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The International Economic Importance
of the Mediterranean

by

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Introduction

The Mediterranean was the fundamental center of economic life until the end of the XV Century.

At that time, Venice was the principal economic and military power over the Sea. Her decline, which coincided with the decline of the Mediterranean in world history, was brought about by the opening of Atlantic routes to the East, around Africa; and by the long drawn confrontation with the Ottoman Empire. The latter factor was not, however, decisive: the Ottoman did not become the ruling power in a prosperous Mediterranean, substituting Venice in the same fashion as Venice had substituted other Italian cities and Constantinople. Rather, the centrality of the Mediterranean in the world system declined.

The opening of the Suez canal might have arrested the decline, but did not really reverse the trend. After World War II, notwithstanding the increasing economic importance of some bordering regions, namely Western Europe and the Arab Gulf oil producers, the economic importance of the Mediterranean continued, in relative terms, to diminish.

Until recently, the strategic value of the Sea was mainly linked to its geographical position. It allowed the deployment of flexible naval forces with multiple tasks, contributing simultaneously to the defence of Western Europe, access to Middle Eastern oil, and to the central strategic balance.

Today, there are elements which suggest that this trend is reversing. The international economic importance of the Mediterranean is increasing, although certainly nowhere near the level of its past glory. These economic developments will necessarily change the political and strategic environment prevailing in the Mediterranean, altering the global strategic significance of the region.

In this paper I shall briefly review the major economic development in the Mediterranean, and sketch a few political and military implications.

For purposes of clarity I shall distinguish between those developments which are happening in the Mediterranean region, i.e., in and among the political groupings bordering the Mediterranean, and the Mediterranean basin strictu sensu, i.e., above or within the waters, over the seabed or along the shores. Clearly the two aspects are strictly interconnected, they involve however different phenomena and variables.

The Mediterranean as basin

A number of related factors are increasing the economic importance of the Mediterranean basin. A clear distinction can be drawn between factors linked to the presence of natural resources and factors linked to the Sea as a transportation facility (waterway). We shall deal with the latter, however, only as far as oil is concerned. The following discussion is then organized according to different criteria:

- a) hydrocarbon exploration and production; b) oil transportation;
- c) the development of natural gas resources as a regional energy source;
- d) other resources including fisheries; e) the protection of the Mediterranean environment.

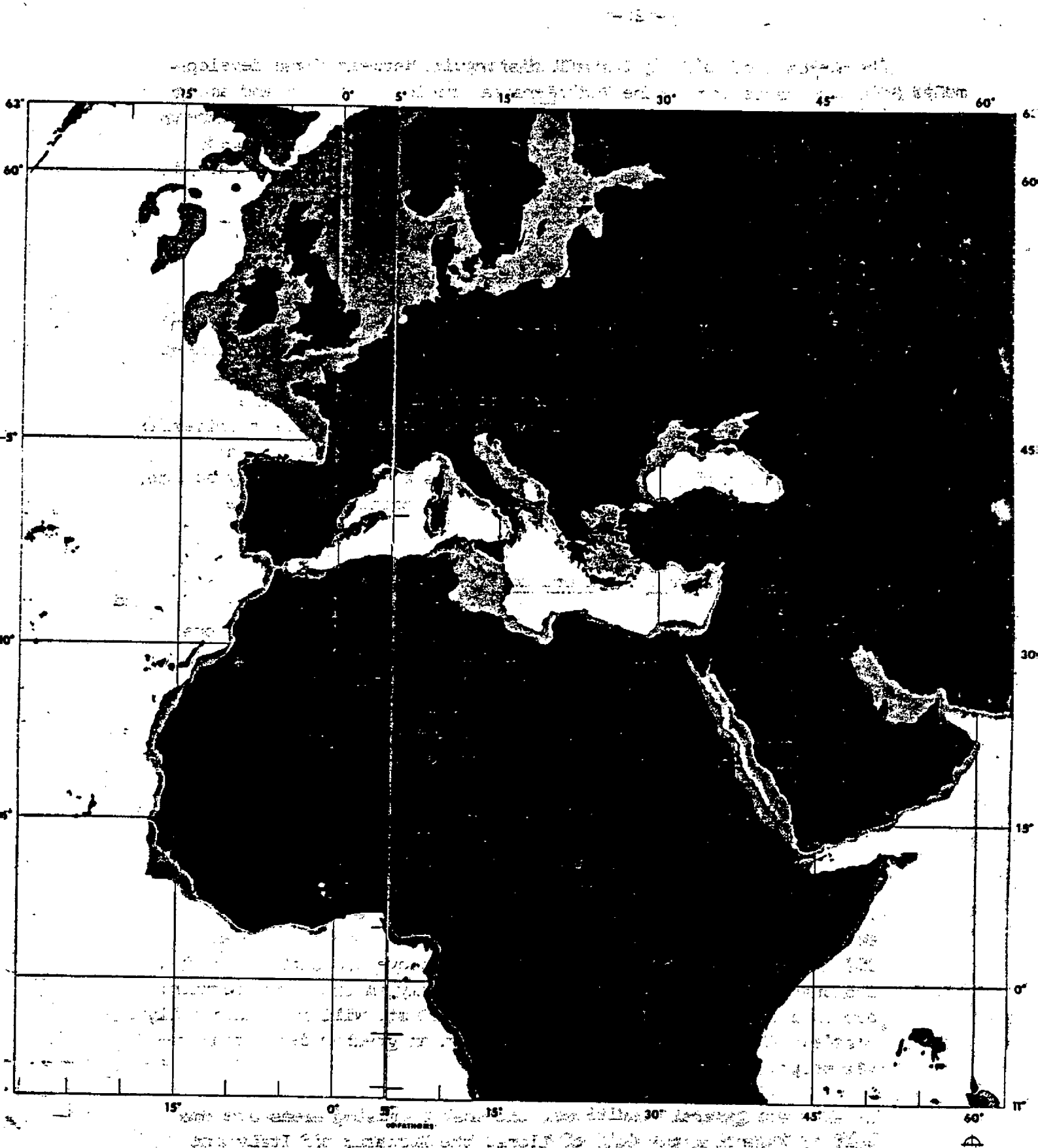
a) Hydrocarbon exploration and production

There has always been some exploration activity for hydrocarbons in the Mediterranean. Since 1973 this has picked up considerably. A "giant" oil or gas field has yet to be discovered in the Mediterranean, though even the smaller fields are worth exploring for.

Geologically the Mediterranean is characterized by a variety of very different formations. Furthermore, the Mediterranean, though it is a closed sea, is on average very deep (a fact which has considerable importance also for other economic activities - such as fishing - and for strategic interests). The sea has a total surface area of around 2,000,000 km². Only 15% is covered by less than 200 mt. of water, 7% has a depth between 200 and 1,000 mt., while 78% has a depth above 1,000 mt. (Fig. 1). Exploration activity is feasible today only in the first portion, but in a few years exploration up to 1,000 mt. will be economically viable. The consequences of exploration at greater depth cannot yet be predicted.

