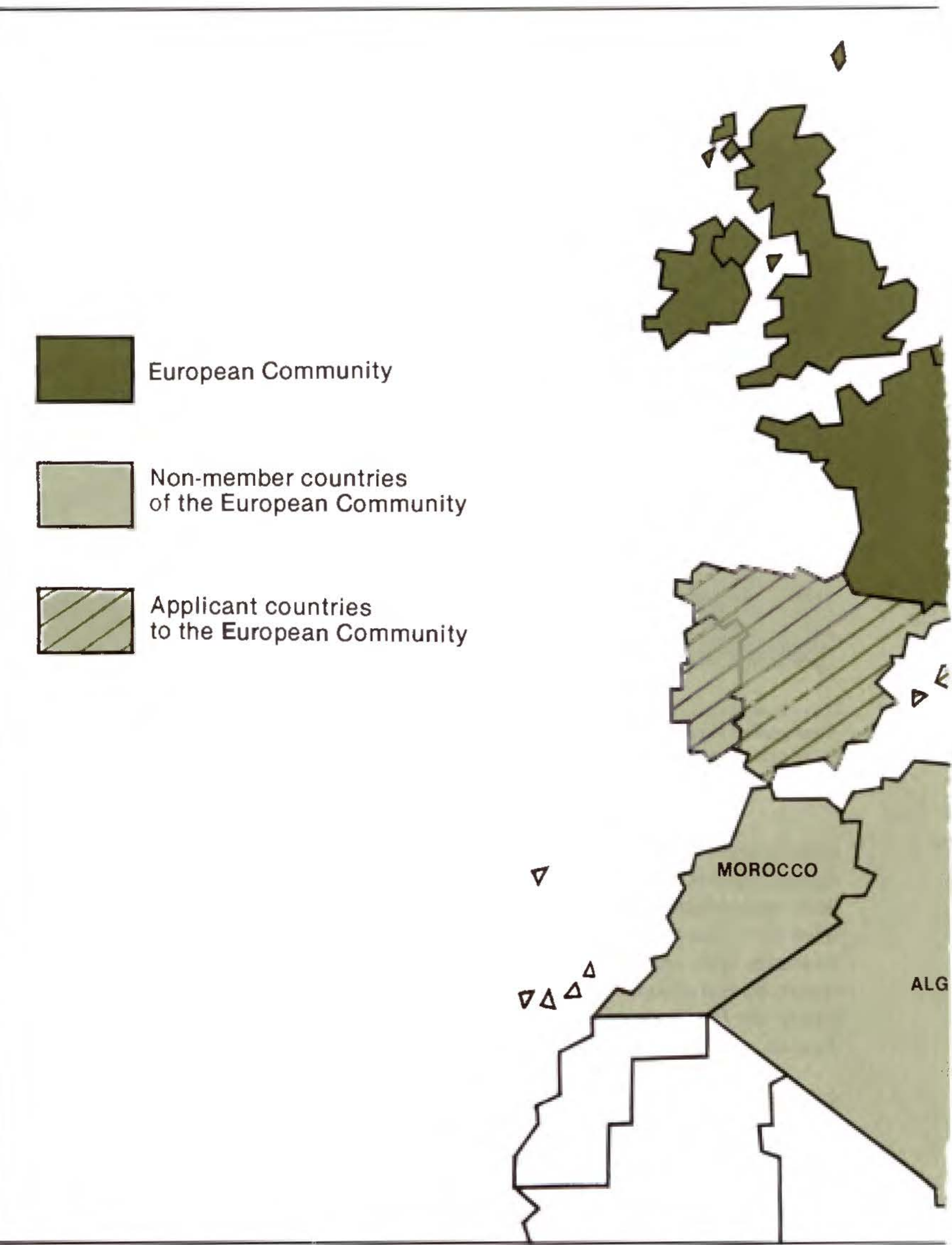
The second conclusion is that with all due reservations and allowing for wide variations from the mark, the highly vulnerable channels of trade could be around 600 million ECU in 1982 prices, (assuming that avocados and early potatoes are both vulnerable while no more than 20% of the trade in oranges is likely to be). Clearly some products are much more vulnerable than others. The MNCs' exports of e.g. tomatoes, olive oil and red wine are especially at risk, while those of other products are not vulnerable to the extent of being totally shut out of the Community market. Consequently the value of the sales the MNCs might lose could be substantially less than 600 million ECU.

Some conclusions can also be reached about the national distribution of problems. Of the MNCs with substantial exports to the Community of Mediterranean foods, Yugoslavia and Turkey stand apart. Yugoslavia's major problem, 'baby beef', has already materialized and she is competitive in her few Mediterranean lines. Turkey's

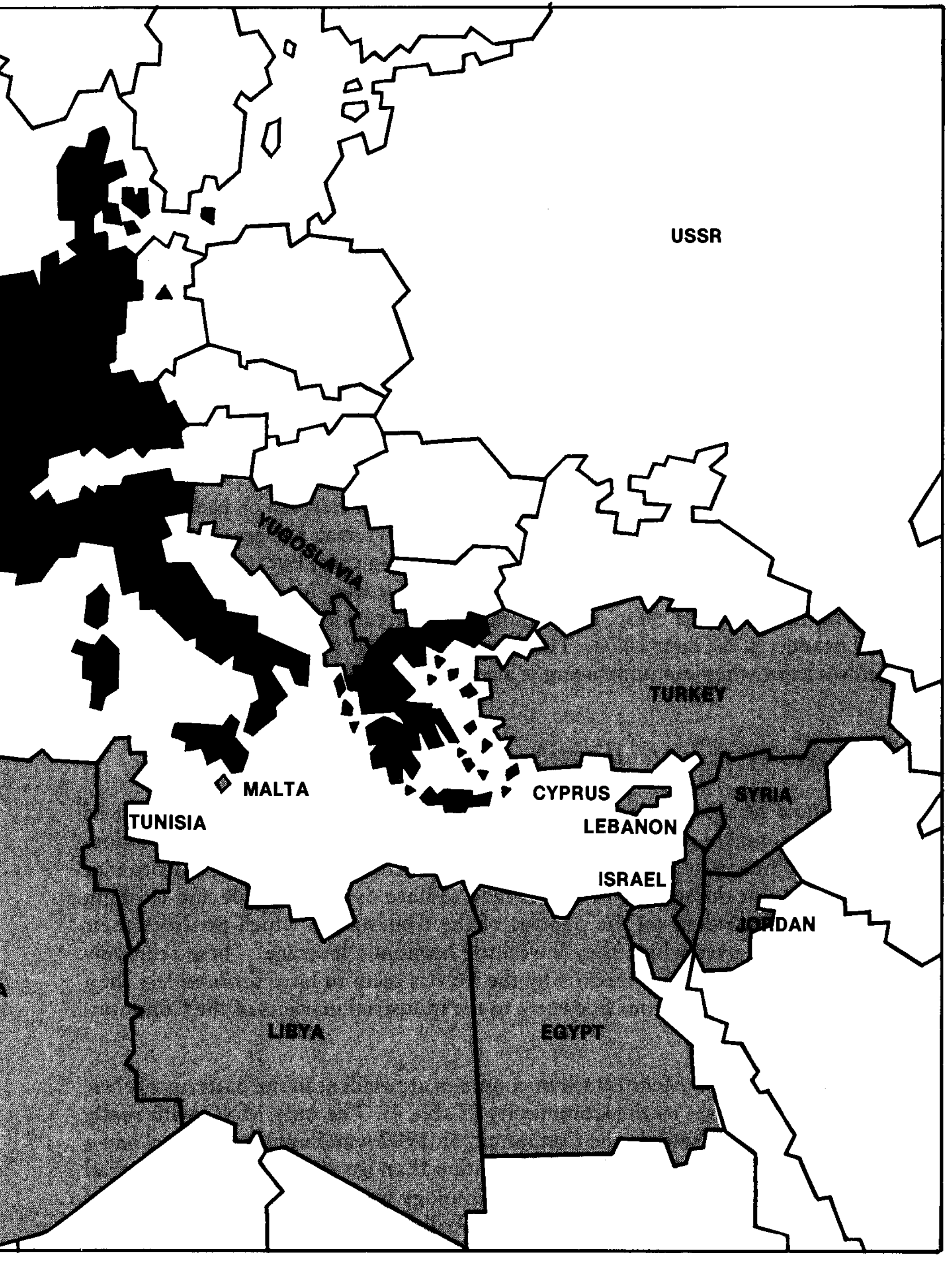
Diversification is an essential part of the remedial action that non-candidate Mediterranean countries are being advised to take. Here a woman farmer is seen connecting pipes to irrigate her field of 'lady fingers' (spicy thin green peppers) with water from a borehole in the Kouris river delta fan, West of Limassol, Cyprus. The area is mostly planted with citrus and grapevines. (FAO Photo)

exports seem to be protected largely by their uniqueness: hazelnuts, sultanas, dried figs and apricots, oriental tobacco, lentils, and so on, seem secure because they meet little competition. However Turkey is anxious about competition for her sultanas from the United States, Australia and South Africa. There is a second group of countries with specific but not general problems, such as Algeria (wine), Egypt (potatoes and onions) and Malta (potatoes and wine). All these pale in significance beside the four countries with the major problems: Cyprus, Israel, Morocco and Tunisia.

Six sectors seem specially sensitive: olive oil for Tunisia (with little doubt, the most serious single sectoral problem of all); tomatoes and clementines for Morocco; the grape-wine complex and, if the problem transpires at all, early potatoes for Cyprus, and finally, citrus fruit for Israel. Israel's problems are political as well as economic, since agriculture is part of a policy of occupation of the land. In Table 6, the various


European Community
Non-member countries
of the European Community
Applicant countries
to the European Community
MOROCCO
ALG

and the Mediterranean



indicators of the economic and social importance to their countries of the sectors potentially in trouble are laid out, in as comparable a form as possible. Assuming special treatment is provided for Tunisian olive oil, the other three countries are the most vulnerable in agriculture.

7. 'Sensitive' sectors in industry

On a long view, industrial exports are far more important to the MNCs than agricultural ones. Unlike agriculture, which has shrunk as part of total production, manufacturing has kept up with the general high growth of the economy in most of the Mediterranean basin. This is remarkable in view of the sudden and steep rise of energy and other raw material prices in a number of countries, which has shifted the weight of income to mining. In several States, manufacturing has grown even faster than the economy as a whole. Malta is the outstanding case, but not the only one. Manufacturing also grew more than the average in Cyprus, Morocco, Tunisia and Yugoslavia. In the last of these, mining and manufacturing accounted for 40% of national product in the later 1970s. This is a figure usually found only in fully industrialized societies when manufacturing is at its peak in the economy.

Early stages of industrialization

However, most Mediterranean countries are still essentially in the early stage of industrial development dominated by light industries. The main weight of production is in food processing, textiles and clothing. A few countries have a broader industrial base. But the smaller countries tend to have dynamic textile and clothing sectors heavily dependent on the policies of the Community which provides their main markets and over which they have little economic leverage. These relatively weak structures may partly explain why the MNCs seem to have profited less than might have been expected from free entry to the industrial markets of the Community.

The differences between Mediterranean countries are evident in the patterns of their exports of manufactures to the Community (Table 4). The only MNC with really substantial engineering sales to the Community in 1982 was Yugoslavia. Israel had a fairly wide spread of manufactured exports other than textiles, including industrial diamonds, fertilizers, chemicals and high technology products. The MNCs' sales of manufactures other than textiles has been gradually increasing (Table 4). Neverthe-

less, most of them still concentrate on textiles and clothing. Taken across the board, exports of textiles and clothing accounted in 1982 for over 40% of all the MNC's industrial sales to the Community.

Given this lop-sided distribution, typical of countries in the early stages of industrialization, the trade policies of the Community towards textiles and clothing are of great importance. Textiles and clothing have so far constituted much the largest exception to the Community's generally liberal import policies on manufactures from the Mediterranean basin. Steel, synthetic fibres and shipping have been much less relevant to the MNCs (see Section 4 above).

