

THE ECONOMIC ANGLE - A POSITION PAPER

by

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IAI/27/82

Growing Economic Interdependence and the Future Security
in the Mediterranean

(I.A.I. - Castelgandolfo)

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Heterogeneity of the region

The political and economic heterogeneity of the Mediterranean basin renders difficult, if not impossible, a realistic assessment of its integrative character and development prospects. Certain similarities can undoubtedly be found in geophysical and geopolitical areas, as well as in social, economic and technological attitudes of the peoples of that region. However, dissimilarities in political, social and economic structures, in international and intra-regional loyalties, in resources endowments, particularly with regard to oil-haves and have-nots, outweigh the resemblances. The chasms exist not only between northern and southern Mediterranean, but also within the sub-regions themselves.

Growth and socio-economic inequalities

These asymmetries are deepened by socio-economic inequalities within nations. In particular in southern Mediterranean, village and agriculture continuously lost, over the last generation, an average of 1 percent of their population share in favour of the city, thus changing rather radically the occupational and production structures of the relevant countries.

Although in most of them, even apart from the oil-countries, this structural change brings about, in the medium and longer run, growth in the general and per capita real national product, its distribution, as measured by the Gini coefficient, remains, and even tends to grow unequal, especially with unemployment, underemployment and economically-forced emigration in view. In the recent decade, the economies of the southern sub-region grew by an annual average of 7 percent of GNP, largely, of course, thanks to the growth of oil-economies at a rate of over 10 percent. This amounted to some 4-5 percent of real per capita growth, in view of rapid population increase. However, a closer look at these quite impressive overall figures, shows discrepancies in sectoral growth, from (+-) 3 percent in agriculture to 5-12 percent in industry (somewhat misleadingly including oil) and services. This indicates increasing inequality between the rural and urban sectors, somewhat tempered by rural-to-urban migration as well as a certain transfer of remittances (the latter - largely applicable also to Turkey, Greece and Italy). The very process of growth, including its inflationary effects tends to favour, ⁱⁿ as many other LDCs, the richer at the relative, and sometimes even absolute, expense of the poorer strata. In the course of the 1970s decade, the unequal income distribution in most of the southern sub-region was reflected in an assessment that while the lowest 20 percent of families received 3-7 percent of income, the share of the highest 10 percent was 40 percent and more.

Impact of instability

This source of social and political fermentation is of no lesser importance to the region than international and intra-regional conflicts, in particular if religious, sectional and national dimensions of these

conflicts are added. The notorious excessive military expenditures, involving deficits on current accounts, recently even of some oil-countries, and heavy internal and external indebtedness, all enhanced, of course, by investment and development efforts, should be only partly attributed to regional conflicts or global involvement. Intra-national, religious, political and social dissensions contribute their own substantial share to the economic and financial burdens.

Instability adversely affects saving and investment propensities, industrialisation and foreign response to domestic demands of financing and assistance. Even, true or imaginary, political and other vested interests do not necessarily disregard stability and security conditions. Policies of international powerful bodies, such as the International Monetary Fund, the World Bank, or mutatis mutandis, the European Community, do not always grasp the possible effects of their often mixed monetarist-interventionist measures and requests, as, for instance, in the controversial issue of (in particular, food-) subsidies, endangering regimes and stability. On the other hand, it can be rightly contended, that precisely the perpetuation of existing regimes and stability, for the sake of a smoother development, investment and industrialisation process, freezes inequality and inefficient economic and social structures, in the longer run adverse to the true development concept, including in particular the standards of human capital, the most important development variable. This is one of the vicious circles in the region, which has remained to a certain extent in shadow, as compared for instance with the 'vicious circle of poverty' from the supply and demand angle, but one which will require much more attention in the near future, especially in the framework of 'the future of security in the Mediterranean'.

Trends and prospects

Since the early 1980s, continued economic recession in the industrialised countries, stagnation and even fall in oil demand and prices, growing international financial and monetary instability often leading to insolvencies and bankruptcies, and increasing unemployment - have had serious repercussions on the Mediterranean countries, their growth, employment, migration and remittances from abroad, as they had on the economic and political relations within the industrialised world, including relations with the Soviet bloc.

In the shorter run the outlook is somber for energy - dependent and even energy-generating economies. The protracted north-south dialogue, apart from some spectacular events, has not resulted so far in serious constructive solutions. The newly industrialising countries (The NICs), now embracing quite a number of Mediterranean economies, made some important leaps forward in the previous decade, both with respect to the DCs and to enhancing the south-south trade and economic relations, but the early 1980s confronted also them with unpleasant restrictive reactions, objective as well as political and administrative, on the international market. Some of them, in extreme cases, nearly reached the verge of international insolvency. Under conditions of Mediterranean poverty, inequality, secular unemployment and underemployment look perhaps less sharp and menacing than in high-standard economies. The oil-countries certainly still enjoy their privileged position.

In the longer run, both the global and Mediterranean prospects, seem to be more encouraging, though not without dangers. The growing balance in energy resources and generation, may prolong the life expectancy of oil

reserves and secure future, though less hectic, revenues, and at the same time relieve the economic and political burden of both rich and poor oil importers.

The feasibility of the safety, ecological and economic promise of the nuclear fusion, eventually replacing the dangerous fission process, will presumably be resolved in this generation.

The fifth-generation computer of the 1990s', expected to economize on resources and prices, through replacement of silicon by gallium arsenide, lesser demand on temperature compression and faster performance, is believed to become not only a highly advanced technological device, but also a better source of information spread, accessible also to the least educated. In contradiction to traditional fears and inhibitions, it may become, as did technological innovations in the past, a dynamic source of growing employment under more adequate conditions, due to the expected requirements and forward and backward linkages of that new stage of the industrial revolution. The Mediterranean will not remain outside its orbit.

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n° Inv. 10464

01 GIU. 1991

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