Given these general conditions, the most promising areas are the Gulf of Valencia, the Gulf of Lions, the Adriatic off Italy and Albania, the Tunisian and Libyan offshore, the Medina Bank (midway between Malta and Libya), the Egyptian coast. Most of

Figure 1 : The Mediterranean at 500 fathoms (915 mt.)



Source: E.R. Anderson, "Single Depth Charts of the World's Ocean Basins at Depths to 3,500 Fathoms", NEL Report 1252 Set I, US Navy Electronic Laboratory, San Diego - Cal., December 1964.

recent exploration activity has taken place around Italy, leading to around 35 discoveries (including both gas and oil).^{*} More recently, exploration activity has picked up off Tunisia and Egypt. Political conflict between Tunisia and Libya slows down exploration activity in the Gulf of Gabes and off Djerba. The conflict between Malta and Libya stopped exploration underway on the Medina Bank this summer. The conflict between Greece and Turkey negatively influences exploration in the Aegean.

Expectations are that the exploration activity will gradually intensify in coming years, reaching a plateau of around 70 wells drilled per year. If exploration can pick up in waters between Tunisia, Malta and Libya, as well as north of Libya, the size of average finds would probably grow (while the number of yearly finds is likely to be constant around 7).

Table 1

Offshore exploration wells drilled in the Mediterranean
(1968-1977)

	1968-72	1973-77
Italy	87	75
Spain	16	46
Greece	5	5
France	3	-
Morocco	1	-
Malta	1	1
Algeria	-	1
Tunisia	7	39
Libya	3	20
Egypt	6	7
Lebanon	-	-
Syria	1	-
Turkey	2	6
Yugoslavia	-	2
Israel	3	-
<u>Total</u>	<u>135</u>	<u>202</u>

* Data in Table 1 summarize the evolution of exploration activity in 1968-77.

b) Oil transportation

The age of the supertankers (VLCC) coincided with the rapid increase in the importance of Middle East petroleum in world oil supplies. The Arab-Israeli conflict was a permanent incentive to reduce reliance on Suez, and effectively blocked any proposal to modernize the canal. That same conflict crippled the existing network of oil pipelines carrying crude from Iraq, Kuwait and Saudi Arabia to the Mediterranean. The Tapline was sabotaged repeatedly - a prospect which did not encourage investment in increasing its capacity. Only Iraq maintained significant Mediterranean outlets. All her lines passed through Syria, however; a source of continuous friction between the two countries.

VLCCs were the logical answer. Today, however, they appear to be increasingly anachronistic. The ecological hazards which this operation presents is a case in point. More significantly, however, the sea lanes they traverse could be interdicted in at least two points: a) in the Gulf itself as a consequence of military activity in the region (1) and b) in the proximity of the Cape passage as a consequence of a deterioration of the internal situation in South Africa leading to a civil war or through an increased Soviet military presence in the region.

Growing concern with these two threats has led to a number of attempts to diversify transportation routes. Egypt, for example, has undertaken, in order to allow the transit of larger carriers (not yet VLCC's however) and to link, via the Sumed pipeline, the Red Sea to the Mediterranean. Saudi Arabia is building an East-West pipeline, which will carry oil from the eastern fields to the Red Sea port of Yanbu. Iraq too has diversified her Mediterranean outlets, by building a pipeline across Turkey to the Mediterranean port of Ceyhan. She has also connected her northern fields (Ki kuk) to the southern ones (Basrah) with a so-called strategic pipeline, capable of operating in both directions. These developments are pictured in Fig. 2.

These developments have different implications. The Sumed and the enlarged Suez canal are alternatives to the Cape route. They do not allow diversification from the Gulf however. The reverse dilemma applies to the East-West Saudi Arabian pipeline.

- (1) The problem is not just Hormuz, which is less vulnerable than is usually imagined. Rather, the problem is a general vulnerability to military aggression or terrorist attack anywhere in the Gulf.

Table 2

Estimate of crude oil Mediterranean shipments in 1985.

	in million b/d
Sumed	2.4
Suez Canal	2.6
Iraq-Turkey	0.7
Iraq-Banias	} 1.4
Iraq-Tartous	
Libya ¹	1.8
Algeria ¹	1.0
Other Mediterranean producers	0.5
	<hr/> 10.4

¹ The figures represent average Libyan and Algerian production in January-August 1980. Maximum sustainable output capacity for the two countries is estimated today at 2.1 m. b/d for Libya and 1.2 m.b/d for Algeria (PIW, 27/10/80, p. 11).

c) Development of gas resources as a regional energy source

The oil producing countries in North Africa and the Middle East also command huge gas resources. Table 3 gives figures on current estimates. These figures however must be considered conservative, because most OAPEC countries have not systematically searched for natural gas. Algeria is the only exception. Significantly, we have no more than an initial assessment of gas resources available in the Gulf. The North West Dome, which Shell has evaluated for the government of Qatar, has proven reserves of 0.9 trillion cu. mt., and possible total reserves of between 2 and 3 trillion cu. mt. The field was first discovered in 1972, but development has been delayed by Qatari doubts given that an initial investment of 3 to 4 billion dollars would be needed (4). More recently, a German

(4) F.T., 11 May 1979, p. 3.

Table 3 : World Natural Gas Reserves by Countries and Main Areas (billion cubic meters) (a)

	1961	1965	1970	1975	1977 (b)
Algeria	1,400	1,800	3,000	3,570	3,540
Libya	100	210	850	750	728
Nigeria	10	80	170	1,250	1,218
Other countries	15	30	400	400	391
AFRICA	1,525	2,120	4,420	5,970	5,877
Saudi Arabia	1,260	1,580	1,500	1,800	2,407
Iraq	630	600	600	770	793
Iran	1,820	2,380	6,000	10,600	14,160
Kuwait	920	980	1,000	900	892
Other countries	360	580	750	1,600	2,129
MIDDLE EAST	4,990	6,120	9,850	15,670	20,381
NORTH AMERICA	8,700	9,260	9,750	8,070	7,592
CENTRAL-SOUTH AMERICA	1,570	1,785	2,250	2,650	3,073
WESTERN EUROPE	420	3,165	4,245	4,890	815
FAR EAST AND THE PACIFIC	555	950	1,645	3,120	3,476
COMMUNIST COUNTRIES	2,365	3,220	13,565	23,780	27,046
WORLD TOTAL	20,125	26,620	45,725	64,150	71,328

(a) data at year and

(b) provisional data

Source: ENI, Energia ed Idrocarburi, 1977.

consortium led by Wintershall discovered a new reservoir offshore Qatar which was termed "very large" (5). These are just initial results in a new exploration effort, and point to the existence of a huge potential.

The problem with gas is transportation. The inability to economically transport natural gas is what made this resource worthless in the desert. Even today it is still being flared off at the rate of 18 billion cubic meters (a year!). (6)

The problem can be solved, in part, with only minor difficulty. Propane and butane can be liquefied under slight pressure, and it is now convenient to separate them from other associated gases. Suspended liquids can also be separated, yielding natural gasoline. Methane, however, remains a large, untapped resource.