Textiles and clothing

However, one should not be misled by official Community import policies on textiles and clothing into assuming that the actual trade perfomance has necessarily followed suit. The fact is that the constricting effects of protection are not obviously reflected in import figures, at least until 1982, the last year for which returns are generally available (Table 4). Throughout the recession years since 1974, the Community's imports of textiles and clothing from the Mediterranean non-candidates have grown; and they have grown faster at annual average rates in the years of the second energy recession, from 1980-82, than they did in the previous six years when trading conditions were generally more favourable. (The trade, by weight, rose even more.) It is true that the Communiy has given a preference to Mediterranean exporters against third countries, especially in East Asia, which have taken the brunt of restrictions. Moreover, as the following table shows, performance by the MNCs has been very variable, with the countries doing best from 1974 to 1980 often doing worst from 1980 to 1982, and vice versa.

It is notable that Turkey, with whom negotiations about the Community's curbs on textile imports have been specially tense, has achieved particularly encouraging results since the military coup of 1980. Since Turkey is a major Mediterranean exporter of textiles (mostly cotton yarn), this has raised the average for the basin as a whole.

Much of the growth in MNC exports has been associated with 'outward-processing'. This is a system by which textile or clothing firms in advanced industrial societies farm out the more labour-intensive stages of processing (mainly in clothing) to low-wage countries, while holding on to the more capital-intensive or complex stages (such as designing) themselves. Many producers regard this as the only way for a high wage country to keep a foot in the business. There has been substantial European investment in outward-processing in the basin. The result is that most of the Mediterranean countries have a sizeable stake in the two sectors and the trade.

Textiles and clothing as share of Total Community imports from Mediterranean non-candidates 1982

Country	Textiles (million ECU)	Clothing (million ECU)	Share of total imports from each MNC (%)
Cyprus	1.3	42.8	14.8
Egypt	182.3	14.1	7.2
Israel	100.0	209.4	17.3
Malta	6.5	135.9	49.3
Morocco	81.2	153.7	17.5
Tunisia	41.5	345.9	30.1
Turkey	470.0	185.7	40.7
Yugoslavia	74.1	451.1	19.0

Source: Eurostat.

Average growth of EC imports of textile and clothing from Mediterranean non-candidates

Country	Average annual percentage change;	imports in constant 1982 ECU
	1974 - 80 %	1980 - 82 %
Morocco	8.1	9.5
Tunisia	28.9	3.9
Malta	16.3	- 2.0
Egypt	- 5.2	6.3
Israel	16.8	1.5
Syria	- 13.8	- 7.2
Cyprus	(72.7)[1]	12.8
Turkey	- 1.4	32.7
Yugoslavia	- 2.5	5.4
All MNCs	4.1	10.0

Source: Eurostat.

[1] From a very low starting point.

Malta and Tunisia are far and away the most heavily involved relative to their GDP (Table 4), while for Turkey cotton yarn represents a significant part of exports. In absolute figures, Yugoslavia is second only to Turkey, but the relative stake is fairly small.

Growth plans 1983-86

All this is necessary background for assesing the progressive tightening of Community restrictions on the *growth* of textiles and clothing imports. Starting in 1977, the

Community imposed *de facto* quotas on imports of textiles and clothing from all the Mediterranean countries. These have been resented by the exporters, including Portugal and Spain, as a violation of the promises of free entry contained in the global Mediterranean approach. Yet growth is envisaged in the Community's scheme for imports from 1982-86. Mediterranean exporters, with preferential treatment, have been officially provided a range of 2-4% volume growth a year. This is slower than in previous years and doubts inevitably exist for the period thereafter, which hinder investment and sales plans. But it is still progress and a far cry from the shrinkage feared in agriculture. The Community has proved very flexible in the administration of restraints on Mediterranean exporters. This no doubt explains the trade figures.

In fact, some Mediterranean exporters seem to have difficulty filling their quotas, and may be less competitive than they were. Malta for one, in its development programme for 1981-85, has aimed at reducing its stake in the clothing industry because of rising living standards and wage costs at home, as well as a hardening currency. Israel's exports are exempt from Community restrictions because, involving relatively small quantities of high value items, they do not compete with domestic production of sensitive products.

Enlargement and textiles

Despite the unexpectedly good trading results, enlargement of the Community adds to the question marks. Sooner or later, Portugal and Spain will face no quota restrictions on their textile and clothing exports to the rest of the Community. Italy has shown what a dynamic industry can make of such opportunities. This necessarily threatens to displace outside exporters, though in practice matters may not be so clearcut. For one thing, the fears will take some time to materialize. The Community has shown in negotiating with Portugal that it will delay the end of quotas by several years. For its part, the Spanish industry does not seem dynamic and labour costs are relatively high. However, delays cannot last for ever and the Portuguese industry like the Italian and Greek seems competitive on both price and quality. They will be able to count on free access, which encourages their investments, whereas the non-candidates will have no such confidence. For the longer term, the MNCs have a potential advantage in holding a rather limited market share in the Community, well under 10% for textiles and even for clothing failing to top 15% in any important category. The main suppliers of the Community in textiles are OECD countries (hardly low wage producers). In clothing, closer to the stereotype, east and south-east Asia have predominated. This gives some scope for preferential arrangements in the Mediterranean, if that route, already taken, is to be further followed.

Nevertheless, without discounting the favourable trade statistics, the very existence of restrictive policies hinders the development of all exporters to the Community, even favoured ones. Doubts about the future discourage investment in the non-can-

didate countries while the guarantee of free trade, inside the Community directs it to the new entrants.

Footwear and chemicals

The problem goes well beyond textiles and clothing. Other industries risk becoming sensitive. Problems are accumulating in the footwear industry. American restrictions on imports are closing outlets across the Atlantic. At the same time, a number of Asian countries (China, India and Pakistan) are increasing their exports. This could easily lead to pressure on European markets. In 1982, Spain exported about 300 million ECU of footwear to the Community and Portugal 100 million ECU worth. If the European market began to be restricted in the wake of the Americans, exports from Yugoslavia (99 million ECU in 1982), Morocco (37 million ECU), Tunisia (28 million ECU) and Malta (10 million ECU) could suffer. There are also potential problems once the huge petro-chemical and fertilizer capacities built up in the oil-exporting countries come on-stream. The principal MNC exporters of fertilizers are Tunisia, Israel and Morocco (109, 44 and 29 million ECU respectively in 1982). In these sectors, there are no direct difficulties in the Mediterranean. They are more likely to arise from the indirect effects of cumulative exports from other sources of supply.

Restrictions and strategies

More important still, the uncertainties affect the general development plans of the non-candidates when they consider their industrial strategies for the future. Experience suggests that whenever an economy which depends on European outlets succeeds sufficiently well to become a real competitor, it is liable to find supposedly free entry whittled away. This casts doubt on the Community's Mediterranean policy and the development prospects it was supposed to provide. Reviving growth in the world economy might improve the underlying conditions. But so long as recession or its aftermath persists, particularly in high levels of unemployment in the Community, a long shadow is cast across the plans of the Mediterranean region.

8. Migrant labour

It is arguable that the problems of migrant labour will continue to arise, as now, from recession more than from the enlargement of the Community. The heyday of migration into the Community was the 1960s and early 1970s, when the European economy was riding high. Millions of workers flowed in from the European Mediterranean, including Turkey, and from the Maghreb. Signs of social stress and inability to absorb such an influx were already evident then. The limits hardened with recession, which cut off the supply of jobs and produced unemployment rising to more than 10% in the Community today. Unemployment is specially high among unskilled migrant workers. The strains of coexistence with large numbers of foreigners have surfaced since the 1970s in racial tensions and popular support for repatriation.

On the other hand, most of the migrant labour force has in fact remained and seems unlikely to leave. There are still near on three million Mediterranean migrant workers in the Community (Table 7). Migrants generally fill jobs local workers do not want to take. Many have families and have begun to integrate locally. Forcing departures would be against the standards of welfare and human rights of European society. Providing incentives to stimulate them to do so are another matter. Attempts by the French Government to offer money to migrant workers to return home in the late 1970s induced little over 1% to do so. The German authorities, late in 1983, offered more far-reaching incentives organized round credit schemes to repatriated migrants to set up and develop small businesses. Nevertheless, only minorities can be involved so long as conditions in the countries from which the migrants come remain as difficult as they are now and in prospect.

Accordingly, there is little expectation of large-scale migration in either direction in the foreseeable future, from within or outside the Community, enlargement or no enlargement. It is true that Portuguese and Spanish workers will have equal employment rights with locals in the other Member States once they become full members of the Community (and not before). But recession slows down the demand for labour. Other migrants will only be considered for a job if there are no local or Community candidates available.

For the countries of origin, with the exception of Portugal and Algeria, migrants, large though their numbers are, represent only a small proportion of the official active domestic labour force. Though the Turks provide the largest contingent, they are only a fraction of the presumed *increase* of the Turkish labour force, estimated at 7.8 million, between 1976 and 1990 (source Musto — cf. bibliography). Thus, though the difficulties of development in the Mediterranean are aggravated by the

drying up of possibilities of emigration, they are relatively small compared to the huge scale of the problem at home.

Migrants' remittances are, however, an important component of the supplying countries' resources of foreign exchange, and these can be crucial to development strategies. For Turkey, Yugoslavia and Morocco, remittances come immediately after exports as sources of hard currency.

MNC nevenue from remittances 1982

Country of origin	Remittances (million $)	Relation to GDP %
Algeria	291	0.6
Morocco	840	5.7
Tunisia	359	4.5
Turkey	2.174	4.1
Yugoslavia	4.441	7.7

Sources: Tables 1 & 2.

The financial consequences of the drying up of emigration have so far appeared only slowly. Migrants have continued to send money home long after they have begun to settle into their new country. Nevertheless, what was at one time an expanding form of income turns into a potentially shrinking one. It is also hard to predict how the financial flows will evolve in future. The contraction can be important if a country is in difficulties for other reasons, as was the case with Turkey in the late 1970s.

The issues are also political. Turkey poses a uniquely difficult problem. The Agreement of Association, which goes back 20 years to 1964, promised a customs union, including free movement of labour at the end of the road, originally due in 1986. Yet, since the 1970s, it has been plain that Turkey's economy cannot stand up to such a customs union.

And the medium and long-term prospects for employment in the Community do not favour the free movement of Turkish labour. The Turks still hope to enter the Community, but realize they may not be able to do so for the indefinite future. They have reluctantly accepted 'second preference' after Community nationals for their own migrants. Turks will take precedence over other third parties when jobs are on offer in the Community. This recognition may have some political significance. But the practical concession is very limited in the circumstances and the fear of long-term exclusion remains.

9. Countries and concerns

In relations with the Community, the Mediterranean non-candidates fall into two fairly equal but distinct groups: one for which interdependence is moderate, the other for which the ties are much closer (Section 5 above).

In the first group, the countries, of the Mashreq (Egypt, Jordan, Lebanon and Syria) all have economies turned to the Gulf rather than to western Europe. Even the partial exception, Egypt, has found its shortage of foreign income eased by oil, by Suez Canal dues, by tourism, by migrant remittances from the Gulf and by US investment and aid. As for the major Mediterranean oil exporters, Algeria and Libya, their income depends on world energy markets, not on western Europe. (This is even true of Syria). Other concerns, both economic and political, can be important, especially for Algeria which, as the more populated of the two, is also the more exposed, but they tend to take second place.

That leaves a second group consisting of the four European States (Cyprus, Malta, Turkey and Yugoslavia), of Israel and, among the Arabs, only of Morocco and Tunisia. These tend to reappear in every aspect of relations with the Community in agriculture, in industry, in migrant labour and, in a less explicit but pervasive sense, in political relations, which tend in most cases to be close.

However, there are many reasons why this simple distinction cannot, and should not, be followed up in practice. For one thing, there are problems which cut across the two groups. The first and most obvious is the fall in food self-sufficiency in a range of countries which includes not only Morocco and Tunisia but Algeria, Egypt and Jordan, all of which seem interested in European cooperation to help halt or reverse the trend. Second, and more generally, all Mediterranean countries face problems of development that would be challenging at the best of times and are made worse by recession. Given the enormous potential of the Community, a number of countries like Egypt, Jordan or Lebanon, may want more cooperation on development with the Community in future. Third, given the geographical unity and strategic porousness of the Mediterranean, every country tends to look over its shoulder at neighbours in dealings with the Community.

The fact remains that whether issues arise from basic developments on both sides of the basin (e.g. in agriculture); or from recession (such as migrant workers or restrictions on trade in clothing), or from the third enlargement (which sharpens existing dilemmas rather than creates them), the same countries tend to come at the head of the queue of problems. It is useful to look at these States particularly closely.

To help preserve *Yugoslavia*'s non-alignment is a major political priority for the Community, but this is difficult to translate into the bread and butter of day-to-day

economic relations. Yugoslavia's agriculture has suffered from the common agricultural policy but for beef, not Mediterranean products, in which her output is limited or specialized (e.g. wine). Her textile and clothing industries have lost substantial market shares in the Community in the 1970s, but are primarily for domestic consumption. The great boom in migration to work in the Community is over, but Yugoslav workers still remit large sums home and are not likely to be turned out of Community labour markets to make way for Iberians. More generally, Yugoslavia relies on a comprehensive range of industries but — and in this she somewhat resembles Spain — too many are old-fashioned or in sectors with poor growth prospects and her major problem is to become more competitive in manufacturing. Yugoslavia is well placed to export to eastern Europe but, for political reasons, wants to trade there wisely rather than too well.

Turkey is an equally complex case. She too is a strategically vital country — and a large one. She is perhaps the most ardent of all the would-be candidates for membership of the Community yet even the Association has turned sour. The refusal to agree on restrictions on exports of textiles to the Community (mostly cotton yarn) and the disappointment over the cancelled prospects for migrant workers are only part of this wider, and primarily political, resentment.

On the other hand, since her policies became more export-oriented in 1980, Turkey's textile exports to the Community have recovered very fast and are now larger than those of any other MNC; and the uniqueness of some of her largest farm exports (shelled hazelnuts, sultanas, oriental tobacco etc.) seems to protect her from the difficulties threatening the food exports of some other countries. (There would be problems if this proved wrong.)

The fundamental issue, however, is the role the Community plays in Turkey's attempts to move away from the inward-directed economic policies which have played a large part in her lack of competitiveness and comparatively small trade of the past. As Turkey's exports develop, to Europe as well as the Middle East, she will be more dependent on outlets becoming available and light industries are still her main asset. The Community must, in its own long-term interest, encourage her, and cannot do so by finance alone. Trade opportunities are also necessary. Turkey is the clearest instance of the broad development issues which are underplayed by an over-exclusive focus on the direct consequences of the third enlargement.

Turkey and Yugoslavia, being large countries and not very export-oriented, have a relatively small part of their GDP involved directly in their economic relations with the Community (see Section 5). The two island States, Malta and Cyprus, being small and export-oriented, are much more obviously implicated. *Malta*'s trade with the Community accounts for as much as a quarter of her total national income. Moreover, her total exports are overwhelmingly concentrated on clothing: these constitute over 40% of her sales to the world. She would like concessions from the

Community on farm exports, and in absolute amounts these are so modest she might succeed, were it not for the precedent for larger exporters. Nevertheless, both for current trade and for her development strategy, what to do with her clothing industry, most of it working under 'outward-processing' arrangements with European firms, is the key issue for Malta.

Because of rapid growth, rising wages and a strong currency, the industry, originally based on low wages, no longer provides a base for development and the government wants to diversify without losing European outlets. Malta is small (which makes her trade ambitions easier for the Community to satisfy), the islanders have proved highly adaptable, and the third enlargement could open up new markets in Spain which have hitherto been closed. In principle, the problems should be soluble, but recession has slowed up the results expected of the development strategy and Malta has obivous difficulties to surmount.

Cyprus has less of her GDP tied up in exports to the Community than Malta, but at nearly 8% the proportion is still substantial. She used to be much more dependent before her extraordinary success since 1974 in re-routing trade to the Arab oil-exporters, from Libya to the Gulf. In 1970, the Community (or rather Britain) took 69% of Cypriot exports. In 1982, the proportion was down to 30% (Table 4). Moreover, Cypriot receipts from invisibles, such as tourism, were half as large again as from exports to all destinations (Table 2). All these facts suggest basic self-reliance and resilience, particularly if one takes account of what it means in terms of recovery from the *de facto* partition of the island since 1974.

Yet past success is no guarantee of future security. Cyprus's Arab markets are likely to be much less buoyant in the near future than recent past. It is significant that exports to the Community were proportionately lower in 1980 (28% of the total) than in 1982. Further, two-thirds of Cypriot exports to the Community are sensitive and vulnerability to the third enlargement in the difficult agricultural sector is far higher than in any other MNC: 2,4% of GDP is tied up in food exports to the Community of the high risk Mediterranean type (Section 6,). The partition of the island also bedevils political relations with the Community, which as a result are deadlocked.

Israel is perhaps in the strongest position of all the MNCs. There are two major reasons for this. The first is that she alone seems to be on the way to developing a mature industrial economy, including the occupation of significant niches in the high technology sectors. Second Israel, like Malta, could be well placed by her industrial growth to exploit the lowering of protection in Portugal and Spain as a result of membership of the Community. A third source of strength is that her balance of payments is virtually proof against collapse.

Against this background of assets, which make her in many ways a quasi- European economy, must be set her undoubted vulnerability to the Community's third

enlargement in her food exports. She depends less on agriculture than most other MNCs. In particular, agricultural employment at 6% of the work force is now moderate in Israel. But the occupation of the land is politically significant and agriculture is still an important source of foreign revenue. Israel's outlets in the Community for citrus and other fresh fruit, fresh vegetables, processed fruit and vegetables and flowers are all vulnerable, to Spanish competition in particular. This vulnerability is the greater because Israel has already made the effort to diversify her agricultural exports and has little scope to shift again.

Tunisia has a higher proportion of her economy vested in non-fuel exports to the Community than any other MNC except Malta (Table 4). Her sources of foreign exchange are fairly diversified because of oil (though that will decline), phosphates and tourism. But like Malta, she has a large clothing industry based on outward-processing and, though her wage levels are lower, faces the problem of how to move up the industrial scale into higher value activities. Clothing is a large employer and the olive oil industry threatened by the third enlargement of the community, a still larger one. Olive oil directly concerns nearly a tenth of the entire Tunisian labour force and is said to be crucial in many areas to hold back the Sahara. Olive oil is almost certainly the biggest single issue for an MNC arising out of the third enlargement. Tunisia, like all Arab countries, though less than most, has a high birthrate (Table 1), so that high economic growth is also imperative. With the country nearing a turning point as the Bourguiba period draws to a close, such problems have marked political overtones. There were serious riots in 1983 when it was proposed to raise the price of bread.

Morocco is the least industrialized of the MNCs with strong Community connections, though she has built up a fair-sized textile and clothing industry. She has an advantage in being one of the world's major producers of phosphates; and exports fish, metal ores and petroleum products, all of which find ready markets. In 1982, she also received more long-term private capital than any other MNC except Egypt (Table 2). For the rest, she seems vulnerable in a number of ways.

She has a very high rate of growth of population (Table 1). Her output of food per head has been falling alarmingly since around 1970, with the inevitable consequences for the balance of trade (Section 6). The prices on world markets for her phosphates are extremely variable. She has a deficit on invisible earnings, unlike a number of MNCs. Since the second oil price rise of 1979, she has hovered on the edge of a severe balance of payments crisis. She is involved in a seemingly endless war in the Sahara, though the agreement of 1984 with Libya may make it less acute. Like Tunisia, she has also experienced bread riots. All these problems form an uncertain background from which to operate relations with the Community.

These relations themselves pose a number of problems for Morocco. First, income from items sensitive to Community trade restrictions or to the third enlargement

Olive oil is one of the biggest issues arising out of the third enlargement of the European Community, in particular in Tunisia where it concerns about one-tenth of the labour force. Photo shows a trainee taking a graft from an olive tree. Trained farmers are needed to make agricultural reforms work.
(Photo Vivante Afrique)

(trade and migrants' remittances) amount to more than 10% of GDP, a proportion exceeded only by Malta, Tunisia and Yugoslavia. Second, there is a heavy concentration on exports of oranges, clementines and tomatoes, all of which compete with some of the strongest lines of Spain, whose transport costs to the Community are lower. Third, industrial exports concentrate heavily on textiles and clothing, though other items are increasing. Fourth, Morocco's biggest single source of invisible income is migrant remittances, which in the long run must be expected to shrink. This adds up to a formidable list for a country which is less developed than some other MNCs. Morocco is likely to be one of the countries most vulnerable to the third enlargement and to limits on imports, economically and perhaps politically as well.

PART III

Policy options

10. Contexts

Like most political problems, the Community's relations with the Meditrranean would not spill so much ink if the issues were easy to resolve. As in all the best drama, the essence of the plot is in dilemma. On both sides of the account, the priorities at stake are important. The trouble is, they conflict.

Pressures for growth

The basic need of the MNCs, and especially of the non European parts of the Mediterranean, is to grow at more than 2% a year and in some cases up to 3.5% a year, for the average living standards of their citizens merely to stand still. In practice, throughout the region, to meet popular aspirations and preserve legitimacy, regimes must increase wealth per head. In most cases, therefore, they need to sustain high rates of economic growth over long periods until the underlying pressures begin to ease.

This is serious enough as a quantitative problem, but in fact it is above all a qualitative one. Unless patterns of production shift from traditional activities with low yields to ones bringing in higher returns, a ceiling will soon be reached where social goals cannot be met. Thus, while MNCs must increase productivity in all fields, they must also apply development strategies which, very broadly, move up the scale of economic sophistication from subsistence agriculture, to light and then progressively more mature industries and services. There must be a constant movement both within and between activities if growth is to be sustained. This involves major social change as well.

In a long term perspective, relations between Europe and the Mediterranean require mutual adjustment at all times in a process of development between a dominant and relatively mature economy on the one hand and newer and far weaker and more highly strained ones on the other. This is not peculiar to the Mediterranean, but because of the levels of development reached and the high degree of mutual interdependence in the basin, it takes on special intensity there.

Recession and the Community's role

For countries under basic pressure, like most of the MNCs, recession is even more serious than for the rich and settled societies of Europe, where the troubles are bad enough. The strains are so intense that in the Islamic Mediterranean the surprise is

not so much that there are turbulent undertows but that they are not even stronger than they are. The Community cannot abdicate from its part in the context. Although the Gulf is more important for the Mashreq, in virtually every other case the Community is, inevitably because of its size and proximity, the dominating force in the immediate environment. So long as recession maintains a grip on Europe, the measures Community States take to ease their domestic difficulties tend to magnify those with which the Mediterranean societies have to contend. This is clear enough in the MNCs' anguished reactions to the 'broken promises' of the Community's global approach.

Enlargement

The conflicts of purpose inherent in the third enlargement of the Community add to this basic constriction of Mediterranean prospects. Enlargement is of major importance to the future of western Europe, but creates clashes of interest within the Community itself which limit the room for manœvre of the Member States. Moreover, it is not possible, without heavy costs, to deny the new entrants the full benefits they have been led to expect the Community will bring. But to satisfy these demands tends in many cases to cut third parties out of established markets. And recession reduces alternative outlets for those who feel they are losers in the process.

In these conditions, policy options are relatively constrained and often force dilemmas on policy-makers. This is why the biggest single relief to enlargement (and many other problems besides) for the rest of the Mediterranean is not directly a policy for the Mediterranean at all, but a revival of growth in the world at large. Even so, it seems it might be many years before unemployment in Europe could be absorbed and thus pressure for protection in the Community relived. Many believe that the nature of the new technologies will be such that there will be high unemployment until the patterns of European society have adapted to them in depth. All this implies the passage of a good deal of time, during which restrictive attitudes in the Community may well persist.