In the sixties, it appeared that liquefaction and transportation in special LNG ships might prove a solution. Algeria, however, is the only Arab country that undertook a serious program of development of her natural gas resources based on LNG technology. Libya still has a medium size LNG plant partly owned by Exxon, which exports 2/3 of its output to Italy and the rest to Spain. Abu Dhabi has an LNG plant to process gas from her offshore fields. The output is exported to Japan.

For a variety of reasons, Algeria recently came to the conclusion that LNG technology is not an appropriate answer to the problem of developing gas resources. This move was clearly shown by the decision to drop plans for an Azzew 3 LNG plant. Besides being extremely costly, liquefaction plants seem to be less reliable than was expected. Other developments, chief of which was the restructuring of the market from global to a region dimension, also discouraged Algerian plans. Large discoveries on the North American continent led to a decline of US interest in Algerian LNG production. Japan, though it has a program involving greater reliance on gas as an alternative to oil, places the emphasis on LPG rather than LNG (7). As far as the latter is

(5) MEES 17 March 1980, p. 3., FT 13 May 1980, p.4.

(6) The figure is for associated gases that were flared off from the world's oil wells in 1979. This amount exceeded the 17.5 billion cu. mt. that was moved commercially in international gas trade as pipeline gas and LNG. (PIW, September 22, 1980). Of course, the percentage of associated gases which are flared off is highest in the Arab Gulf countries.

(7) See G. Fodella, "Japan and Oapec countries in the 1980's", IAI document, October 1980.

concerned, Southeast Asia promises both sufficient reserves and the advantage of regional diversification of energy supplies.

Hence, exploitation of gas resources in the Arab world is linked to the possibility of in situ transformation or utilization, or, to the building of gas pipelines which would allow its utilization in the whole Mediterranean region. As two recent studies clearly pointed out, possibilities of local exploitation are limited. (8)

Therefore one could view the pipeline across the Mediterranean connecting Italy to Algeria through Tunisia as a first link in a rapidly developing Mediterranean network (this pipeline has a maximum capacity of 12.4 billion cu. mt./y). A doubling of the capacity of the Italo-Algerian pipe (to at least 18 billion cu. mt. /t), is almost taken for granted. Algeria has received a similar request from Spain, while Greece is interested in linking with the Italian pipeline system across the Adriatic.

The development of Middle Eastern fields, either by creating a network of gas pipelines through Turkey and Greece, or through Egypt and Lybia and across the Sea, is a more distant proposition; but one which appears to be increasingly realistic. The Algerian Oapec symposium on gas utilization held last June recommended, among other things, "linking the Arab countries with gas pipelines and encouraging them to set up joint industrial and electricity projects". (9) What is fascinating in this perspective, is that such a network would be a major inducement to industrialization, thus providing a base for increased regional integration and economic development.

These developments are conditional upon political factors far more than they are upon economic ones. Increasing tensions and conflicts between Mediterranean countries could make any vision of a regional gas grid into a bittersweet memory. On the other hand, the prospect of Central Europe becoming increasingly dependent on the Soviet Union for her gas supplies (10) and the need to offer

- (8) The studies are in a paper by Aman R. Khan submitted to the latest Opec-Oapec Oxford Energy Conference (September 1980); and in a paper by Francesco Cima of ENI (Snam Progetti) submitted to the Oapec gas symposium in Algiers, (July 1980).
- (9) MEES, 7 July 1980, p. 6.
- (10) A long term agreement was reached between West Germany and the USSR on energy supplies in July 1980. Discussions are underway to define a project involving a 2,700 mile long pipeline that would carry 40 billion cu. mt. of gas annually from Western Siberia to Western Europe. FT 17 January 1980, p.1. ; FT 3 July 1980, p.1.

some solution to stabilize democratic institutions in Southern European countries, are powerful arguments in favour of a Mediterranean wide natural gas utilization plan.

(c) Other resources including fisheries.

Relative to the importance of energy, all other Mediterranean resources must appear of less importance - however this is globally a wrong impression. If we include the environment among Mediterranean resources, and tourism among the economic activities connected to the Sea, we would see that the numbers involved, in terms of value added and even more employment generated, are extremely substantial. Tourism is a sector in rapid growth in the long run. Furthermore, we might witness in due course of time the same kind of evolution that can be seen in the United States - a tendency to transfer economic activity to the South also because of a better environment. This, however, is not for today.

Apart from tourism, Mediterranean resources would include sea-bed minerals and fisheries. No published study exists on the first aspect, while the literature on the second is abundant.

Fishing is an important activity for some riparian countries, especially because of the high number of people it employs in areas which are otherwise extremely poor.

Table 4 shows data on total catches by countries in 1973 and 78 in the Mediterranean and the Black Sea. Taking into account that both Soviet and Turkish catches come mostly from the Black Sea, it is easy to see that two countries (Italy and Spain) realize a disproportionate share of total Mediterranean catches. Because Spain is more active in the Atlantic, the Mediterranean is vastly more important to Italy in relative terms. Most other countries realize small catches, at the same time they are totally dependent on the Sea.

It is not at all surprising, in these conditions, that conflicts have erupted time and again between Italy and other riparian states, mostly Tunisia and Libya. The seizing of Italian fishing vessels is recurrent, and a considerable nuisance in diplomatic relations. It is interesting to recall that most often the vessels, belonging to fleets operating from Sicily, have Italian officers and Tunisian crew.

Table 4: Total nominal catches by countries in the Mediterranean and Black Sea, 1973 and 1978

<u>Country</u>	<u>1973</u>	<u>1978</u>	<u>Mediterranean catches as % of total in 1978</u>
Albania	4,000	4,000	100
Algeria	31,200	34,143	100
Bulgaria	5,300	12,017	11.7
Cyprus	1,500	1,245	99
Egypt	9,600	11,770	11.8
France	49,600	40,490	5.1
Gaza Strip	4,200	4,700	100
Greece	54,600	69,758	65.8
Israel	4,200	3,500	13.5
Italy	334,200	336,947	83.8
Lebanon	2,400	2,400	96
Libya	2,900	4,803	100
Malta	1,600	1,064	100
Morocco	19,600	31,991	10.9
Romania	6,300	7,114	5.2
Spain	122,500	150,449	10.9
Syria	700	1,361	37.4
Tunisia	31,700	54,600	100
Turkey	152,900	138,174	88.9
USSR	285,900	290,905	3.2
Yugoslavia	30,500	37,465	59.4
Others	200	130	-
TOTAL	1,155,600	1,239,026	

Although the Mediterranean is not a rich sea, there is a considerable potential for expansion of fishing activities, provided that a cooperative approach prevails among riparian states. Table 5 shows data on potential catches for 1985 elaborated by the FAO (11), according to which a doubling is possible (to 2 million tons per year).