Overlapping problems

In short, any review of European relations with the Mediterranean must deal not with a single set, but with an overlapping series, of problems. The practical issues are compounded of basic development strategies and adjustments; the complications of recession; and the third enlargement of the Community which sharpens all the other concerns. Development strategies imply cooperation in difficult areas like agriculture, and mutual adaptation of industrial structures. Recession poses obstacles to growth reflected in disturbances as different as Community protection against clo-

thing imports or the drying up of openings for migrant workers. The third enlargement poses threats to the MNCs' outlets in Europe for sensitive products, old or new, of which Spain and Portugal are major suppliers, and for their agricultural exports in particular.

Policy options

Any review of the Community's global Mediterranean approach precipitated by the third enlargement has to be viewed against this much larger background. There are two broad avenues along which policies can be envisaged, although these are complementary, not mutually exclusive and in practice revitalized Mediterranean policy will have to combine them.

First, measures are needed to deal with the trade problems, with the MNCs actual or potential losses of outlets in the Community. These could involve the diversification of the MNCs' exports to reduce dependence on the Community's market (Section II); trade concessions that allow certain quantities of their exports access to the Community market on favourable conditions, sometimes in preference to the products of countries that enjoy less close relations (Section 12); or financial compensation for MNCs which lose outlets in the Community because of the third enlargement in particular (Section 13). These trade policies are not mutually exclusive. In fact an appropriate mix is needed to tailor solutions to the very varied requirements of different sectors. The problems of the agricultural sector, for instance, generally demand different solutions from those of manufacturing.

The second broad area of policy is that of the Community's contribution to the MNCs' development. This includes not only conventional financial assistance but also measures to help them overcome handicaps to their development, such as booming imports of grains, the fragility of their industrial structures, their shortage of managerial and other skilled manpower and so on.

Both these broad approaches imply closer political contacts between the Community and the Mediterranean countries. These are needed both to foresee and forestall conflicts whenever possible and to make the Community as aware as possible of the MNCs' real development problems. Often such approaches will be bilateral, because the Community's partners will want them so, but some issues concern two or more, or even all, Mediterranean countries and in those cases there may be scope for a collective approach, e.g. whether these are institutionalized or not.

11. Trade policies (A): diversification

Diversification, as a policy for side-stepping Community-Mediterranean problems, has an ancient pedigree: if there is no solution in sight within present contraints, one can always try to shift the focus to other goals and opportunities and so reduce the MNCs' dependence on western European outlets. In this case, it means Mediterranean non-candidates finding new markets at home or abroad with better prospects than those in the Community. The possibility is at least suggested by large and even spectacular readjustments in the recent past.

Changes in direction of Mediterranean non-candidate exports
1970 - 82

Country	Share (%) of different markets in total exports to world: 1982 share minus 1970 share					
	Total increase or decrease	EC	Other OECD	OPEC + Med.	CMEA (Comecon)	OPEC + Med. as % exports 1982
Egypt	51	+ 30	+ 2	+ 16	- 51	28
Cyrus	43	- 33	- 3	+ 32	- 7	51
Turkey	37	- 16	- 14	+ 34	- 7	50
Syria	31	+ 25	- 3	- 1	- 28	22
Yugoslavia	28	- 17	- 11	+ 13	+ 13	20
Jordan	24	+ 10	—	+ 12	+ 2	69
Morocco	23	- 14	+ 9	- 4	- 5	10
Tunisia	21	- 6	+ 17	- 8	- 6	9
Algeria	20	- 1	+ 20	- 10	- 8	1
Israel	15	- 5	- 6	- 4[1]	—	5
Lebanon	12	- 4	- 3	+ 8	- 5	72
Malta	5	- 4	- 1	+ 1	—	9

Source: IMF (the last column in the table may be compared with Table 4 which shows the percentage of MNC exports going to the Community in 1982).

[1] Israel's exports to 'unspecified' destinations increased + 14 points between 1970 and 1982).

In many ways, this is a remarkable record of changing structures of trade. There has been at least a 20% shift in 12 years in the outlets of three-quarters of the MNCs, and Egypt has realigned over half her exports. However, Egypt's adjustments have been favoured by oil, as have those of Syria. The outstanding performers have perhaps been Cyprus and Turkey which had no such fuel for their trade drives. The biggest shifts have been towards the markets of the oil exporting countries, though Egypt and Syria have turned on a large scale to the Community. The Maghreb, which is most geared to Community markets, has diversified significantly to other

western industrial outlets, Algeria notably to the United States. Yugoslavia's accentuation of exports to eastern Europe is unique; all the other MNCs except Jordan have moved away from Comecon — Egypt and Syria very markedly. Of course, this was a decade of upheaval and of exceptionally rapid growth in the oil exporting countries of the Middle East and Mediterranean. All the same, since the MNCs have readjusted their sales once already on such a scale — and so recently — it would be inattentive, to say the least, to ignore the possibility of their doing something similar again. Even a smaller shift than the one of the last decade could be significant.

New markets

However, to assess the chances of a repeat performance, one needs to look at the figures in more detail. By themselves, shifts in exports, large as they may be, could reflect changes in the external environment only, such as the sudden access of wealth of the oil exporting countries. In that case, MNC successes would be relatively passive, determined primarily by events outside their control and liable to be called in question if the context becomes less encouraging. To launch a strategy of diversifying exports requires something more: a sign of improving competitive capacity in the MNCs themselves. The best evidence of that is an increase in their market shares against other exporters.

At this point, the performance of the non-candidates begins, on the whole, to look considerably less impressive.

MNC shares of imports of world and of selected regions

Importing region	MNCs' market shares (%)		Exporting country or group	MNCs' market share (%)	
	1970 %	1982 %		1970 %	1982 %
World	2.3	2.7	Algeria	0.4	0.8
			other MNCs	1.9	1.9
Gulf + Med.	5.9	4.6	Turkey/Yugoslav.	1.2	3.0
			Lebanon	2.3	0.5
			other MNCs	2.4	1.1
CMEA	12.7	10.5	Yugoslavia	5.4	8.8
(Comecon)			Egypt	4.5	0.4
			other MNCs	2.8	1.4

Source: IMF

These figures lend themselves to several observations. The first is that in 1970 the MNCs were relatively two and a half times as big in Gulf-Mediterranean markets, and five times as big in Comecon markets, as they were in world exports as a whole. Yet, despite the high growth of both regions between 1970 and 1982, they failed to exploit their relatively good position and lost ground instead. Second, of course, this is not a universal phenomenon. Turkey and Yugoslavia increased their market

shares significantly in the Gulf and Mediterranean and Yugoslavia still more so in eastern Europe. In a different vein, Egypt's veering away from Comecon also suggests some mobility: the motive was clearly political. (Lebanon's troubles are rooted in the civil war). Nevertheless, the third point is that the market shares of the other MNCs fell collectively by half in both the Middle East-Mediterranean basin and in eastern Europe.

Limited results

These pieces of evidence tend to suggest that most MNCs' exports to the oil-enriched markets rose because demand there was rising rapidly rather than through any special export efforts of their own. This does not in itself lead to any forecasts. One does not, for instance, obtain any hint from the figures about the priority placed by the countries with poor results on sales to the Middle East. Even the success of Turkey may seem more dramatic than it should because after 1980 she played down autarchic policies which previously tended to depress exports. Further, countries with very small market shares, like Cyprus, can increase them very substantially in their own terms without this making a marked impact on the general picture. The smaller exporters can sometimes thrive in the interstices of the statistics, as it were. On the whole, such features suggest that States pursuing a deliberate policy to re-orient their outlets might obtain sizeable results.

On the other hand, all this does not dissipate the general impression that the MNCs' export performances, on average, have been modest in markets where conditions were exceptionally good in the past decade and which were close to them, sometimes by geography and often in culture. It also seems unlikely that these markets, much the best of the past decade, will be anything like as buoyant in the coming phase. This could be the more constricting to the extent that the MNCs in the eastern Mediterranean have all become much involved in Middle Eastern markets, and so will have to increase their market shares to grow further if the markets themselves are growing more slowly.

This is not to deny that there is scope to increase exports in new markets if a country makes a special effort. But it is much more difficult for all to do so without higher general growth. Short of that, there is little in the MNCs' performance in the last decade to warrant primary reliance on their diversifying markets when Community ones prove sluggish.

Higher self-sufficiency in food

The other route to diversification is to save foreign exchange by reducing some imports which have been increasing very rapidly. This does not seem sensible in

industry, but could be considered in agriculture, where most of the population of the MNCs still work and where, in some countries, alarming supply deficits have appeared. The Maghreb, Egypt and Jordan could save large sums by growing more cereals and cutting imports. (Part II, Section 6).

Cereals already occupy between half and three-quarters of most of these countries' cultivated area (FAO 1982). Though futher land could be brought under the plough, improvements are more dependent on raising yields per hectare, which are usually very low for grains. Studies suggest the investment costs could be high and that the income from one hectare of vegetables equals that from 15 hectares of cereals. Clearly, programmes will involve time and money; and import substitution is not an answer for the loss of export markets for lucrative cash crops.

Water and irrigation is the secret of Israel's success in making arid deserts fertile. Community finance and technical assistance could help Egypt, Jordan and the Maghreb countries similarly to tame the desert and eventually to become self-sufficient in agricultural products. (Photo Israel)

Nevertheless, the situation in the Maghreb, Egypt and Jordan is such that their food security and foreign payments balances demand every effort should be made to increase self-sufficiency in grains and other basic crops. Enormous efforts will be

necessary over many years to improve farm structures, technical advice and services to farmers, vocational training and research and development. The Community could provide technical assistance as well as finance for such programmes. The Community could also support regional cooperation to control, and if possible reverse, the spread of the Sahara desert. Long-term contracts for the sale of European grains and food aid could also be provided on request, so long as they were temporary, degressive and designed to fit in with the MNC's strategies to increase self-sufficiency.

The spread of the Sahara is the greatest threat to North African countries. Community aid to control and perhaps reverse it could help these countries significantly. Photo shows the building of an artificial sand dune to protect roads and small villages in Tunisia. (Photo FAO)

It is clear that quick and spectacular results cannot be achieved. A long-term effort will have to be carried out on a substantial scale, both by the countries themselves and by any outsiders who want to offer serious help. Nevertheless, the problem is so great, in social and political as well as economic terms, that agriculture must be a

prime field for cooperation between the Community and the more vulnerable MNCs.

. . . *and European exports*

Such programmes imply new restraints (among many others) on European agricultural output. In recent decades, European grain production has first built up self-sufficiency at home and then spilled over in growing exports to the world. Between 1974 and 1982, such exports accounted for some 80% of the outlets for increased Community output. Egypt and the Maghreb have become specially significant export markets for Community grain farmers. If the growth in MNCs' reliance on imported grains is to be slowed down, and still more halted or reversed, the drying up of new markets will be felt by European grain producers.

However, if the MNCs' dependence on imported grain continues to grow rapidly, or even remains constant, the associated drain on their earnings of foreign exchange will limit their capacity to import other products, notably manufactures from the Community. In this case, European exporters of industrial goods, rather than grain exporters, would face a drying up of markets.

The political issues can hardly be avoided. Effective European cooperation with MNCs implies they must be faced.

12. Trade policies (B): preferential concessions

A second approach would involve the Community dealing directly with the problems of dwindling outlets for the MNCs' exports. It would make trade concessions that would give their exports access on preferential conditions to the Community market. In other words, it would relax the mechanisms that limit access to its market and protect domestic producers against imports, so that the MNCs can sell their exports on the Community market in ways that would not be open to other outsiders.

What kind of trade concessions?

A few explanations of the Community's import system are necessary at this point. Barriers against imports take several forms: (i) tariffs, i.e. customs duties, (ii) restric-

tions on the physical volume of industrial products that may be brought in — the so-called 'quotas', (iii) for agriculture, minimum prices which food imports have to respect when they arrive in Community ports, whatever their actual prices may be.

Tariffs are a minor obstacle to the MNC's exports. Under their agreements with the Community, the MNCs' industrial exports were granted duty free access, while tariffs on agricultural products were greatly reduced. In any case the general tariffs set by the Community are now usually low[1]. As a general rule, further reductions in tariffs would have little impact on the MNC's exports.