A further increase in the productivity of the Sea would be possible by the diffusion of methods of coastal aquaculture. A recent study (12) showed that there are many common needs and opportunities that could be met most effectively through a regional aquaculture project. The data in Table 6 show the possible increase in production for 1985 and 1990. The study calls for the establishment of a Mediterranean Regional Aquaculture Project (MEDRAP), which would facilitate the sharing of currently available culture technology, joint planning of coastal aquaculture development activities, development and pilot-scale testing of new culture techniques.

Thus fisheries are a case which is politically important because it might establish a Mediterranean climate either of confrontation or cooperation, depending on the solutions adopted. Developments in this field might have indirect implications for other problems of greater immediate relevance.

(e) Protecting the environment

Without going into details on this complex subject, it is worth recalling here that in May 1980 15 out of 18 countries surrounding the sea agreed to what is the first treaty to deal directly with pollution originating on land (13).

- (11) FAO, Secretariat du CGPM, Perspectives du développement des pêches jusqu'en 1985 dans les Etats Membres du CGPM Etud. Rev. CGPM, (54) : 53-76. Other references on this point are: M. Zei, Perspectives for Mediterranean Fisheries and Aquaculture, Ocean Management, 3 (1978), 219-233 ; S.J. Holt, Managing Fish Stocks, The Role of International Organizations in the Mediterranean Area, Marine Policy, April 1978.
- (12) FAO-UNDP, Development of Coastal Aquaculture in the Mediterranean Region. ADCP/MR/79/5.
- (13) ET, 17 May 1980, p. 5. ./.

Table 5

Quantités pêchées en Méditerranée et en mer Noire en 1970*, potentiel et demande prévue pour 1985

milliers de tonnes de poids vif

	Captures actuelles (1970*)					Potentiel		Demande prévue (1985)	
	Espèces démersales ^{1/}	Espèces pélagiques	Crustacés	Céphalopodes	Total	Espèces démersales ^{2/}	Espèces pélagiques	Total	Min. Max.
Méditerranée occidentale et centrale									
Algérie	5	18	1	1	24	350	1 000	38	57
France	18	28	0	0	46			52	71
Italie	131	126	14	29	300			335	432
Libye	4	4	1	0	8			12	32
Malte	0	1	0	0	1			1	2
Maroc	1	11	0	0	12			84	110
Espagne	42	63	4	10	119			139	202
Tunisie	13	11	1	2	27			41	63
Yougoslavie (Albanie)	5	22	0	1	28			34	63
	4	...	-	-	4		
Total	223	284	20	42	569	350	1 000	736	1 032
Méditerranée orientale									
Chypre	1	0	-	-	1	75	1 000	1	2
Egypte	12	1	1	0	14			11	30
Grèce	52	26	2	-	80			88	123
Israël	1	2	-	-	3			4	5
Liban	1	1	-	-	2			5	7
Turquie (Syrie)	1	1	0	-	2			3	4
	1	...	-	-	1		
Total	69	31	3	0	103	75	1 000	122	174
Mer Noire									
Turquie	24	98	1	1	124	75	500	177	271
Bulgarie	2	3	-	-	5			5	11
Roumanie	2	3	-	-	5			5	9
(U.R.S.S.)	36	198	1	-	235		
Total	64	302	2	1	369	75	500	187	291
TOTAL GENERAL	356	617	25	43	1 041	500	1 000/ 1 500/	1 500/ 2 000	
TOTAL CGPM	315	419	24	43	801			1 045	1 497

1/ Y compris poisson non trié et non spécifié

2/ Y compris la majeure partie des crustacés et des céphalopodes

Table 6

POTENTIAL PRODUCTION OF SELECTED SPECIES BY AQUACULTURE IN 1985 AND 1990
(in tons)

Estimated Production	Sea Bass	Sea Bream	Mullet	Sole	Eel	Oyster	Mussel	Shrimp	Total	Estimated increase in production
For: <u>France, Italy, Spain</u>										
1978	655	1 310	3 020	351	1 810	5 050	13 700*	0	25 896	
1985	1 950	2 800	3 520	620	2 700	6 400	17 000	400	35 390	1.4 times the 1978 level
1990	7 100	8 000	4 550	1 400	4 700	8 000	22 000	1 500	57 250	2.2 times the 1978 level
For: <u>Cyprus, Egypt, Greece, Israel, Libya, Malta, Morocco, Tunisia, Turkey, Yugoslavia</u>										
1978	220	590	3 051	75	1 290	420	2 200	0	7 846	
1985	1 610	1 460	6 371	75	1 500	1 570	3 500	410	16 496	2.1 times the 1978 level
1990	7 350	10 750	13 600	750	2 800	3 600	6 100	1 850	46 800	6.0 times the 1978 level
For: <u>All 13 countries</u>										
1978									33 742	
1985									51 886	1.5 times the 1978 level
1990									104 050	3.1 times the 1978 level

* Production in Italy is unofficially estimated at 35 000 t, instead of 5 100 tons. If this is so, mussel production can amount to 43 600 t in 1985 and 48 400 t in 1990

The agreement is politically important because it is an example of regional understanding which might develop into something of more general interest. Besides, control of pollution is a crucial factor, directly affecting tourism, and eventually affecting the geographical distribution of industry as well. From this point of view, the agreement has important North-South implications.

II. The Mediterranean as a region

a) Mediterranean development and subregional integration processes

The rapid increase in the price of oil since 1973 has caused significant changes in the structure of international trade. Both values and quantities have changed markedly. The differential effects among different countries have led to substantial changes in geographic flows as well. Since most of Middle Eastern oil goes to Western Europe and most of the imports of Arab countries originate from the same area, the weight of TransMediterranean Trade over world trade has increased.

This assumes, of course, that the definition of "Mediterranean region" includes more than riparian countries. Such a definition might not be exact in geographic terms, but it is more meaningful in economic and political terms. Indeed, the Mediterranean is the interface between different processes of economic development and economic integration, which involve groups of countries other than just riparian ones. If we want a meaningful definition of the Mediterranean region, we must go beyond the terms of riparian states, to deal in terms of country groupings which are divided by the Sea. We may look at these country groupings as subregions of a widely defined "Mediterranean Region".

The two main groupings are the EC on one side and the Arab countries on the other. A process of economic integration is underway among countries within each of these groupings. This process is a fundamental factor in their present and future development. While the importance of the integration process is clear in the case of EC members, the parallel process among Arab countries is less advanced and progress is not as visible, or at least not visible in the same terms. It is, however, significant and constitutes the major political challenge to the Arab countries themselves and the principal subject of Mediterranean relations.

the importance of

A passing note should be made about Eastern European countries to Mediterranean affairs. In my view these countries have played a marginal role until now and it is likely that their role will be scarcely relevant in the future. Furthermore no CMEA country borders on the Mediterranean.

This leaves a certain number of countries which do not participate in either of the two integration processes. (14) The list includes Yugoslavia, Albania, Malta, Cyprus, Israel and Turkey.