Quantitative restrictions (at present on textiles and clothing) and minimum prices (for agricultural imports) are a different matter. They have a considerable impact on trade. Minimum import prices can be set at European levels so that supplies from outside cannot undercut Community producers. This can be a very strong, and potentially prohibitive barrier, depending on the import prices set. Any concessions would have to affect the working of quotas for textiles and clothing and of minimum prices for agricultural goods.

Aims of trade concessions

These trade concessions could be used to achieve different results. At one extreme, the Community could allow the MNCs' exports access on the same terms as internal production. In the case of agricultural products this would mean complete exemption from the minimum import prices. However, this is politically impossible. One reason is that a preference for Community producers is a principle of the common agricultural policy and that the political weight behind its observance is massive. The other connected reason is that for most products the MNCs compete with Community producers on markets that are, or risk being, oversupplied. In these conditions, a more realistic aim would be to safeguard traditional levels of food imports or allow a controlled increase, depending on the product in question. A political question is how far the costs of making room for this trade would fall on third countries, which have no preferential relations with the Community and would be cut out of markets, or on the Community's producers themselves, implying they would have to limit their own output.

Safeguard of agricultural exports

Generally speaking of course, trade concessions are easiest to introduce when they are least needed. A preferential treatment for the MNCs, which means not having

[1] Duties on a limited number of processed foods remain at relatively high levels.

to respect the same prices as other exporters to the Community, would create less difficulties when applied to less vulnerable products. As has been said, these are mainly in sectors where the MNCs either have an implicit monopoly (and therefore no obvious problems) or when third country, non-preferential exports account for a large part of the market. Yet some of the third countries are important ones with whom the Community values close relations. It is easier to extend a preference to one partner than to downgrade the relative priority of those that have no preference, especially when markets are stagnant.

In the case of highly vulnerable products, the MNCs' exports are affected by competition from producers in the Community or the candidate countries, or may be so in future. Improved conditions of access are required if the MNCs are to maintain their exports, the loss of which would have such severe consequences. At the present time, the maximum plausible objective would be to allow the MNCs competitive (and by this fact alone preferential) access for their established exports, up to the traditional quantities of the products they sell. Such concessions would have to be accompanied by limits on the Community's own production. This means that Spain and Portugal, once members, as well as the producers of the present Community, would have to restrict output of products already in oversupply and avoid stimulating new surpluses. It need hardly be underlined that this, like the milk quotas the Community fixed in 1984, will raise political problems, not least of enforcement.

Controlled access to Community markets would imply limits and perhaps adjustments for the MNC beneficiaries themselves. The very nature of the trade concessions means that the MNCs would forego the growth they could have hoped for with freer access to Community markets.

Precedents for protecting traditional exports

The Community's treatment of New Zealand butter is an important precedent for the relaxation of the mechanisms of the CAP to benefit traditional suppliers. The Community has in effect lowered the minimum price at which a certain quantity of butter can be imported from New Zealand. This allows her to sell these amounts on favourable terms to the Community, in practice mainly to Britain. Though physical quantities have fallen a third, Community prices are much higher than those New Zealand used to obtain from the United Kingdom.

Another example is that of the thorough guarantees given the sugar islands of the former British and French empires, in the Caribbean and in the Indian and Pacific Oceans. The Commonwealth sugar islands sold Britain a little over one million tons of sugar prior to her entry into the Community in 1973. Those exports, along

with sales from French islands such as Martinique and Réunion, have been integrally guaranteed. In addition, the island producers have been accorded the same prices as Community growers — no higher than the international price ceilings fixed by the International Sugar Agreement, whereas world market prices have often fallen far below the floor set by the Agreement.

It is worth noting that, in both butter and sugar, the Community is itself a surplus producer, even without taking the guarantees to New Zealand and the sugar islands into account. The guarantees thus add to the amounts of butter and sugar which the Community exports, with direct or indirect subsidies, to world markets, thus tending to depress international prices for itself and for others.

Second best treatment for textiles and clothing

Preferential trade concessions that favour the MNCs already operate in one major area, textiles and clothing. The Community's global scheme for textile and clothing imports could accentuate (after 1986) the Mediterranean preference already built into the programme of limited growth from 1982-86. This could be an important privilege. It would be no mean assurance to MNCs to be guaranteed that they can increase the volume growth of exports by, say, 3 or 4% a year without facing imposed limits. (This would not, on past records, stop them entertaining hopes of better performance in practice). But that would almost certainly mean more discrimination against East Asia. And one question could well turn out to be whether the Mediterranean countries are still sufficiently competitive to take full advantage of the concessions made to them. The failure of MNCs of recent years to fill many of their quotas suggests they may be losing their competitive edge in a number of lines. If so, devices such as 'globalizing' quotas could help them. This would mean crediting the quotas for items they can sell competitively with the balances of unsold products under the official quotas for other lines. The fact remains that unless Mediterranean exporters compete against Italians, Greeks and Portuguese inside the Community, higher quotas of products enjoying free competitive entry (but not guarantees of sales) will not of themselves hold the market.

Politics of preference

The gains from according preferential access in the Community to some or all Mediterranean exporters of particular products in trouble could be substantial. The aim would be to prevent the loss of outlets, and therefore of opportunities for production and employment, in Mediterranean economies which are specially dependent on Community markets and vulneralbe to their loss, not only because of their close ties with western Europe but also because of the existing difficulties for

development due to the general recession. For such countries, preferential terms in the Community could at least prolong traditional sources of activity and employment for a period sufficient to tide over the worst of a period of adjustment.

At the same time, the costs of such arrangements are evident and have to be taken into account. They are no substitute for free trade and competition and are in fact a symptom of their breakdown. Preferences also reduce the incentives to adjust, in so far as they limit competition to producers in the Community on the one hand and the preferential suppliers from the outside on the other. Since both will have to operate in a system the object of which is to maintain prices for European producers, there will be no pressure to reduce prices for European consumers.

It may, of course, be argued that all these drawbacks are inherent in the existing system for agriculture in the Community and bring nothing new. However, preferences also imply new forms of discrimination. These can apply as between Mediterranean suppliers themselves, to the extent that the concessions the Community makes are thought to concentrate on the trade problems of some partners more than on those of others.

They certainly apply to competing suppliers from outside the preferential arrangements, particularly the textile exporters of east Asia, who have reason to feel that the adjustments are being transferred from Mediterranean partners to them. Some of these third countries are important ones, with whom the Community values close relations. The reasons for the Community to make such a painful choice are primarily political. The fact remains that, at least potentially, political costs may have to be paid outside the Mediterranean area for any politico-economic concessions made within it.

13. Trade policies (C): financial compensation

A third possibility would be to offer Mediterranean exporters financial compensation, in the form of income guarantees against the loss of Community outlets. Markets for agricultural (rather than industrial) exports may be lost because of Community policies — both the third enlargement and the encouragement of domestic agricultural output.

The section on agriculture tentatively suggested that, with wide margins of uncertainty, the MNCs' food exports actively at risk in the decade to come might

amount to about 600 million ECU (1982 prices), a quarter of the total. This does not necessarily mean a total loss of the Community's market, except for a few exceptionally vulnerable products. In other cases, a partial loss, though a loss all the same, seems more likely.

Compensation, therefore, would not be paid on all vulnerable exports but only on the portion lost. Moreover compensation need not in all cases be total. It could vary from product to product and be linked to defined periods of reconversion to other activities, even if these are long.

Financially, then, compensation would not necessarily be a permanent drain on the Community's budget. On the other hand, some channels of trade not thought to be on the danger list might in fact find their way onto it. Still, making allowances for such nasty surprises, and even if compensation covers much of the list of vulnerable products, the financial stakes from the Community's point of view are relatively limited.

Drawbacks to compensation

Yet the Community's and the MNCs' views are not the same. There are many reasons why compensation is not a solution and must be regarded as a last resort when nothing more positive can be attempted. Compensation implies that production in the Community remains unaffected, the burden of adjustment falling on others. It does not stimulate competition and adjustment in the Community and so tends to perpetuate surpluses and uncompetitive production. As few other markets exist, in practice the MNCs would usually have to reduce or cease production of the items in question, with severe consequences for employment and shock to local societies. Even when they could diversify, it would be a slow process, so the social effects could last long. Occasionally MNCs might be able to increase sales on the world market, but probably, in such conditions, at the risk of depressing prices and so reducing not only their own earnigs but those of third countries.

Compensation also discriminates between Mediterranean partners in ways calculated to arouse the resentment of those who feel they have been less generously treated. This is no small consideration in the Mediterranean, where countries like Turkey, not the most likely beneficiary, have been complaining for years about 'the erosion of preferences'; a global policy is not merely a theoretical imperative in the region. Finally, compensation is in no sense part of a strategy of development. The focus is on the past not the present. At best it can be an element of a broader policy, in particular to gain time, but by itself does not constitute a strategy nor a substitute for one.

Compensation in exceptional cases

Despite all these drawbacks, compensation may be the only policy if the enlarged Community is already oversupplied and the product in question of great importance to the economies of exporting countries. If adjustment is impossible for a MNC because no new activities can be developed in producer regions, or because such reconversion would take a very long time, compensation may be the only feasible approach.

In the Mediterranean, the outstanding case where compensation may be necessary is that of olive oil, of which Tunisia is the main external supplier. The Community's market is already in surplus and this could worsen once Spain applies Community trade rules. Adjustment is difficult because olives grow where little else can; the alternative is often the encroachment of the desert with incalculable ecological and social consequences (nearly 10% of Tunisia's labour force is involved in the olive oil industry). Compensation of some kind, perhaps on a degressive scale, may be the only alternative to doing nothing. If so, the Community will also have to help Tunisia develop new activities over time, an aspect of development policy to which we now turn.

14. Development policies

In the main, policies confined to palliating the specific trade issues posed by recession and enlargement can only deal with the periphery of Community-Mediterranean relations. They are primarily backward-looking, directed to the preservation of rights, privileges and hopes which a new process places under threat. They do not open up new prospects. Yet this is in effect what economic relations between the MNCs and the Community during the boom years spontaneously achieved and the hope to which the Mediterranean global approach of the Community promised indefinite extension. Despite the difficulties of recession, this is also what the southern enlargement still offers as a long-term prospect for European countries able to join the Community. But for other countries of the region, recession, and the third enlargement in conditions of recession, inevitably tend to snatch away the hopes recently awakened. This is dangerous if only because high demographic growth condemns the non-candidates to still higher economic growth if they are to have any prospect of relaxing the inner pressures which assail them. The essential purpose of a Community-Mediterranean policy, it can therefore be argued, should

be to help the MNCs handle the consequences of recession and deal with the long run obstacles to growth that have reached critical levels since the end of the boom.

More than trade

Growth as such was not the problem when average Mediterranean rates of annual expansion achieved a sustained 6%. Although it included development aid, the Community's global approach concentrated on trade. Freer trade, in periods of high growth, loosened the main bottlenecks which could have threatened development. Even then cooperation on development strategies could have been useful, for instance, in helping to moderate the emerging food deficits in some of the MNCs.

Now that, with recession, growth has faded and trade with the Community is restricted by social resistance to competition in the name of the short-term maintenance of jobs, the case for more deliberate development policies becomes much more evident. Needs go further and deeper than trade, into the economy and society as a whole. To help the MNCs, and to convince them it is doing what it can in difficult times, the Community needs activiely to support development strategies in the basin.

New stages

In the past two decades, the great achievement of the MNCs has been to lay the foundations of industrial systems; and that of the Community's 'economic miracles' and global policy has been to encourage them by relatively relatively open trade policies and growing markets. The future will depend on how far the MNCs can build on this promising beginning, which is still little more than that (only Yugoslavia and Israel seem to have progressed much further) and on how far the Community does or does not help them loosen the bottlenecks to progress.