Needless to say, the situation in each of these countries is markedly different from the other. Turkey, for example, cannot survive without participating in one of the integration processes. The political dilemma is which one. I tend to think that the same applies to Israel. On the other hand, one can conceive of the other four countries staying very much where they are: in between the two blocs. In the case of Yugoslavia and Albania things could hardly change without raising major East-West problems, while Cyprus and Malta are small countries that can still prosper by finding a suitable niche (economically speaking). (15)

Thus the international economic importance of the Mediterranean is the outcome of the processes of economic integration both within Western Europe and the Arab countries, and among the two blocs.

The process of European integration including the problems related to the enlargement of the EC have been extensively covered elsewhere and need no expansion here. I shall focus on some aspects of economic integration among Arab countries and pay special attention to the way the two processes interrelate.

(b) Industrial growth in the oil producing countries

The process of industrialization underway in the oil producing countries is a major factor in Mediterranean economic relations. Fuelled by oil revenues, this process is continuing. The danger that rapid development might create social instability and political turmoil, has led some governments to revise some of their investment priorities. The fundamental choice in favour of

(14) Greece is a member of the EC effective January 1st, 1981. Spain and Portugal are candidates for membership and I assume that they will become members.

(15) I do not necessarily mean that this is what Cyprus and Malta should or will do.

industrialization, however, has not been abandoned by any country.

The obstacle that these efforts must surmount are however increasingly large, and the Mediterranean dimension is crucial to their success.

Most oil producers have abundant oil and financial resources, but are constrained by the small size of the labour force of the domestic market. This has led to strong bias in favour of large scale projects with a very high capital to labour ratio. The availability of oil made downstream integration into refining and basic petrochemicals an obvious choice. Energy intensive projects designed to utilize otherwise wasted resources, such as gas, are a less obvious choice. We can see instances however in the aluminium smelter in Bahrein and in various steel projects based on direct reduction.

With the exception of aluminium, all of these projects would add new capacity to industries which internationally are already suffering from overcapacity. Also, competition is intense in these markets and they are integrated at the global level.

If there was a global lack of productive capacity in these industries, the oil producing countries could base their industrialization on acquiring a growing share in these global markets. The importance of the regional markets and of regional economic integration would be reduced. The present state of overcapacity however means that it will be difficult to capture a stable market share globally. This will necessarily increase the emphasis on the regional Mediterranean market, and at the same time stimulate diversification into other countries.

Algeria, which is pursuing a highly ambitious industrialization program, was always conscious of the importance of regional market outlets. In the negotiations that led to the signature of the cooperation agreement with the EC in 1976, Algeria adopted a tough stand on provisions for trade in industrial products requesting free unlimited access to the Community markets. Eventually the agreement granted the Algerian request with two exceptions: cork and refined petroleum products. In the case of the latter the agreement permitted free entrance of Algerian exports only within certain ceilings. (16) The ceilings were accepted by the Algerians only because they were temporary and because they corresponded to the immediate export potentials of the country. (17)

(16) A ceiling of 1.1 million tons was imposed for the first year, with a 5% increase for following years; no ceiling would apply after 1979; see Agence Europe, 19/20 1.76, p. 4.

(17) Statement of Ambassador Ait Chaalal in Agence Europe, 24.1.1976, p. 6.

Therefore it is clear that the Algerian government is well aware of the regional implications and prerequisites of its industrialization drive. This aspect of Algerian policy was not modified by the recent revision of investment priorities within the Algerian planning process. (18) Although there has been a reorientation in favour of agriculture, and less emphasis on state intervention in the industrialization process, the new (III) five-year plan for 1980-85 still allocates \$ 39 bn to industry, out of a total outlay of \$ 104 bn for the five years. (19)

Other oil producing countries appear less aware of the regional dimension in their industrialization process. They pursue projects oriented to the global market. However they are experiencing growing difficulties. With the possible exceptions of Kuwait and Bahrein, progress has been much slower than expected.

The case of Saudi Arabia exemplifies the way in which a globally oriented industrialization strategy slowly turns into a regionally oriented one. The plans for a very ambitious investment program in downstream oil to be organized around two industrial poles (in Yanbu and in Jubail) were already publicized in 1974. However, the Saudi government wanted to form joint ventures with multinational corporations which were requested to hold a substantial stake in each project. In this way the Saudi government was seeking a guarantee against poor management and marketing difficulties. Since refining and petrochemicals were plagued by excess capacity until well into 1978, the response from multinational corporations was less than enthusiastic. (20)

Negotiations dragged on, and it was only in 1980, with the launching of the new development plan, that the first joint ventures were announced. Saudi Arabia agreed to link allocations of "incentive crude" to companies undertaking joint ventures; promising to provide 500 b/d for each million dollars invested. (21)

(18) FT 14 January 1980, p. 3.

(19) FT 1 August 1980, p. 3.

(20) The response was very different depending on the corporation. Shell and Mobil (the former a company excluded from direct access to Saudi oil until 1980), were most forthcoming to Saudi wishes. See G. Luciani *Compagnie petrolifere e paesi arabi negli anni '80*, IAI documeny, April 1980.

(21) *ibid.* pp. 117 - 120.

If at first this policy appears a consolidation of the globally oriented industrialization strategy, further consideration leads to a contrary conclusion. Even if a clear cut decision has yet to be made, companies entering into joint ventures will find it extremely difficult to market refined oil products or petrochemicals on the Northern American market. Competition will also be very intense on Far Eastern markets because of similar investment being undertaken by other oil producing countries and the NIC's in Southeast Asia. Since Europe is the one region most interested in stable crude supplies, and the companies undertaking joint ventures in Saudi Arabia are well entrenched on European markets, it is in Western Europe that the largest part of Saudi downstream products will be marketed. The Mediterranean dimension will therefore turn out to be crucial, even if at present it is not perceived as such.

An indepth discussion of the individual industrialization strategies of the oil exporting countries in the Arab world, would demonstrate that the Mediterranean dimension is essential to most of them. Only small countries like Kuwait or Bahrein appear to have the right mix of population, skills, resources, and financial needs to obtain a share of the global market sufficient to their needs. For the others, the global market is too competitive and the purely Arab market is too narrow. The alternative to a process of Mediterranean integration could only be a substantial abandonment of the ambition to industrialize rapidly.

The industrialization strategies of the non oil producing Arab countries are markedly different. In most cases they are geared to the subregional Arab market. It is only Tunisia that needs access to the European market for her manufacturing activities; an access granted with limited exceptions under the cooperation agreement signed in 1976. However, the Mediterranean dimension is, indirectly, very important even to countries such as Jordan. Her development would be affected if the oil producing countries were to scale down their industrial ambitions.

(c) Factor movements in the region: i - capital

The process of industrialization in oil producing countries stimulates, in a variety of ways, important movements of capital. These flows must be added to other investment flows into Southern European countries, mostly Spain, to have a full picture of movements of capital in the Mediterranean.

The Mediterranean is a region which multinational corporations clearly overlooked in the past. Available data show that manufacturing investment was very limited before 1973.(22) Investment in the oil and mining sector was of course substantial, but most corporations saw their assets, in part or in full, nationalized. Thus even after 1973 the investment flow from DAC countries towards the Northern African region has been a diminishing share of their global investment activity; passing from 4.5% in 1967 to 4.2% in 1976. Direct investment into Spain, on the other hand, rose considerably from 3.9% in 1967 and 5.4% in 1973 to 6.2% in 1976. (23)

The data on direct investment are, however, misleading. Most capital flows to Northern African Arab countries take place under different forms. Because of the control policies adopted by most of these countries, important transfers happen as financial investment: participation into joint ventures, long term credit or short to medium term export financing. The data in Table 8 show conclusively that the latter form of financial arrangements is exceptionally important for Algeria and increasingly so for Greece, Morocco, Tunisia, Egypt and Turkey.

The reason for this pattern is that in most non-industrialized Mediterranean countries, investment schemes are actively promoted by governments through state enterprises. This leads to transfer of productive capacity through a variety of contractual arrangements ranging from "Turn-key" plant sales to joint ventures. Only a few countries have adopted a lower profile, limiting themselves to an attempt to attract direct investment from multinational enterprise. This second approach has generally proven to be less successful, because the process of decentralization of labour intensive low-technology industries is less advanced in Western Europe than it is in Japan or the USA. At the same time, those European countries, such as West Germany or the Netherlands, which have a clearly visible decentralization strategy, generally favour initiatives in other regions: such as Eastern Europe, Latin America or Southeast Asia.

On the other hand, the "demand for industrialization" coming from the Arab Mediterranean countries is now leading to the conclusion of contract for what one might call "turn-key" industrial pole sales. What is sold is not one plant, but a complex of integrated production facilities including all necessary infrastructure.

(22) G. Luciani - The Multinational Corporations' Strategy in the Mediterranean, Lo Spettatore Internazionale, 1, 1976.

(23) IAI, "Effetti dell'allargamento della CE sulla politica italiana per lo sviluppo", mimeo. page 100.

Table 7: Direct Investment Flows from DAC countries to some LDC's 1969-1977

Source: OECD

Million US Dollars

	1969	1970	1971	1972	1973	1974	1975	1976	1977
Greece	5.4	9.8	9.4	14.4	87.8	142.6	43.2	45.9	-5.47
Spain	105.4	240.3	127.4	365.5	509.1	667.7	577.8	235.0	407.35
Portugal	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Algeria	85.0	80.2	0.6	41.4	40.4	8.4	29.4	43.6	-10.77
Morocco	-0.3	4.8	4.1	6.8	5.5	-25.7	5.0	0.5	10.18
Tunisia	3.7	3.7	8.6	13.8	14.7	17.8	-7.3	-28.9	2.92
Libya	152.0	283.2	103.7	150.9	193.4	-2.8	-576.3	262.8	8.26
Egypt		0.7	2.3		0.7	0.1	2.6	17.0	9.23
Turkey	-1.5	4.2		0.5	25.6	23.6	47.4	-4.8	-19.24

Table 8: Export credits from DAC countries to some LDC's (1969-1976)

Source: OECD

Million US Dollars

	1969	1970	1971	1972	1973	1974	1975	1976
Greece	169.1	118.8	237.1	-11.3	16.8	132.0	9.3	485.1
Spain	11.6	66.5	57.3	65.2	67.2	133.2	154.7	30.8
Portugal								
Algeria	92.3	146.7	413.6	212.0	97.1	507.2	1593.1	1456.8
Morocco	-3.5	51.4	14.6	17.3	-37.2	-5.5	181.9	189.6
Tunisia	51.8	-2.7	-1.9	3.7	45.3	-12.9	-0.6	121.2
Libya	1.8	44.1	25.1	-110.2	68.2	77.5	-96.1	-70.6
Egypt	-3.7	38.8	159.1	-10.1	-113.4	-38.6	105.0	154.9
Turkey	31.0	5.9	27.4	29.5	158.7	294.5	91.0	181.9

Table 9: Migrant Workers in the Red Sea Region by Source and Destination
in the Late 1970s

Source/ Destination	Bahrain	Kuwait	Libya	Qatar	Saudi Arabia	UAE	Others	Total (by source)
Egypt	5,000	60,000	340,000	20,000	200,000	15,000	260,000	900,000
Jordan	5,000	60,000	30,000	5,000	200,000	10,000	40,000	350,000
PDRY	5,000	15,000	-	5,000	140,000	10,000	25,000	200,000
Somalia	-	10,000	-	-	30,000	10,000	20,000	70,000
Sudan	-	20,000	10,000	-	90,000	10,000	10,000	140,000
YAR	5,000	10,000	-	-	400,000	10,000	35,000	460,000
Others	30,000	100,000	100,000	70,000	260,000	200,000		
					Total (by source)			2,120,000
Total (by destination)	50,000	280,000	480,000	100,000	1,340,000	280,000		2,530,000

Source: G. Pennisi, op. cit. Table III - 9

Table 10: International Migrant Workers from/to as a Proportion
of Wage Employment in the late 1970s

Egypt	19%	Kuwait	70%
Jordan*	115%		
PDRY	125%	Libya	68%
Somalia	50%	Qatar	66%
Sudan	14%	Saudi Arabia	77%
YAR	150%	UAE	93%
Bahrain	50%		

Source: G. Pennisi, op. cit. Table III-10

* About 60% of Jordanians from West Bank and Palestinians registered as Jordanians with countries of origin are excluded.

Table 11

Labor Exporting Countries' Migration to the Region in the 1980s

No. of Migrant Workers to Other Countries of the Region

	<u>Late 1970s</u>	<u>Late 1980s</u>
Egypt	640,000	940,000
Jordan	310,000	400,000
PDRY	175,000	175,000
Somalia	50,000	80,000
Sudan	130,000	190,000
YAR	425,000	425,000
	<u>1,730,000</u>	<u>2,210,000</u>

Source: G. Pennisi op. cit., Tab. IV-7

Table 12

Repartition Geographique de la Population Palestinienne en 1975 (+)

<u>Pays</u>	<u>Effectif</u>	<u>Pourcentage</u>
Israël	436.000	13,57
Gaza	395.000	12,29
Rive Ouest du Jourdain	775.400	24,12
Rive Est du Jourdain (jordanie)	641.700	19,96
Syrie	183.200	5,70
Liban	285.000	8,86
Koweit	204.000	6,35
Arabie Séoudite	74.000	2,30
Autres pays du golfe	26.000	0,80
Egypte	42.000	1,31
Irak	30.000	0,93
Libye	9.000	0,28
Autres pays arabes	9.000	0,28
Etats Unis	24.000	0,75
Autres pays étrangers	81.000	2,50
Total	3.215.300	100,00

(+) Dr. Issa Najib, Situation Démographique du peuple palestinien (O.N.U. Commission Economique pour l'Asie Occidentale, dacty. Mars 1979)

Table 13

Number of Migrant Workers in 1974 (estimates)

Paese di emigrazione \ Paese d'immigrazione	Germania	Svizzera	Francia	Belgio	Paesi Bassi	Lussemburgo	Austria	Svezia	Gran Bretagna	Totale
Portogallo	81.000	3.000	475.000	4.000	4.000	9.000 ¹	—	1.000	10.000	588.000
Spagna	160.000	75.000	265.000	34.000	19.000	2.000	—	2.000	17.000	574.000
Italia	405.000	306.000	230.000	70.000	10.000	11.000	2.000	3.000	—	1.037.000
Jugoslavia	495.000	23.000	50.000	3.000	9.000	1.000	166.000	23.000	—	770.000
Grecia	223.000	5.000	5.000	6.000	2.000	—	—	8.000	—	249.000
Turchia	585.000	14.000	25.000	10.000	33.000	—	29.000	2.000	—	698.000
Finlandia	5.000	1.000	1.000	—	—	—	—	105.000 ²	1.000	113.000 ³
Marocco	14.800	—	130.000	30.000	23.000	—	—	—	—	197.800
Algeria	—	—	440.000	3.000	—	—	—	—	—	443.000
Tunisia	10.600	—	70.000	—	1.000	—	—	—	—	81.600
Altri	415.600 ⁴	158.000	209.000 ⁵	70.000	57.500 ⁶	18.000	32.000	53.000	1.772.000	2.784.000
Totale	2.395.000	585.000 ²	1.900.000	230.000	158.500	41.000	229.000	197.000	1.800.000	7.535.500

¹ di cui 100.000 austriaci

² permanenti e annuali; non inclusi 152.000 stagionali e 98.000 frontalieri

³ soprattutto africani e originari di paesi Cee diversi dagli italiani

⁴ non inclusi 22.000 originari delle Antille e del Surinam

⁵ 15.000 secondo i dati portoghesi

⁶ 100.000 secondo i dati svedesi; 110.000 secondo i dati finlandesi

⁷ non inclusi 1.000 finlandesi in Danimarca e 2.000 in Norvegia.

Source: OECD: "L'Observateur de l'Ocde", n. 76, July-August 1975, p. 14.

Finally, we have no exact estimate of the number of Europeans working in the Arab world. Available information indicates that the total must be in the region of several hundred thousands.

Paradoxically, we might say that the development of a new Mediterranean economy is manifested by movements of people rather than goods. Movements of people are a powerful factor of economic integrations, because they stimulate financial and trade flows. At the same time there are serious dangers to the country of origin, which must not be overlooked.

Avoiding details, we may say that migration is a most important economic factor and at the same time a very difficult political problem. There is freedom of movement within the EC. Cooperation agreements between the Community and Tunisia, Algeria and Morocco include provisions covering some aspects of migration. On the other hand, the political management of inter-Arab migration flows is very much in its infancy. Finally, in the case of Turkey, migration might be the most important.

stumbling block in case a decision was made to request admission to the EC.

(e) Mediterranean Trade

Trade is usually the first item in any discussions on economic interdependence. I have kept it as the last item, because in the Mediterranean region trade is just one aspect of economic interdependence and trade statistics give an inaccurate vision of reality. Inevitably discussions on trade exaggerate the importance of oil, and of exchanges between the large Gulf exporters and the Northern European countries; giving the impression that from an economic point of view the Sea is something of a black hole. They also underestimate "horizontal" linkages between Mediterranean countries, because, as we tried to point out in the previous paragraphs, these linkages tend to have the nature of factor movements rather than exchange of finished goods.

Trade, however, is increasingly important in the Mediterranean context. Data in Table 14 show the evolution in the contribution of exports to the formation of GNP for a group of Mediterranean countries strictu sensu. A sharp tendency to an increasing contribution is evident for most countries, including some which are not oil exporters (Tunisia, Cyprus, Malta). In Table 15 there is yearly data on the evolution of the "degree of openness", defined as the ratio of exports plus imports to GNP. This indicator increases for all the countries in the area. In 1976 it reached an average value above 60%, while in 1967 it was around 35%. True, this is due to a large extent to the increase in the price of oil. The political impact of this tightening of interdependence however is also there.

Without engaging here in a full fledged discussion on Mediterranean trade, there are two points which are worth mentioning. The first is that the trade balances of most riparian states, with the exception of Libya but including Algeria, are generally in the red or, at most, in a precarious equilibrium. What is interesting is that these trade difficulties are not related to the industrial sector. To the contrary, the data in Table 16 show that the ratio of exports to imports of manufactured goods is relatively stable, and for some countries even increasing (Greece, Spain, Malta, Syria). On the other hand, while agricultural imports in many of these countries are increasing very fast, their exports are stagnant. From this point of view we must come to the conclusion that the Mediterranean is facing an agricultural crisis which is a time bomb in the economic development of the region.

Table 14

Contribution of exports to the formation of GNP (4%)

Countries	1963	1976	Absolute variations 76-63
Greece	10	17	+ 7
Portugal	18	26	+ 8
Spain	10	14	+ 4
Cyprus	32 (4)	52	+20
Malta	53	85	+32
Yugoslavia	17	20	+ 3
Italy	13	27	+14
Algeria	-	33	-
Morocco	20	27 (1)	+ 7
Tunisia	17	36	+19
Libya	52	53 (1)	+ 1
Egypt	19	22 (1)	+ 3
Jordan	15	25 (1)	+ 9
Lebanon	-	20 (2)	-
Syria	25	23	- 2
Turkey	6 (5)	9 (3)	+ 3
Israel	21	31	+10

(1) = 1975

(2) = 1972

(3) = 1973

(4) = 1965

(5) = 1966

Source: IAI, "Effetti dell'allargamento della CE sulla politica italiana per lo sviluppo", mimeo, Tav. A-1

The second aspect is the geographical distribution of Mediterranean trade. Its evolution is shown by the data in Table 17. The evidence here is somewhat mixed. The importance of the EC as a trading partner is very high for all countries concerned. However the importance of EC trade is the increase for some countries and the decrease for others. We might perhaps spot a tendency towards greater homogeneity, with countries traditionally less related to the EC increasing their ties, and countries traditionally linked to the Community attempting to diversify.

Table 16

Ration Exports/Imports for non agricultural products

Countries	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Greece	0.13	0.14	0.18	0.18	0.17	0.22	0.30	0.34	0.31	0.30
Portugal	0.67	0.63	0.66	0.59	0.60	0.62	0.65	0.55	0.57	0.47
Spain	0.27	0.36	0.38	0.40	0.54	0.52	0.50	0.43	0.45	0.47
Cyprus	0.25	0.28	0.21	0.26	0.20	0.20	0.19	0.20	0.36	0.31
Malta	0.29	0.31	0.29	0.28	0.36	0.48	0.53	0.46	0.54	0.52
Yugoslavia	0.65	0.64	0.64	0.53	0.53	0.67	0.63	0.52	0.52	0.68
Italy	1.13	1.23	1.15	1.07	1.14	1.17	0.99	0.84	1.05	1.00
Algeria	-	-	-	0.74	0.74	0.99	0.93	1.40	1.37	-
Morocco	0.58	0.51	0.48	0.48	0.50	0.56	0.64	1.01	0.67	0.57
Tunisia	0.50	0.63	0.59	0.60	0.53	0.50	0.56	0.79	0.61	0.49
Libya	3.03	3.37	3.74	5.52	4.84	3.38	2.68	3.60	3.00	3.59
Egypt	0.35	0.44	0.55	0.44	0.38	0.51	0.66	0.43	0.26	0.30
Jordan	0.13	0.14	0.13	0.08	0.08	0.17	0.16	0.33	0.20	0.29
Lebanon	0.42	0.29	0.27	0.30	0.31	0.38	0.38	-	-	-
Syria	0.13	0.15	0.15	0.23	0.25	0.28	0.29	0.59	0.56	0.40
Turkey	0.08	0.09	0.11	0.12	0.15	0.11	0.18	0.17	0.12	0.13
Israel	0.70	0.52	0.49	0.48	0.46	0.52	0.45	0.41	0.43	1.04

Source same as Table 4

On the other hand, inter-Mediterranean trade appears to be increasing for almost all the countries considered, and in many cases very sharply so. The two exceptions, Italy and Jordan, stem from the fact that this table excludes Gulf countries. The importance of that region as export markets for both countries has grown sharply in the period under consideration.

Conclusions

The main conclusion that might be drawn from this broad review is that Mediterranean economic relations are complex and multi-faceted. The potential for a rapid development of economic linkages in the region clearly exists. To turn such a potential into reality depends on the creation of an appropriate political framework of Mediterranean cooperation.

Table 17

Geographical distribution of exports of Mediterranean countries (1968-76)

P A E S I	A N N O	C E E	EUROPA MERID. (1)	NORD AFRICA (2)	MEDIO ORIENTE (3)	TOTALE AREA MEDI- TERRANEA
GRECIA	1968	52.05	7.23	3.34	2.02	12.59
	1976	49.98	2.44	7.88	2.69	25.42
PORTOGALLO	1968	16.65	2.00	0.91	0.96	6.36
	1976	51.47	2.52	1.02	0.89	8.19
SPAGNA	1968	40.33	0.66	3.63	0.63	4.92
	1976	46.43	1.70	6.17	1.46	15.72
CIPRO	1968	34.84	6.60	1.14	1.97	9.71
	1976	33.25	3.72	6.29	23.42	35.04
MALTA	1968	55.60	2.07	6.17	1.72	9.96
	1976	69.05	0.27	11.43	0.15	17.11
JUGOSLAVIA	1968	33.08	3.47	3.24	1.46	8.17
	1976	27.07	2.03	3.22	0.91	18.33
ITALIA	1968	40.06	6.59	3.07	2.05	12.49
	1976	47.82	5.07	3.49	2.63	11.76
ALGERIA	1968	82.60	1.44	1.93	-	3.37
	1973	64.66	9.94	1.59	-	11.53
MAROCCO	1968	66.75	5.33	2.41	-	7.74
	1976	46.78	7.09	0.63	0.08	14.65
TUNISIA	1968	50.47	5.50	9.96	3.08	18.55
	1976	51.83	16.33	4.41	2.82	45.03
LIBIA	1968	84.27	6.15	0.03	0.40	6.55
	1975	49.51	5.90	0.07	1.64	29.19
EGITTO	1968	13.41	5.60	1.91	1.75	9.25
	1976	21.67	6.41	2.31	1.97	19.79
GIORDANIA	1968	0.42	7.10	0.12	22.18	30.24
	1976	3.66	0.28	1.73	13.70	17.74
LIBANO	1968	12.00	2.72	7.13	7.96	17.81
	1973	11.64	2.16	11.80	9.17	23.13
SIRIA	1968	19.06	1.55	3.97	23.60	31.12
	1975	47.48	12.09	1.57	8.05	34.46
TURCHIA	1968	43.79	4.08	0.55	6.41	11.08
	1976	49.23	1.96	1.62	4.72	19.33
ISRAELE	1968	38.45	4.73	-	0.57	5.29
	1976	36.56	2.23	-	0.51	7.48

(1) Greece, Spain, Malta, Yugoslavia

(2) Algeria, Morocco, Tunisia, Libya, Egypt

(3) Lebanon, Syria, Turkey, Israel.

Source: same as Table 14.

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Potential economic conflicts between different Mediterranean actors along the North-South axis are numerous. There are the problems of access to technology and industrial know-how, access to markets for manufactured products, freedom of movement and assistance to migrant workers. There is the agricultural issue. There is the question of exploitation of marine resources and protection of the Mediterranean environment. There is the problem of managing financial flows in order to accommodate the needs of both potential lenders and potential borrowers.

Will a convenient framework be agreed upon? The chances do not seem very high in view of past failures. However, there is progress.

The political leadership must realize that the alternative to rapid development of Mediterranean economic linkages is frustration of development ambitions. This would affect negatively the industrial countries of Western Europe, because they are dependent on imported oil. It would affect negatively non oil exporting Arab countries, because it is very difficult that a process of Arab integration can progress if there is no parallel process of Mediterranean integration. It would affect negatively the Arab oil exporters, because they would be obliged to scale down their industrial ambitions.

Not only would this lead to domestic instability but it could have serious implications for East-West relations because of the continuing importance of the Mediterranean for the East-West balance and the direct presence of superpower forces in the Sea.

This leads us to a double consideration. On one hand, it is necessary to reach a broad political agreement on Mediterranean economic relations also because of security imperatives. In recent years this has become increasingly evident as far as Southern European countries are concerned. The enlargement of the EC is easily criticized on purely economic grounds. Its rationale, however, is to be found in the political implications and indirect strategic importance. The burden that it will impose upon the Community ought not to be forgotten. In the case of Turkey, admission is more difficult, but European countries moved to provide economic relief, essentially again for political purposes. The Community, however, has not succeeded as yet in reaching the broad political agreement with other Mediterranean states which is necessary. Part of the problem is in inter-Arab conflicts and tensions. Though the Community could have got farther had she been ready to take up a more active role, in particular to act explicitly in favour of Arab economic integration. Clearly, there are costs to be born along this way. Europe's allies should recognize the nature of the problem.

The second consideration is that, given the difficult regional environment in the Mediterranean, it would be preferable to rely less on this region, both the sea itself and the riparian countries, in maintaining the East-West strategic balance. The present military posture exacerbates the danger of North-South problems leading to an East-West confrontation. Paradoxically, American bilateral interest have sometimes led the US to take positions which are not conducive to a regional agreement. A regional agreement would serve American objectives in the Mediterranean much better than naval diplomacy, acute crises notwithstanding. Thus, on purely military grounds, it is necessary to think of a different force deployment which would preserve the strategic balance in a way less vulnerable to interference from North-South conflict in the Mediterranean. The application of new technology makes progress along this line quite possible. On wider political grounds it is necessary to accept the principle of a "division of labour" which would involve more than just an ancillary role of European forces in support of American ones whenever they are not up to the task.