It is clear that, unless recession lifts, the tasks are formidable and are not to be under-rated even if it does. Productivity on the land must be raised to feed rapidly growing urban populations. There is also an urgent need to modernize and diversify the industrial system and generally deepen and widen its roots in society. Encouraging small and medium enterprises is an important part of that. In practice, only a steady and sustained effort over many years is likely to promote effective results. There is need of a fundamental investment in human skills, through management, vocational and scientific and technical training; technical assistance in marketing as well as production; and research in industriy, in plant and livestock breeding for Mediterranean conditions and in controlling the desert. The strategy demands financial backing for such measures as well as for direct investment in

productive capacity; and just important, concordant policies, which encourage development, for instance, on trade by the Community and on matters like incentives and taxation by the MNCs.

Community ends and means

Of course, these are needs of any solid, long-term strategy of growth. The Community could contribute to meeting them in different ways. MNCs' often lack the necessary resources of both skill and funds; they have little control over the unfavourable external economic environment; and can benefit greatly from the cooperation of the European Community. The Community disposes of an abundance of the skills MNCs may lack, has far more capital, and accounts in most cases for a large proportion of their trade. It can offer a wide range of technical assistance and aid the build-up of infrastructure for agriculture, industry and trade. Morevoer since it represents so much of the context in the Mediterranean, the Community can, if it makes the effort, help foresee and forestall some at least of the trade difficulties recession throws up.

Thus, in part, the success of cooperation in the Mediterranean depends on the Community making the required political investment. Cooperation will turn sour if close relations serve European farm exports rather than higher MNC self-sufficiency in basic foods; or if trade or investment restrictions choke off MNC initiatives in potentially competitive industrial lines. Development strategies in the Mediterranean imply continuing adjustment in the Community also. That is, of course, a basic political issue.

If these conditions can be met, it seems possible to produce significant results even with moderate resources. Well-designed programmes to improve technical advice to farmers or information to small and medium enterprises, as well as training, will demand more funding by the Community, but not necessarily on a very large scale. One of the advantages of official Community backing is to unlock private funds for investment, and cooperation with Arab sources might be sought.

Beyond traditional aid?

All this implies a certain redirection of development strategies and of the aid the Community gives to support them. Like other developing countries, the MNCs have now to solve severe problems to which conventional development aid (largely for individual investment projects) is not relevant. Recession and balance of payments crises have dramatized the need to widen bottlenecks on development that already existed. These are, for instance, the subsidizing of basic necessities, the

control of their prices, taxes systems that distort production, measures that discourage exports and inappropriate use of public expenditure. Should the Community give loans that would both stimulate these adjustments and cushion their social impact? Such loans would be an innovation, as they are different from the two prevailing types of international public finance available, aid for individual investment projects and loans to meet short-term balance of payment problems. Here again, there are obvious political obstacles. Such loans could nevertheless help the MNCs ease some of their severe and urgent problems by opening up new options.

15. Contacts for cooperation

Relations between countries on material issues, such as flows of trade and finance, can be heavily influenced, in practice, by the manner in which they are approached. If relations between the Community and the Mediterranean non-candidates are to develop smoothly, there has to be a dialogue in which both sides can genuinely make their views heard and felt. Whenever possible decisions should be taken jointly, and not unilaterally by the Community, a habit which cumulatively undermines the credit of its Mediterranean policy. Much of the responsibility for putting this approach into effect lies with the Community since in most situations of conflict it has the stronger hand and so greater opportunities for imposing its solutions.

The Community and the MNCs need to foresee and, if possible, forestall trade problems by exchanging information, improving forecasts and so on. They also need to work more closely to manage conflicts and to minimize damage, when they cannot be avoided. Institutionally, revitalized cooperation demands more flexible arrangements. The problem is not lack of institutions; there is a plethora already. The difficulty is that the existing ones, set up under earlier Mediterranean agreements, have proved too top heavy to be of much day-to-day use. The real need is to make existing institutions work in a less formal and more practical way.

Multilateral cooperation

Since many questions concern a number of Mediterranean countries, the process of consultation will sometimes lend itself to multilateral approaches. Formal collective agreements cannot be pushed against the will of the interested States, because some of them are in conflict with each other. However this is not always the case and, in

addition, there is a network of bodies working informally at the level of the Mediterranean as a whole (for instance associations of chambers of commerce and of producers of citrus fruit). Informal relations between Community and MNC operators that passed through such organizations could give a more elastic and stable framework to each country's plans than if it had to struggle with recession and development alone. New fields of action could also be opened up through a multilateral approach, for instance to control pollution in the Mediterranean, struggle against the spread of the Sahara or promote research and development on appropriate technologies (in agriculture particularly).

16. Conclusion: playing for high stakes

Two phenomena are particularly striking in the postwar history of the Mediterranean basin.

One is the re-emergence of Mediterranean countries as significant players on the economic and political stage. Decolonization first made them actors in their own right whereas in the previous phase none but the Europeans had been. Then the boom helped them cross the threshold of industrialization which is also the contemporary world's gateway to active citizenship. As a result the European societies in the region have caught up with the richer north, *de facto* the precondition of successful membership of the Community. The other societies have reasserted their cultural traditions, Moslem for most of them, Jewish for Isreal. On the other hand, most are still in the fragile first stages of industrialization; development has made the majority sensitive to the ups and downs in the fortunes of western Europe; and economic recession has not been matched by any significant slowdown in the rate of growth of population. Thus, the Mediterranean societies have taken great strides forward but the growth pains include many stresses and vulnerabilities.

The other major phenomenon has been Europe's return, after the rapid end of empire, to the economics and politics of the region. This has happened despite the replacement of Europe's strategic domination of the area by that of the superpowers. It is due partly to the Community's economic weight in the basin and partly to the alleviation it offers MNCs from massive alignment on one or other great power. Reciprocally, the Mediterranean, on the southern frontier of a Community that is about to be extended southwards, is crucial to European security, exports, jobs and prosperity. The special relationship between the Community and the Medi-

terranean countries is thus rooted in a natural interdependence. Partnership is inevitable. The only question is whether it is constructively pursued or neglected with all the attendant risks.

Past success

In the past 20 years, the partnership has on the whole been a success. It was made relatively easy by the great boom which in the Mediterranean lasted virtually to the second energy crisis. Growth largely took care itself. There was need only to clear the way ahead, not to lay it down. Providing freer entry to European markets largely sufficed for this purpose and was relatively painless to European industries which were themselves buoyant. The Community's global approach, and the agreements which formalized this policy, gave the Mediterranean countries a sense of a framework in which to pursue their development as newly industrializing countries.

Future obstacles

Unfortunately, the fat years are over, the lean ones have proved far more difficult to handle, and in the process the Community has lost some of the credibility previously gained. Recession showed first that trade measures which were adequate in the good years do not of themselves satisfy development needs in the bad ones. Worse, recession resulted in restrictions on entry into Community markets which, while less narrow than might at first appear, none the less signalled a retreat from the promise of the global approach. Far from compensating for reduced opportunities, trade proved merely a reflection of them. Coming on top of this, the third enlargement of the Community engenders fears that Portugal and above all Spain, not to forget Greece whose transition to full Community membership will be completed by the end of 1985, will cut them out of established European outlets. The Community has ceased to be a source of growth and expectations, and become one of uncertainty in MNC development strategies.

Credibility

The Community now needs to restore the credibility in the Mediterranean which the boom and global Mediterranean policy gave it but which recession has largely taken away. It has to offer the MNCs solid reasons to hope, and to look to Europe for help in fulfilling their objectives. Recession obviously makes this difficult and sights have been lowered accordingly. But the Community has to be seen to make real and active efforts. This is a political imperative even if, in the nature of the Community, the forms policy takes are mainly economic.

More than enlargement

The third enlargement has the virtue of dramatizing a situation which called for review in any case. Since the immediate problems thrown up are commercial, it is natural to explore trading solutions. These cannot be ignored and occupy much of the front of the stage. Nevertheless, the problems of recession and the Community-Mediterranean relationship take one further and deeper than trade. The development problems, many of which pre-date the recession, are all made more acute by it, and would exist with or without the third enlargement. As a result, the review of Community policy which enlargement has politicized must view the problems of the global approach in ways that do not arise only from enlargement.

Solutions to trade problems

The problems, and solution to them, differ according to whether markets for a product are growing or not. As a general rule the markets for industrial goods are expanding, if often slowly, while those for agricultural produce are stagnant or contracting.

The ideal, in trade, would be for the Community to restore free access to its markets for the MNCs' industrial exports across the board. In practice, this hardly seems likely in the near future, for textiles and clothing even though consumption and markets continue (moderately) to expand. Instead the Community might accentuate its existing policy of preferential access for MNC exports over those of other low cost producers. This would remove uncertainties that hinder the development of industry in the Mediterranean non-candidates which depend heavily on Community markets.

The cost would, of course, be borne mainly by the East Asians, with whom the Community also wants to improve relations, but they are in general less tied to outlets in the Community. Again, this is essentially a political, not an economic choice.

Different solutions are needed with products whose markets are stagnating or contracting, especially in agriculture. Diversification of the MNCs' agricultural exports to new products and markets offers few possibilities, except for increasing, over a long period, production of basic foods to reduce food deficits. Financial compensation for loss of export revenue would only be justified in exceptional cases. It would cost money and protect the Community's own producers from the need to adjust. Above all it would not replace the MNCs' lost exports which currently provide jobs and protect societies and environments. It follows that the Community cannot escape making trade concessions that would allow the MNCs to sell at least their traditional exports on competitive terms with its own producers. This would primarily mean relaxing the minimum import prices set under the CAP.

Important as trade solutions are, they do not suffice where economic growth is slow and trade is restricted by social resistance to competition from imports. Moreover the recession has sharpened the underlying problems of the MNCs' economies, and indeed societies. The Community needs to do more to help them face the deep-rooted problems that constrain their development.

Development and dialogue

Effective cooperation on development will require the Community to provide more finance; the willingness to make significant financial contributions will be an acid test of its commitment to the Mediterranean. What is also important, however, is how effectively money is chanelled to the most constructive uses. Assistance needs to be better directed to policies designed to overcome the structural problems that have become critical since the recession struck. That in turn will be related to how closely contacts are built up and made to work, and do not reflect merely European priorities.

As a result, another test of the Community's Mediterranean commitment will be its willingness to build a dialogue with the MNCs. Its purpose would be to foresee and forestall difficulties, when possible, and to control crises when they cannot be avoided. Whenever possible, measures should be taken jointly. Solutions imposed unilaterally by the Community would poison relations, as they have done in the past.

The Mediterranean regions of the Community

To make such approaches work, the public in the Community will have to be persuaded of the stake in exports to the Mediterranean. A more active Mediterranean policy also implies an increased emphasis on the regions within the Community most affected by competition from the MNCs. Many of these regions are themselves Mediterranean. Cooperation with the MNCs thus goes hand in hand with more deliberate efforts at 'integrated development' (as it is already called) inside the Community. Indeed, in the long run a sense of the importance of such policies inside the Community is an indispensable political underpinning for similar activities outside.

The stake

At first sight, Mediterranean needs may seem to require new departures by the Community. True, Commission thinking has been moving towards 'integrated development' for the Community's own regions. But any development effort, especially if addressed to countries outside the Community, must look radical at a time when

governments are determined to cut back public expenditure. On the other hand, the costs of abstention in the Mediterranean could also be very high: dismay in the Mediterranean zones of the Community, including the new entrants who would feel cheated of their legitimate expectations; falling export prospects in one of the Community's most favourable and solid markets at a time when it is feared that Europe may, in general, be losing competitive ground; even perhaps the replacement of MNC governments which look to the Community by regimes that could, at the extreme, constitute a security risk.

Rewards

The rewards of an active policy could be commensurately high. The poorer regions of the Community and the Mediterranean basin in general, are favourable, provide one of the obvious areas for European economic expansion. This means markets for European exports in countries where Japan and the USA are relatively weak competitors. The Mediterranean is one of the most hopeful areas for any European export revival.

The prosperity of the area is also an important though unquantifiable factor influencing its political prospects — another major European interest. Community policies for the development of the Mediterranean offer some of the most promising returns, economic and political, of any European initiative. Even third countries stand to gain if a zone of relative prosperity and effective cooperation can be promoted and sustained. Given the importance of the Mediterranean basin and of the social and ideological tensions inside Islam, the international implications of the choices facing the Community extend far beyond the region itself.

TABLE 1

Basic data on Mediterranean non-candidates

Country	Population 1982	GDP 1982	Growth rate (per cent per annum, average)			
			1960-70		1970-80	
	(millions)	(billions $)	Population %	GDP %	Population %	GDP %
Morocco	21.7	14.7	2.5	4.4	3.0	5.6
Algeria	20.3	44.9	2.4	4.3	3.2	7.0
Tunisia	6.7	7.9	1.9	4.7	2.1	7.5
Malta	0.3	1.1	– 0.1	5.5	1.1	10.9
Egypt	44.7	31.8	2.5	4.3	2.1	8.1
Israel	4.0	23.1	3.4	8.1	2.6	4.1
Jordan	3.5	3.9	3.0	6.9	3.4	9.5
Syria	9.7	18.5	3.2	4.6	3.6	10.0
Lebanon	2.7	6.9	2.8	4.9	0.7	– 5.4
Cyprus	0.7	2.1	0.5	6.5	0.4	3.9
Turkey	46.3	52.8	2.5	6.0	2.4	5.9
Yugoslavia	22.7	57.7	1.0	5.8	0.9	5.8

Sources: IMF, UN, World Bank.

TABLE 2

Major items from the balances of payment of Mediterranean non-candidates 1982 (millions $)

Country	Goods		Services		Remittances		Direct Investment long-term capital
					Net balances		net balances
	Exports	Imports	Exports	Imports	Private	Official	
Morocco	2 043	3 815	902	2 009	840	162	1 308
Algeria	13 509	9 889	907	4 989	291	- 13	- 944
Tunisia	1 625	2 917	1 224	1 011	359	63	699
Malta	421	709	504	275	37	38	20
Egypt	4 018	7 733	3 202	3 820	2 116	—	1 755
Israel	5 573	8 872	4 592	6 013	981	1 640	1 244
Jordan	751	2 878	1 316	1 488	932	1 033	320
Syria	2 052	3 738	437	832	140	1 446	205
Cyprus	499	1 100	758	381	27	47	212
Turkey	5 746	7 737	2 169	3 190	2 174	48	- 58
Yugoslavia	10 460	12 484	4 902	7 794	4 441	—	- 96

Source: IMF.

TABLE 3

(A) Trade between the European Community and Mediterranean non-candidates 1982

Imports and exports of goods 1982 (million ECU)

Agriculture		Mining	Textiles	Other manufactures	Total[1]
EC exports	3 200	1 500	1 800	21 300	29 100
EC imports	2 300	13 200	2 500	3 600	21 800
Exports as % imports	139	11	70	60	133

(B) European Community's exports 1982 by Member State exporting and by destination
(million ECU)

Destination	Benelux	France	Germany	Italy	UK	Denmark Ireland	Greece	EC 10
Cyprus, Israel, Malta. Turkey, Yugoslavia	1 240	1 130	4 104	2 251	1 490	160	224	10 599
Algeria, Morocco, Tunisia	981	4 273	2 012	1 412	613	127	82	9 500
Egypt, Jordan, Lebanon, Syria	1 019	1 736	2 200	1 926	1 429	216	333	8 859
All MNCs	3 240	7 139	8 316	5 589	3 532	503	639	28 958
% GDP exporting State	1 4	1 3	1 3	1 6	0 7	0 7	1 7	1 2
% Exports to world	10	15	9	14	6	5	27	10

Source: Eurostat.

[1] Including unspecified trade flows.

TABLE 4

European Community imports 1982 from the Mediterranean non-candidates, by major categories

Country	Imports of European Community 1982							Changes in EC imports 1974-82				
	Imports all products	Exports [1] to EC as percentage:		Agriculture	Mining	Textiles, clothing	Other manu-factures	1982 imports [2] as percentage 1974				
	million ECU	exports to world %	GDP of supplier %	million ECU				Agri-culture %	Mining %	Textiles clothing %	Other manu-factures %	All products %
Morocco	1 343	51	7.3	402	401	235	281	59	47	193	113	70
Algeria	8 642	61	17.1	14	8 535	3	75	12	198	33	100	191
Tunisia	1 282	57	14.3	130	500	386	264	46	129	495	187	143
Malta	289	71	25.9	4	5	142	119	36	225	237	189	203
Egypt	2 739	44	4.3	71	2 304	196	131	82	1 115[3]	81	655	491
Israel	1 793	33	7.6	588	101	309	741	133	106	247	164	155
Jordan	53	9	1.4	1	10		35	100			1 167[3]	1 193[3]
Syria	894	53	4.4	8	849	17	18	114	189	19	300	172
Lebanon	62	7[3]	0.9[3]	5	31	2	20	14	82	14	6	15
Cyprus	297	30	7.6	154	7	44	36	121	32	3 346	171	167
Turkey	1 611	30	3.2	532	192	656	205	89	160	161	93	117
Yugoslavia	2 767	21	3.7	384	236	527	1 598	102	354	95	108	109
Total	21 772			2 293	13 171	2 517	3 523	83	201	153	123	153

Source: Eurostat, except columns 2 and 3 (IMF), which cover exports to EC as opposed to imports by EC (UN source).

[1] Exports to EC not identical with imports by EC in statistical terms.

[2] In constant prices, 1974.

[3] From very low base.

TABLE 5

Statistical indicators of vulnerability of European Community's imports of Mediterranean Agricultural products from Mediterranean non-candidates, 1982

Note: See Part II Section 6 of text for explanation and qualitative analysis

(A) Trade flows apparently entailing low risk for MNCs

Product	Imports from MNCs ECU million	Shares of EC market				main MNC exporters million ECU			
		EC %	Portugal Spain	MNCs %	Others %				
Carnations (1. Nov. -30. April)	30.1	58	2	21	19	Israel 30			
Preserved mushrooms	10.6	16	6	38	40	Yugosl. 10			
Dried onions	13.5	25	—	27	45	Egypt 9	Yugosl. 3		
Dried mushrooms	14.8	14	2	39	45	Yugosl. 13	Turkey 2		
Field peas	12.9	66	—	11	19	Turkey 12			
Lentils	20.6	8	5	40	47	Turkey 19			
Broad beans	10.7	43	1	46	11	Turkey 9	Tunisia 2		
Dates	24.1	25	—	47	28	Tunisia 21			
Avocados	48.2	3	5	58	32	Israel 48			
Oranges (Navel) (16 May - 15 Oct.)	32.0	11	5	21	63	Morocco 16	Israel 13	Cyprus 3	
Grapefruit	79.5	13	1	40	43	Israel 56	Cyprus 22	Turkey 2	
Dried figs	23.9	14	—	85	1	Turkey 24			
Sultanas	86.7	19	—	40	41	Turkey 87			
Shelled hazelnuts	164.5	23	1	75	1	Turkey 164			
Frozen fruit NES	12.4	44	3	20	34	Yugosl. 9	Turkey 2		
Dried apricots	12.1	7	3	66	24	Turkey 12			
Canned green beans	11.1	70	1	14	15	Morocco 11			
Orange juice	87.1	24	2	20	55	Israel 76	Morocco 10		
Grapefruit juice	27.9	15	—	61	22	Israel 27			
White wines under 13%	19.6	67	7	10	16	Yugosl. 17	Cyprus 3		
Other flowers	8.4	48	7	8	37	Israel 7	Malta 1		
Other veg.	22.1	32	8	6	53	Egypt 9	Turkey 8	Morocco 2	Yugosl. 2
Other fruit	63.7	28	8	29	39	Israel 35	Yugosl. 13	Turkey 11	Cyprus 3
Other wines	11.0	41	8	19	30	Cyprus 10			
Total	847.5								

TABLE 5 (continued)

(B) Trade flows apparently entailing high risk

Product	Imports from MNCs ECU million	Shares of EC market				main MNC exporters			
		EC %	Portugal Spain	MNCs %	Others %	million ECU			
Roses (1 Nov. - 31 May)	16.1	74	5	20	1	Israel 16			
Flowers N (1 Nov. - 31 May)	17.0	89	—	6	4	Israel 17			
Potatoes	92.6	76	4	18	2	Cyprus 42	Egypt 28	Morocco 10	
Tomatoes (1 Nov. - 14 May)	50.0	37	48	14	1	Morocco 48	Israel 1	Tunisia 1	
Fresh veg NES	10.2	41	13	18	8	Israel 8	Cyprus 2		
Oranges (Navel) (16 Oct. - 15 May)	72.1	9	51	38	2	Israel 85	Morocco 64	Cyprus 20	
Clementines	59.0	5	71	24	—	Morocco 59			
Lemons	10.3	25	60	8	7	Cyprus 4	Turkey 4	Israel 2	
Grapes (15 July - 31 Oct.)	15.6	89	3	8	—	Cyprus 15			
Melons	12.6	23	46	18	9	Israel 11	Turkey 2		
Olive oil	64.2	56	8	35	—	Tunisia 57	Turkey 5	Morocco 3	
Canned capers & olives	30.1	33	32	34	—	Morocco 29			
Red table wine under 13%	26.2	71	7	13	9	Yugosl. 13	Algeria 5	Tunisia 4	Morocco 4
Other flowers	4.6	94	1	3	2	Israel 4			
Other veg.	64.4	71	12	11	5	Israel 25	Morocco 14	Turkey 8	Yugosl. 8
Other citrus	22.7	33	35	27	4	Israel 10	Morocco 7	Tunisia 4	Cyprus 4
Other fruit	42.6	49	24	23	5	Israel 17	Morocco 10	Yugosl. 6	
Other wines	3.6	87	6	4	3	Algeria 2	Tunisia 1		
Total	713,9								

Source: Eurostat (Yannopoulos method).

TABLE 6

Statistical indicators of sensitivity of Mediterranean non-candidates to changes in their exports of major agricultural products to European Communiy, 1982

Product	Country	Share production consumed at home %	Share of exports to EC		Employment in sector [1]
			in output of product %	in exports all products %	1 000
Citrus	Morocco	38	36	7.3	300
	Tunisia	78	18	0.4	4
	Cyprus	24	55	4.7	2-3
	Israel	22	49	7.0	15
Olive oil	Morocco	74	24	1.9	n.a.
	Tunisia	37	42	8.9	200
	Turkey	88	5-7	0.6	n.a.
Early potatoes	Morocco	20	78	0.6	n.a.
	Malta	25	75	0.9	n.a.
	Cyprus	17	71	8.0	3
	Egypt	85	12	0.6	n.a.
Tomatoes	Morocco	50	48	3.6	9
Grapes	Cyprus	10	77	2.4	n.a.
Wine	Tunisia	67	32	0.3	n.a.
	Cyprus	20	68	4.4	15
	Yugoslavia	84	7	0.3	n.a.

Source: The Mediterranean policy of the European Community's

[1] All employment figures are approximate estimates.

TABLE 7

Migrant labour in European Community, including Greece, 1980 (000)

Country of origin	Benelux	France	FR of Germany	UK	Community
Community	274	246	587	642	1 766
of which: Greece	12	4	133	10	159
Ireland	3	1	2	452	458
Italy	114	176	309	72	672
Portugal	24	385	59	10	478
Spain	45	185	87	37	354
Turkey	76	36	591	3	714
Yugoslavia	10	43	357	4	421
Maghreb[1]	80	616	28	3	729[1]
Others	70	132	364	966	1 544
Total	579	1 643	2 072	1 665	6 016

Source: Commission of the European Communities.

[1] Algeria 367; Morocco 272; Tunisia 90.

Bibliography

Commission communication to the Council on a Mediterranean policy for the enlarged Community. Brussels: EC, Commission 1982. pp. 20. COM 1982/353 fin.

(The), commodity trade implications of the EEC enlargement. In: FAO Commodity review and outlook. 1979-80. Rome: FAO, 1979. Chapter IV. pp. 123-166.

Duchêne, François; Bourrinet, Jacques; Musto, Stefan; Tizzano, Antonio — *The European Community and the Mediterranean basin.* Luxembourg: EC, Commission 1984. pp. 175.

FAO trade yearbook/Annuaire FAO du commerce. Rome: FAO.

Hoenekopp, E.; Werner, H. — *Effects of southward extension on the EC labour market.* (Intereconomics. Hamburg, 1979. pp. 243-247).

Israel and the second enlargement of the European Community. Political and economic aspects. Ed. by E. Gutmann. Jerusalem: Hebrew University, European Research Centre 1984.

Musto, S.; Aschoff, G.; Hummen, W. — *The Mediterranean policy of the European Community.* Berlin: Deutsches Institut für Entwicklungspolitik 1982.

Pomfret, R. — *The impact of EEC enlargement on non-member Mediterranean countries.* Exports to the EEC. (The Economic Journal. Cambridge, Vol. 91. 1981. pp. 726-729).

The second enlargement of the European Community, Adjustment requirements and challenges for policy reform. Jürgen B. Donges, Christiane Krieger (e.a.). Institut für Weltwirtschaft an der Univ. Kiel. Tübingen: Mohr 1982. pp. 247. Bibliogr. pp. 231-243. Kieler Studien. 171.

Tovias, Alfred — *EEC enlargement, the southern neighbours.* Brighton: Sussex European Research Centre 1979. pp. 102. Sussex European papers. 05. Mediterranean challenge. 03.

Tsoukalis, Loukas — *The European Community and its Mediterranean enlargement.* London: Allen & Unwin 1981. pp. 273.

Workshop on Southern Europe and the enlargement of the EEC. Introd.: José A. Girão. Lisboa, 26-28 June 1980. In: Economia. Lisboa. 1980, Vol 4, No 3, pp. 461-590 and 1981, Vol. 5, No 1, pp. 1-186.

Yannopoulos, G. — *The impact of the Common Agricultural Policy (CAP) on developing countries following the enlargement of the European Community.* In: Development policy review. 1983. Vol. 1, No 2, pp. 197-218.

Yannopoulos, G. — *Prospects for the manufacturing exports of the non-candidate Mediterranean countries in a Community of Twelve.* (World development. Vol. 12. 1984, No 11/12. pp. 1087-1094).

CEE 10: les accords méditerranéens en 1982. Étude réalisée sous la direction de Roger Bouchard. Éditée par Prométhée et Agence Europe. Bruxelles: Prométhée 1982. 355 p.

CEE, Mezzogiorno, Mediterraneo: nuove prospettive di cooperazione economica, A cura di Giulio Querini. Atti del convegno internazionale di studio org. della Facoltà di economia e commercio dell'Università di Catania, del Consiglio nazionale delle ricerche, Roma. In collab. con l'Ufficio per l'Italia della Commissione CEE (e.a.). Catania, 4-5 dicembre 1981. Napoli: Ed. scientifiche italiane 1982. 324 p.

La Communauté économique européenne élargie et la Méditerranée: quelle coopération? Jean Touscoz (e.a.). Colloque organisé à Nice les 16-18 octobre 1980 par la Commission pour l'étude des Communautés européennes et l'Institut du droit de la paix et du développement de l'Université de Nice. Paris: Puf 1982. 472 p.

The effects of enlargement on other Mediterranean countries. Survey written by Didier Buysse. Brussels: European News Agency 1984. IV, pp. 190.

Élargissement de la CEE: conséquences pour les pays méditerranéens. Étude réalisee par Didier Buysse. Bruxelles: European News Agency 1984. 193 p.

Europe's future in the Arab view. Dimensions of a new political cooperation in the Mediterranean region. Ed. by Dieter Bielenstein. Saarbrücken (etc.): Breitenbach 1981. pp. 166. Schriften des Instituts für Internationale Begegnungen. 07.

Manfredini Gasparetto, Marialuisa — *La politica globale mediterranea.* (Rivista internazionale di scienze economiche e commerciali. 1983, n. 3, pp. 201-227).

La politica mediterranea della CEE / La politique méditerranéenne de la CEE / The Mediterranean policy of the EEC. Atti del convegno internazionale organ. dal Seminario di studi politici e sociali dell'Istituto universitario orientale, Napoli, 18-29 marzo 1980. Napoli: Scientifica 1981. 522 p. Studi e documenti sulle Comunità europee. 01.

Puhl, Detlef — *Mittelmeerpolitik der EG. Strukturschwächen des EG-Systems bei der Verwirklichung des Globalkonzepts.* Kehl/Rhein (etc.): Engel 1983. XIV, 296 S. Schriftenreihe Europa-Forschung. 04.

Regelsberger, Elfriede; Wessels, Wolfgang — *European concepts for the Mediterranean region.* In: The Mediterranean region. Economic interdependence and the future of society. Ed. by Giacomo Luciani. London: Croom Helm 1984. pp. 239-266.

Rosenthal, Glenda G. — *The Mediterranean basin: its political economy and changing international relations.* London: Butterworth Scientific 1982. pp. 146. Butterworths European studies.

Community publications

Commission report to the Council on the exploratory talks with the Mediterranean countries and the applicant countries. Commission proposals concerning the implementation of a Mediterranean policy for the enlarged Community. Brussels: EC, Commission 1984. 26 p. COM 1984/107 fin.

General report on the activities of the European Communites. EC, Commission. Luxembourg: EC. Chapter III: Enlargement and external relations.

EUROPEAN COMMUNITIES - INFORMATION

Commission of the European Communities. Rue de la Loi 200, 1049 Bruxelles

Informationskontorer — Presse- und Informationsbüros — Γραφεία τύπου και πληροφοριών
Information offices — Bureaux de presse et d'information — Uffici stampa e informazione
Voorlichtingsbureaus

BELGIQUE – BELGIË

Rue Archimède 73 -
Archimedesstraat 73
1040 Bruxelles — 1040 Brussel
Tél.: 735 00 40/735 80 40

DANMARK

Højbrohus
Østergade 61
Postbox 144
1004 København K
Tlf.: 14 41 40

DEUTSCHLAND

Zitelmannstraße 22
5300 Bonn
Tel. 23 80 41

Kurfürstendamm 102
1000 Berlin 31
Tel. 8 92 40 28

Erhardtstraße 27
D 8000 München
Tel. 89/2399-2900
Telex 5218135

FRANCE

61, rue des Belles-Feuilles
75782 Paris Cédex 16
Tél. 501 58 85

2, rue Henri Barbusse
F Marseille 13241 Cédex 01
Tél. 91/08 62 00

GRÈCE

2, Vassilissis Sofias
T.K. 1602
Athina 134
Tél: 724 39 82/724 39 83/724 39 84

IRELAND

39, Molesworth Street
Dublin 2
Tel. 71 22 44

ITALIA

Via Poli, 29
00 187 Roma
Tel. 678 97 22

Corso Magenta, 61
20 123 Milano
Tel. 87 51 17/80 59 209/80 52 643

GRAND-DUCHÉ DE LUXEMBOURG

Centre européen
Bâtiment Jean Monnet B/O
2920 Luxembourg
Tél. 430 11

NEDERLAND

Lange Voorhout 29
Den Haag
Tel. 46 93 26

UNITED KINGDOM

8, Storey's Gate
London SW1P 3AT
Tel. 222 81 22

Windsor House
9/15 Bedford Street
Belfast
Tel. 407 08

4 Cathedral Road
Cardiff CF1 9SG
Tel. 37 1631

7 Alva Street
Edinburgh EH2 4PH
Tel. 225 2058

ESPAÑA

Calle de Serrano 41
(5A Planta - Madrid 28001)
Tel. 474 11 87

PORTUGAL

35, rua Sacramento à Lapa
1200 Lisboa
Tel.: 66 75 96

SCHWEIZ - SUISSE - SVIZZERA

Case postale 195
37-39, rue de Vermont
1211 Genève 20
Tél. 34 97 50

TÜRKIYE

15, Kuleli Sokak
Gazi Osman Paça
Ankara
Tel. 27 61 45/27 61 46

AMERICA LATINA

Avda Ricardo Lyon 1177
Santiago de Chile 9
Chile
Adresse postale: Casilla 10093
Tel. 25 05 55

Quinta Bienvenida
Valle Arriba
Calle Colibri
Distrito Sucre
Caracas
Venezuela
Tel. 91 47 07

AUSTRALIA

Capital Centre
Franklin Street
PO Box 609
Manuka ACT 2603
Canberra a.c.t.
Tel. (062) 95 50 00

CANADA

Inn of the Provinces
Office Tower
Suite 1110
Sparks' Street 350
Ottawa, Ont. KIR 7S8
Tel. 238 64 64

INDIA

Press and Information Service
YMCA Building
(4th & 5th floors)
Jai Singh Road
New Delhi 110001
Télex: 61315 EURO IN
Tél.: 34 42 22, 35 04 30

NIPPON

Kowa 25 Building
8-7 Sanbancho
Chiyoda-Ku
Tokyo 102
Tel. 239 04 41

THAILAND

Bangkok
Thai Military Bank Bldg
34, Phya Thai Road
Tel. 282 1452

UNITED STATES

2100 M Street, NW
Suite 707
Washington, DC 20037
Tel. 862 95 00

1 Dag Hammarskjöld Plaza
245 East 47th Street
New York, NY 10017
Tel. 371 38 04

European Communities — Commission

The European Community and the Mediterranean

Luxembourg: Office for Official Publications of the European Communities

1985 — 102 pp. — 16.2 x 22.9 cm

European Documentation series — 3-4/1985

DA, DE, GR, EN, FR, IT, NL

ISBN 92-825-5326-4

Catalogue number: CB-NC-85-004-EN-C

This booklet describes the state of relations with third Mediterranean countries and discusses how the Community might consolidate its Mediterranean policy.

In the same collection (continued)

The European Community's Transport Policy *(second edition)*
Women in the European Community
The European Community's Legal System *(second edition)*
The ECU
The economy of the European Community *(second edition)*
The European Community's fishery policy
The European Community's research policy *(second edition)*

Brochures for businessmen (in the same collection)

Grants and loans from the European Community *(third edition)*
Public supply contracts in the European Community
Government procurement in Japan: the way in
EEC competition rules — Guide for small and medium-sized enterprises

Other publications for the general public

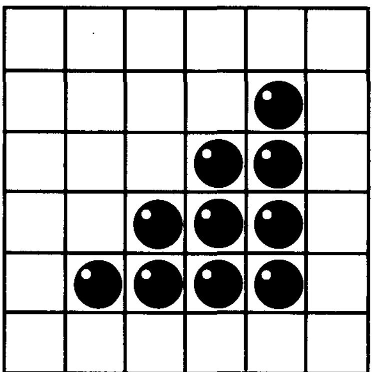
Working together — The institutions of the European Community — By E. Noël, Secretary-General of the Commission of the European Communities
Steps to European unity — Community progress to date: a chronology
European File — Each month two topics of current European events
Bulletin of the European Communities — A monthly survey covering milestones in the building of Europe
Basic statistics — Published annually, an essential statistical guide to the Community
Colour map — The European Community, Member States, regions and administrative units
Colour map — The European Community: Forests
The European Communiy as a publisher — Extract from our catalogue of publications

---

* The brochures for businessmen cannot be obtained on subscription. They are availalbe at the information offices (see list of addresses).

EN

The enlargement of the European Community, to include two new Member States, is now taking place. It is clear that the accession of Spain and Portugal will worsen the problems faced by the third countries of the Mediterranean basin. In what way will these countries be affected? How can relations be maintained, better strengthened. This booklet tries to answer these questions, and others besides.



The Community tried in the past to create more consistent relations with the Mediterranean countries, through the overall Mediterranean approach. It is now necessary to renew this policy in the difficult climate created by the crisis. The Community has in fact to take account both of the economic changes that have undermined relations and of the consequences of enlargement. Besides, in future, it must not only maintain trade flows but go further and strengthen cooperation with the Mediterranean countries in a wide range of fields.

ISBN 92-825-5326-4

OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg