

NORTH-SOUTH RELATIONS SOUTH OF WESTERN EUROPE:  
IMPLICATIONS FOR THE ALLIANCE

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For many years instability in the Southern approaches to Western Europe arose essentially from the Arab-Israeli conflict and its main components: radical anti-Western Arab nationalism, inter-Arab rivalries, the emergence of Palestinian nationalism with its radical ramifications. Though close to Western Europe, the threats emanating from the region were tackled by the USA after it had displaced Britain and France as a result of the Suez war in 1956.

In the seventies this picture changed sharply. As anti-Western as it may be, nationalism in the Middle East is a secular and modernizing movement, stemming from the Western revolutions of the end of the XVIII century. The final goal of the Middle Eastern national regimes is to enter the Western community. The reason they are anti-Western is that the West did not integrate them as quickly and easily as they had expected, given the equality (or superiority) of their civilization with respect to the Judeo-Christian one. These regimes - from the Shah to Sadat - had promised their people a full integration onto the international stage with full political dignity and economic welfare. In the seventies it became quite clear that they were unable to deliver either international dignity or the civilian and economic standards of Western democracies. The revival of Islam, against the West as a different civilization and against secularization and Western modernization, resulted from the failure of the national Middle Eastern regimes to ensure political success, human and civil rights and economic welfare.

The nature of the threat to security in the areas south of Western Europe therefore changed: it became harder, subtler and persistent because the Islamic radicals, unlike the nationalists, are struggling to destroy the West and its values. Furthermore, the ability of the USA to cope with these threats alone has changed too. More and more, Western European countries are now being associated to the USA in all the most important operations out of the NATO area.

What one should not overlook in the new situation is that threats which come today from the Southern approaches stem primarily from the failure of the Middle Eastern countries to become integrated into the Western, secular, modernized circle. In this event the failure to modernize their economies plays a crucial role. Hence the importance of North-South cooperation for development for the sake of regional stability and Western security.

This paper deals primarily with North-South relations in the regions South of Western Europe (Mediterranean and the Gulf - as defined in the notes to Table 1 - and Africa South of Sahara). The effectiveness and directions of this cooperation are assumed to be important factors influencing the threats to the Alliance from the Southern approaches to Western Europe. Implications for the Alliance, however, require a more elaborated approach because there is no direct relationship between it and North-South development cooperation in two important respects. First, the Alliance as such is not engaged in development cooperation in the regions South of Europe. Such cooperation is carried out by Western

national agencies, on bilateral grounds, and especially by the European Community (EC), on multilateral grounds. The only coordination that might actually take place is at the level of the Group of Seven. Second, the Alliance is not competent with respect to threats coming from out of the NATO area and actually rebuffed a number of attempts at getting involved with them. The out-of-area operations which did take place in the regions South of Europe were international in character and did not involve the Alliance. Implications for the Alliance are by definition indirect both in effecting development cooperation and in considering the threat.

However indirect, implications are important. The decision not to extend the Alliance beyond its present area, though quite reasonable, does not mean the West can neglect threats coming from the South. Western intervention will probably continue. In the recent past, intervention that took place outside the multilateral frame of the Alliance stirred divisions among the allies and probably will continue to do so also in the future. To this divisive effect of the Southern threats, the Southern European countries are the most exposed. The implication for the Alliance is that an unsuccessful North-South cooperation in the Southern approaches to Western Europe may weaken the cohesion of the Alliance, particularly that of the Southern European countries. This means, in turn, that successful North-South cooperation South of Western Europe is a collective interest. Consequently, the Alliance should support the effort made by the individual Western European countries, other Western countries and the EC to evolve an efficient development programme. It should also plan to coordinate the flows of resources to different underdeveloped regions in order to enforce an appropriate division of labour among the main industrialized countries and areas. This means that subjects like protectionism and regionalization in economic international relations - today widely discussed in the Atlantic framework - should also take into account constraints deriving from security.

To look at these problems this paper is divided into three sections: 1) an outline of the relations between the North and South in the regions of the Mediterranean and the Gulf; 2) an examination of the main EC policies in its Southern approaches and of the transfer of resources from the North on bilateral grounds; 3) some conclusions on the consistency between the development cooperation enforced by the Western countries in the Gulf and the Mediterranean and their security requirements, with the aim of ascertaining the implications for the Alliance of the North-South relations South of Western Europe.

#### North-South Relations South of Western Europe

As indicated in the preceding section, in this paper North-South relations south of Western Europe refer to three main areas: the Mediterranean, the Gulf and Africa South of Sahara (ASS). I will concentrate on the Mediterranean, however, and will consider the Gulf and ASS only when appropriate in relation to our argument.

General picture - When considered from an economic angle, the three regions south of Western Europe look very different. According to the World Bank ranking, based on income, the ASS countries (with few exceptions) are included among the low-income economies. In contrast, the Gulf countries are either high-income or upper-middle-income economies. The most wealthy of them, however, are categorized as such only in financial terms. They very often are almost completely dependent on oil, sparsely populated and largely underdeveloped. Finally, the Mediterranean area, unlike the other two, is neatly divided between economically developed and underdeveloped countries, respectively in the north and the south of the basin respectively. The underdeveloped Mediterranean countries, however, are included among the middle-income economies. They are relatively fast-developing countries, with considerable industrial structures.

They fared fairly well between 1965 and 1980 (see Table 1) and, despite the early '80s contraction in the Arab oil-producing countries and the slow down of the Western economies they continue to show rates of growth higher than those recorded on the average by other lower- and upper-middle-income countries in the world.

If industry is considered, the Southern Mediterranean countries seem fairly successful. According to the UNEP's "Blue Plan" (1): "Alors que vers 1950 les pays riverains de la méditerranée assuraient un pourcentage (3%) de la production inférieur à celui de 1929 et qu'on croyait définitif le déclin du bassin méditerranéen, ces pays ont connu, après 1950, une croissance supérieure à la moyenne mondiale et certains d'entre eux ont même connu une croissance spectaculaire. La valeur ajoutée des industries manufacturières du bassin méditerranéen (supérieure à 200 milliards de dollars en 1983), accuse cependant encore un fort déséquilibre entre les régions méditerranéennes de la rive Nord et celles des rives Sud et Est (environ 80% et 20% respectivement)". Faster developments in the heavy industries (steel, fertilizers, petrochemicals, etc.) have been prevented by European -especially South-European- policies destined to slow down their decline for social reasons. On the other hand a strong development in light industries is being encouraged by the gradual enlargement of their internal markets. This internal evolution, however, is in itself insufficient to allow for sustained growth. Policies of export promotion have proved at least as important and were stimulated by the opportunity offered by the access to the large market of the EC. This access is curtailed by the application of restrictive policies on textile and petrochemical products.

Food and agriculture, together with demographic tendencies, are definitely less favourable factors in the Mediterranean growth equation. Demographic tendencies will be taken up later. As for food and agriculture, despite remarkable progress in domestic production (see Table 1), the overall situation is unsatisfactory and probably will even get worse. Again it is worth quoting the "Blue Plan": "Déjà avantagés par leur niveau de développement, les pays les plus développés de la rive Nord ont vu leurs productions croître avec la réalisation de la Communauté Economique Européenne, au point d'atteindre largement, voire de dépasser, leur auto-suffisance dans la plupart des denrées de base. Dans le même temps, les pays du Sud et de l'Est du bassin, malgré des tentatives de réformes agraires et de modernisation à l'échelle nationale, sous la contrainte de leur manque de moyens et de leur pression démographique, pâtissent d'une productivité insuffisante et d'un déficit alimentaire structurel, et souvent croissant".

As for the Gulf countries, Table 1 very clearly shows the effect of the contraction prompted by the fall of the oil prices in 1979. To the contraction one has to add the effect of the Gulf war (data for Iran and Iraq are unavailable through the World Bank). The income reduction resulting from the contraction and the war, however, cannot necessarily be interpreted as a downgrading of the Gulf economies. The strong policies of austerity implemented by the GCC countries because of the contraction did not compromise anyway the huge capital already installed. Furthermore, by taking advantage of the contraction, these countries have demonstrated a remarkable flexibility in streamlining the economy and cutting expenses without incurring social instability. Partly, these considerations apply to Iraq as well, though the reconstruction poses very difficult problems for both Iraq and Iran.

Oil will remain an immense source of wealth for all the Gulf countries. At the same time, their recent unfavourable political and economic evolution may have taught them how to manage their economies better. With less waste, the diversification of their economies, as slow as it might turn out to be, will

proceed, supported by significant resources. In this process the EC is involved as the "natural", nearest market for the petrochemical, aluminium and chemical industries that these countries are relentlessly and successfully developing according to their comparative international advantage.

As for ASS it will be sufficient to recall that its hopes for development are rather more distant than those of the Mediterranean and the Gulf. ASS will remain a mere recipient of aid for a long while. For historical, geographic and economic reasons, however, the EC will maintain a special responsibility towards it and ties closer to it than other industrialized areas.

Dependence and trade relations - Though dependence is a general fact of life in the North-South relations, the dependence of the regions south of the EC must be stressed. Table 2 shows that the EC accounts for 48.6% in the 1987 total trade (exports + imports) of the Mediterranean area: It accounts for 30% of the Gulf countries' total trade and for 43.3% of that of ASS. Only the importance the USA has for Latin America can compare with the European pattern of relations with its Southern room. It may be interesting to note that Asia is not dependent on Japan to a similar degree. This consideration reinforces the conclusion already mentioned above that growth prospects for the regions under consideration are tied to EC policies and development cooperation, though the extent to which they depend on the USA is not negligible. In the case of the Gulf, one has also to note how important a market Japan is for the Gulf countries.

Nevertheless, the areas in question could not be less unimportant in the total trade of the industrialized countries shown in Table 3. The Mediterranean accounts for 3.8% in the total trade of the EC. It must be noted, however, that it accounts for as much as the whole of Asia (3.9%) and more than the other developing areas -including ASS (2.3%) and the Gulf (2.1%)- and the European socialist countries (2.6%). Inter-regional North-South relations seem more important for the USA (to whom Asia accounts for 12.8% and Latin America for 12.4%) and Japan (to whom Asia accounts for 23.8% and the Gulf 7%) than for the EC.

According to these figures, first of all one can say that North-South inter-regional relations between the USA and Latin America, on the one hand, and Japan and Asia, on the other, appear more balanced than those between the EC and its Southern approaches. Second, as imbalanced as they may be, EC-Mediterranean relations are more important (and less imbalanced, I would dare say) to the EC than are any other inter-regional relations of the EC. Third, the EC is only modestly "dependent" on all the regions considered in Table 3, but those regions are remarkably dependent on it. On the whole, this means that the EC is the most important outlet for the developing areas (especially the Mediterranean and the European socialist countries), while the most important outlet for the EC is the industrialized world.

Southern Europe and the Mediterranean - A more detailed look at the shares of the EC, three of its members (France, the FRG and Italy) and the USA in the total trade of the individual Mediterranean countries gives further insights into the structure of the region.

Table 4 gives a view which cuts across North-South relations. In addition to the individual Southern Mediterranean countries, it takes into consideration the individual Southern European countries. These countries are divided into four groups, according to the dominance of the four industrialized countries shown in each column: France, FRG, Italy and USA. France is the most important partner of the three Maghreb countries and Spain. Italy is by far the most important partner of Libya, in addition to a heterogeneous group including Syria, Lebanon and Cyprus (one would say that curiously enough Italy is a partner to most of

the radical countries of the region). The USA has a definite special relationship with Israel, Egypt and Jordan. The FRG is the first partner of all the Southern EC countries (slightly behind France for Spain) plus Turkey, Yugoslavia and Malta. Moreover, in every group it is very often second to the dominant Western partner. One still has to note that the FRG shows a surplus in its trade balance in relation to all the EC and non-EC countries listed in Table 4 (with the notable exceptions of Algeria and Libya). The Southern European countries show surpluses in relation to other Mediterranean countries, but not in relation to the FRG.

What is outstanding (though not very surprising) in this picture is that a central role in Mediterranean trade relations is played by two non-Mediterranean countries, FRG and partly the USA, rather than by most traditional Mediterranean powers, like France and Italy. A second remarkable feature is the parallel between trade relations and actual political links. The conclusion is that the Southern European countries, though highly integrated into the Mediterranean economic environment, do not dominate it. Beyond the fact that the EC is the most important partner of the Southern Mediterranean countries, there is the fact that their most important and significant partner is the FRG. Despite the overwhelming role played by the EC in the Mediterranean trade, the special relationship between the USA and the Eastern Mediterranean group composed of Israel, Egypt and Jordan indicates that economic responsibilities in the Southern approaches to Western Europe are shared by the USA. If we consider the special relationship between France and the Maghreb countries from a different angle, we can also conclude that there is a strong correlation between political and economic factors in the area.

Demographic trends and international migrations - As has just been noted, the FRG shows surpluses in relation to almost all the EC and non-EC Mediterranean countries and the South European countries, in contrast, show surpluses in relation to other Mediterranean countries (though less regularly than FRG's) but not in relation to the FRG. It is interesting to wonder how deficits are paid. The way they are gives a very clear picture of the Mediterranean economy and its pattern of integration. In fact, they are offset by tourism and labour. While tourism is exported by all the EC and non-EC Mediterranean countries, labour today is immigrating mostly from the non-EC Mediterranean countries (though it has not ceased to move from Southern to Northern members of the EC).

The basis of North-South relations in the Mediterranean is the intensity of the regional economy of services (transport, labour, tourism) in addition to trade, together with the necessity to preserve the sea and the environment as the most important medium of this economy. A full consideration of Mediterranean integration and its prospects would require an indepth analysis of the balance of current accounts as well as the balance of trade. The present consideration will be limited to a factor which is of crucial importance to security: demographic trends and international migrations.

Migration in the Mediterranean is going to increase sharply because of growing demographic differentials between the EC countries and the non-EC regional countries.

According to several studies, particularly, the "Blue Plan", the demographic structure of the Mediterranean is undergoing a sweeping change. In 1980, the Northern shore accounted for 56% of the overall Mediterranean population. In 2020 it will account for no more than one third of it.

This tendency is coupled with a growing proportion of young people in the non-EC Mediterranean countries. The slow growth foreseen in these countries will not allow for younger generations to be fully employed. Prospects for a persistent growth differential with respect to the EC will induce a large number

of people to migrate to the EC. As a result, the migration pattern already inherent in the Mediterranean economy will be markedly emphasized. Moreover, one has to think of the fact that the end of the boom undergone by the Arab world during the seventies put strong limitations to inter-Arab migration.

As a consequence of these developments, growing pressure on the EC is expected, similar to that put on the USA by Mexican immigration. What is new is that countries like Italy and Spain, which had previously been countries of emigration, are rapidly translating into receiving countries of immigration.

According to Massimo Livi Bacci (2), the work force that will not be available because of the demographic trends prevailing in Western Europe will amount to an average 10% of the total Western European work force. This would imply more or less 250,000 immigrants per year. However, it cannot be taken for granted that this will actually be the case in the near future nor immigrants will come from or mainly from the Mediterranean. Another Italian demographer, Antonio Golini (3), points out the possibility that the high unemployment rate prevailing among the European youth may prompt "protectionist" policies by the EC Governments. Furthermore a somewhat declining economic scenario, together with economic "tertiarization" and technological advancements in Western Europe might well combine with a decreasing labour demand. Strong constraints on immigration may also come from security policies and fear of social and racial conflicts. Finally, there are new and considerable extra-Mediterranean flows of migrants already competing with old and new Mediterranean flows. They come from ASS, South-western Asia and Eastern Europe. In Italy, even in the absence of deliberate policies, an important part of immigrated people have a Christian background (people from the Philippines, Ethiopia, Eritrea, Cape Verde, etc.).

Only part of the 250,000 jobs calculated by Livi Bacci will be available to people coming from the non-EC Mediterranean countries. Nevertheless, pressure is already strong and the Mediterranean frontier, because of the sea, the long coastline and the intensity of tourism and travel will remain to some extent permeable. On North-South grounds the problem cannot be solved by the closure of the frontier. In any case, demographic trends at work in the Mediterranean require more resources to be invested from the EC and the West into the non-EC Mediterranean countries. If the EC is not able or willing to host people seeking jobs from abroad, this requirement will increase and become imperative.

Recent economic developments - Recent developments did not make things easier. As already indicated, the fall in the oil prices at the end of the '70s and the slow down of the Western economies increased the Mediterranean countries indebtedness and required governments to enforce policies of strict austerity and restrictions. Table 5 presents elements that may be used to assess the intensity of these developments.

A number of observations can be drawn from this table. In the Mediterranean, all the countries (with the exception of Algeria and Libya) show a deficit in their balance of trade. This is inherent to the economic structure and not merely the result of business cycles. What is remarkable, however, is the fact that all these countries - with the exception of Israel, that increased its deficit considerably - have either largely contained their deficit or even reduced it (sometime sharply, as in the case of Syria. This same consideration applies in the Gulf to Bahrain and Iraq, both of which shifted from a deficit to a surplus position. As for the other Gulf countries, (with the exception of Iran) what is shown by the balance of trade (significant reductions of their surpluses) is less the result of restrictive policies than that of the fall of the oil prices. That there are restrictive policies at work, however, is shown by the figures reporting the variation in exports and imports. This variation is intended to explain the reason for the variation in the balance of trade. In the

Gulf countries, changes in the balance of trade very often combined with a more substantial reduction in imports than in exports. In any case, with the exception of the UAE, imports have been reduced everywhere. With few exceptions, all the countries concerned restricted imports while increasing exports or increased exports more than imports, thus setting in motion a considerable transfer of real resources abroad. This has had a greater impact in the Mediterranean than in the Gulf countries. It explains recurrent popular riots, from Algeria, to Tunisia, Jordan and Egypt.

An aspect of what we have just seen is the growing debt of the Mediterranean countries, which unlike the Gulf countries had to tackle the situation with different financial resources. Tables 6 and 7 give some debt indicators. They show that the Mediterranean is considerably less in debt than Asia and Latin America - though more than Eastern Europe. Six countries are primarily responsible for the Mediterranean debt (1987 figures): Algeria (22,881), Egypt (40,264), Israel (26,332), Morocco (20,706), Turkey (40,818) and Yugoslavia (23,518). The Debt/Exports ratio (Tab. 7) says that the Mediterranean is doing less well than Asia and Latin America, whereas Eastern Europe and ASS are increasing the ratio very quickly (data on Eastern Europe are overevaluated in relation to other areas: see note 2 on the Table). This growing, though not catastrophic, debt is the result of the tendencies we have just observed. External debt, to the extent it feeds development, may be an opportunity and is consistent with a virtuous international cooperation. However, more international development aid is required in addition to the reforms these countries have adopted, for this Mediterranean debt to turn into an opportunity for development.

#### Development and Cooperation Policies

EC policies - Different sets of "association agreements" and cooperation relationships have been set in motion since the birth of the EC. They reflect different trends. A first trend results from the necessity for some members to settle their special economic relations with the former colonies at the very moment they entered the EC customs area. This led to the association agreements with the ACP countries (African, Pacific and Caribbean) and with the three Maghreb countries. A second trend is motivated purely by economic and commercial factors: the extension of the EC's agricultural protectionism to the Mediterranean products and the proximity of the large EC market to economies committed to export led development policies. This brought about a proliferation of agreements and later on the attempt to organize them with the so called "overall Mediterranean policy". Today, the association agreements regard all the Mediterranean countries except Albania and Libya. A third trend arose as a consequence of the first oil crisis in 1973-74 and gave way to the Euro-Arab Dialogue (EAD). The EAD, though officially extant still today, has never really taken off and it is being replaced by more fruitful relations between the EC and sub-regional entities, like the GCC (Gulf Cooperation Council). The renewal of the EC relations with the newly-born Union du Maghreb Arabe (UAM) may follow this sub-regional trend in EC-Arab relations and, at the same time, replace the old Mediterranean association agreements with the three Maghrebian countries.

Mediterranean association agreements provide commercial preferences and concessional aid. The European Investment Bank has a special project-loans programme for the most important associated countries in addition to what is provided by the agreements. A number of agreements are in fact nothing more than traditional agreements for trade and economic cooperation. The difference lies in the fact that the association agreements proper are endowed with somewhat elaborated institutions (which in the case of the ACP include an

inter-Parliamentarian delegation). These institutions can be considered the political structure dealing with inter-regional relations in the same way the OAS does for the Western hemisphere.

Whether these agreements worked satisfactorily is a very controversial question. Multilateral aid extended by the EC is definitely insufficient, as is especially evident in the case of ASS and its present debt. The most of official resources, either concessional or not, reach the countries South of Western Europe through bilateral channels. The Mediterranean countries are able to attract private funds to an extent the ASS cannot. The cooperation that is deemed most important, however, is the commercial one. Preferences are extended to all manufactured products, except textiles and petrochemicals. They are somewhat greater than those extended by the General System of non-Reciprocal Preferences for Manufactured Products provided within the GATT to all the LDCs. Preferences and other facilities are extended to agricultural products as well. However, access given to the latter is very selective and limited because of the internal preference ensured by the EC's Agricultural Common Policy to its members.

Is the EC market a real opportunity for the associated countries in the Mediterranean? Limitations to agricultural products, petrochemicals and textiles definitely limited exports and development of the associated countries. However, much has depended on their policies as well. Countries like Turkey, which adopted policies of industrialization associated to policies of export promotion managed to take the opportunity offered by the EC. In contrast, those countries which adopted inward-looking policies of industrialization, like Algeria -that today is rapidly trying to change its course- did not manage to do the same.

The most serious problem is agriculture. For a number of products, like olive oil, vegetables, tomatoes and citrus fruits, access has gradually been provided by the EC regulations. This access determined important investment in the countries concerned to promote export. To some, this must be interpreted as a diversion of resources from food production, an event definitely negative in view of the almost structural deficit of these countries in producing food.

In any case, the second enlargement of the EC to Greece, Portugal and Spain has put in question the access of the Mediterranean agricultural as well as manufactured exports to the EC. George N. Yannopoulos, who analyzed the trade effects of the second EC enlargement, had some reservations about the ability of Spain to supply all the more industrial products the EC preference would permit, whereas he had no doubt about agricultural products - as already witnessed by the early Greek case (4). Thus he seemed to imply that some room was left for the non-EC Mediterranean countries. In a seminar given later at Wiston House (5), however, he was more explicit about the adverse consequences affecting the Southern Mediterranean countries, especially the Maghreb countries: "It may be argued that entry has undermined the EC's system of preferences for associated non-EC Mediterranean countries.... Although agreement has been reached that their exports will be maintained at 1986 levels ... the expanding EC market has been denied to the Maghreb states.... In response to this situation a number of countries (Cyprus, Malta, Morocco and Turkey) have applied for EC membership or requested closer links."

As for the implementation of the Single Market at the end of 1992, it does not seem it will negatively affect exports coming from the LDCs in general nor those of the Mediterranean and African countries. The harmonisation of services (which include tourism) may affect the Mediterranean countries, though it may also offer them new opportunities in case EC-Mediterranean joint ventures are encouraged.

Where the Single Market is going to create special problems for North-South relations is in currents of migrations. After 1992 people will be able to move freely within the EC territory and it will be easier for people entering from the Southern EC frontier on the Mediterranean to look for jobs throughout the EC. This possibility is seen as both an economic and a security problem. Presently, the attitudes of the individual EC countries are vary. The Schengen Group and Britain carry out more precise and restrictive policies, whereas a debate is underway in the South European countries which are inclined toward more open policies. The question definitely deserves negotiations among the EC members. That the South European countries will act as a group in the negotiation is not improbable. This is a point which might have a direct impact on security and some implications for the Alliance.

On the whole, the EC has been carrying out, from its inception, an important programme of developmental cooperation with the main areas lying south of Western Europe. This policy must be adapted to allow more opportunities for food and agricultural development in the countries concerned. Furthermore, the enlargement of the EC to the Southern European countries is now putting into question the effectiveness of the overall programme. The programme must be profoundly reconsidered and probably it must be based less on trade preferences and more on direct economic cooperation and foreign investment. The Single Market may have an impact on services and migration. These special files must definitely be included in the remodelling of the cooperation policies of the EC. This adds to the need of revamping the overall programme with fresh ideas and new goals.

Bilateral aid and transfer of resources - Tables 8 and 9 show some figures for the distribution of bilateral resources to the main developing areas. Table 8 shows transfers defined by the OCDE's Development Aid Committee "Net Total Receipts" of the receiving countries. These flows are net (disbursements less reimbursements on non-concessional components) and include both official and private components. Table 9 gives "Total Official Flows" addressed by donor countries to the receiving countries. These flows are expressed in gross figures and include governmental contributions only. Therefore, whereas net total receipts give the final result of the policies of cooperation followed by a given country, total official flows give a view of the policy goals wished by governments.

Results expressed by the two tables are not very different, however. In both cases the Mediterranean receives considerably less from the EC than Latin America and Asia. It receives more from the USA, which allocates similar amounts of resources to the Mediterranean and Latin America. This is because of the importance of the USA flows towards key-Mediterranean countries, like Egypt and Israel (about 11,500 millions dollars in the period to which the table refers). ASS is definitely receiving the bulk of the EC transfer and seems to be the main focus of its attention.

The directions of bilateral resources -like those of bilateral trade (see first section)- suggest that in the Mediterranean a strong US presence combines with the overwhelming EC commercial and economic relations. This may not be without political strategic consequences.

#### Conclusions

Prospects for growth in the Mediterranean area and the Gulf depend to a not negligible extent on the overall international environment. Proximity and the present pattern of economic and commercial relations suggest that these prospects depend mainly on the EC, especially in the case of the Mediterranean countries. The Ec definitely has a special responsibility in helping these areas to develop.

This seems particularly true if we consider that the Mediterranean economy is in fact even more integrated has been demonstrated within the limits of this paper, because of the importance of services, transport (including gas and oil transport), tourism and labour movements (remittances). More than trade, it would be important to take into consideration current accounts (for which data are more difficult to gather). Moreover, as has been said, the Mediterranean Sea is the medium where this integration takes place and its protection adds to the substance of Mediterranean inter-regional integration. Geography and the "tertiarization" of the economy compel the EC and the Southern Mediterranean countries to increase their cooperation and ask for reinforcement of the development and cooperation policies already implemented by the EC and its member countries. In the second section of this paper I suggested some directions for reshaping and strengthening these policies.

If the EC development policies must be reinforced and renovated, one important question arising on political and economic grounds concerns the role the Southern European countries expect or are expected to play. Their special position as far as out-of-area security is concerned is in some respect parallel to their perceived or actual interest in a special economic cooperation with the countries south of the EC.

A special role of the Southern European countries in relation to the economic development of the Southern LDCs is quite natural and should be welcomed. However, a reinforcement of their bilateral cooperation only, at the expense of that of the EC, could be inconvenient for the wider interests of the West and the Alliance. It would pose, on economic grounds, the same risk of isolation that the out-of-area intervention poses on the grounds of security, and would create risks of more or less creeping splits in the fabric of the Atlantic and European organizations. As special and helpful as it may be, the role the Southern European countries are expected to play must take place within a reinforced EC development cooperation. This is of crucial interest to the Alliance.

Is there any serious possibility that a South European solidarity would cut across the European and Atlantic solidarity? I said that some split may occur within the EC in relation to migration policies. It seems improbable that this would occur on more general grounds. However, one has to take note of the fact that the French government has proposed the setting up of a Western Mediterranean Community to Spain, Italy and Portugal. Diplomatic contacts on this subject are in motion, though French South-western European members seem to accept the exercise less for the sake of implementing the proposed plan than for the sake of checking France and limiting damages. Whatever success this project may have, one has to stress that it shows the tension between North and South regarding the role of Southern Europe. At the same time it sheds light on another negative trend, that is the idea of separating the "healthy" sector of the Mediterranean from the unstable Eastern one. Such an event would isolate Greece and Turkey, add vulnerability in the Eastern wing of the Alliance and put Italy on a dangerous frontier. If this is happening, it is because of latent tensions and rivalries within the Alliance, that is the economic and political role of USA and FRG in the Eastern Mediterranean illustrated by this paper. In this sense, again, the confirmation and reinforcement of unitarian EC development policy is a strong interest of the Alliance.

A further conclusion is that economic roles of the EC, the USA and Japan are less regional than conventional wisdom suggests. The evidence shown by this paper suggests that the EC is very active in Latin America and, in turn, USA is very active in the Mediterranean. There is no substitute for geographical proximity. However, this pattern can be helpful in avoiding segmentation

(regionalization) within the wider circle of the international economy and smooth trilateral competition. A better coordination and distribution of Western aid policies must be pursued because it is an interest of the Alliance. OCDE is already there and make a good work. More coordination at the Seven level is probably needed.

Finally, one has to underline the prospect of a competition between the need to develop the South and now the East. Relations with the Eastern countries, as demonstrated by this paper, are important. They are perhaps more attractive to the Western European countries than are relations with the Southern countries. Both sides imply security problems for the Alliance. It seems to this author, however, that it would be a mistake to divert resources from the South to help the East. Additional resources must be found and/or the management of existing resources must be improved.

#### Notes

(1) PNUE, Le Plan Bleu. Avenirs du Bassin Méditerranéen. Résumé et Orientations pour l'Action, Centre d'Activités Régionales du Plan Bleu pour la Méditerranée, Sophia Antipolis, 1988.

(2) Demographic Trends: Consequences on the Labour Market, paper presented at the "Third Conference on the Mediterranean World's Crossroads: The Approach to Mediterranean Development", Aspen Institute Italia, Barcelona, June 1987.

(3) La società europea in transizione: le trasformazioni della popolazione in Europa e sue relazioni con il mercato del lavoro e le migrazioni internazionali (The European Society in Transition: Changes in European Population and their Relationship with the Labour Market and the International Migration), paper presented at the "Foro di Dialogo Italo-Tedesco", Bad Neuenahr, October 18-19, 1989.

(4) "Trade Effects from the Extension of Customs Unions on Third Countries: A Case Study of the Spanish Accession to the EEC", Applied Economics, 19, 1987, pp. 39-50.

(5) The quotation is from the résumé provided by the House staff: Southern Europe in Transition: Roles in Nato and Integration into the European Community, Wilton Park Papers, 6, 1988, pp. 5-7. This author was among the participants in the seminar.

Tab. 1 - Growth of production: South European, Mediterranean and Gulf countries, 1965-80 (A) and 1980-87 (B) (average annual growth rate)

	GDP		Agriculture		Industry	
	A	B	A	B	A	B
Middle-income economies	6.2	2.8	3.4	2.5	6.0	2.9
- Low-income ec.	5.7	2.1	3.5	2.3	6.0	1.8
Egypt	6.8	6.3	2.7	2.7	8.9	5.5
Jordan	n.a	4.3	n.a	4.1	n.a	4.3
Lebanon (1)	-1.2	n.a	n.a	n.a	n.a	n.a
Morocco (1)	5.4	3.2	2.2	3.6	6.1	1.2
Syrie (1)	8.7	0.3	4.8	-1.1	11.8	1.5
Tunisia	6.6	3.6	5.5	4.2	7.4	2.7
Turkey	6.3	5.2	3.2	3.3	7.2	6.7
- Upper middle income ec.	6.7	3.4	3.4	2.6	5.8	3.7
Algeria (1)	7.5	3.8	5.6	6.0	8.1	4.3
Greece	5.6	1.4	2.3	-0.1	7.1	0.4
Iran	6.2	n.a	4.5	n.a	2.4	n.a
Iraq	n.a	n.a	n.a	n.a	n.a	n.a
Lybia	4.2	n.a	10.7	n.a	1.2	n.a
Oman (1)	15.2	12.7	n.a	9.4	n.a	15.1
Portugal	n.a	1.4	n.a	-0.9	n.a	1.0
Yugoslavia	6.0	1.5	3.1	1.4	7.8	1.4
High income economies	3.7	2.6	0.8	2.8	3.2	2.3
France (1)	4.3	1.6	1.0	2.6	4.3	-0.1
Israel (1)	6.8	2.2	n.a	n.a	n.a	n.a
Italy (1)	3.8	2.1	0.8	0.8	4.0	0.5
Kuwait	1.3	-1.1	n.a	23.6	n.a	-2.3
Saudi Arabia (1)	11.3	-5.3	4.1	10.3	11.6	-10.4
Spain (1)	4.6	2.1	2.6	0.9	5.1	0.4
UAE	n.a	-4.3	n.a	11.6	n.a	-8.4

Source: World Bank, World Development Report 1989, Washington DC

Notes : (1) GDP and its components are at purchaser values

Tab. 2 - Selected Western Industrial Countries: Shares in the Total Trade of Main Developing and Socialist Areas, 1987

	EC	JAPAN	USA	FRANCE	FRG	ITALY	UK
Mediterranean (1)	48,6	2,8	10,2	8,7	13,2	11,3	4,7
Gulf (2)	30,0	18,7	10,3	4,3	5,3	5,9	5,9
Africa South of Sahara	43,6	7,0	11,0	10,7	8,9	5,8	7,0
Asia	15,5	18,9	18,0	2,0	4,6	1,5	3,4
Latin America	22,5	6,1	41,1	3,9	6,1	2,6	2,6
Eastern Europe (3)	26,9	3,4	2,5	4,0	10,1	4,7	2,5

Source: elaboration on IMF, Direction of Trade Statistics, Yearbook 1988

Notes : (1) Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Libya, Malta, Morocco, Syria, Tunisia, Turkey, Yugoslavia

(2) Bahrein, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

(3) Bulgaria, Czechoslovakia, GDR, Hungary, Poland, Romania, USSR

Tab. 3 - Main Developing and Socialist Areas: Shares in the Total Trade of Selected Industrial Countries, 1987

	MEDITERRANEAN	GULF	AFRICA S. of S.	ASIA	LATIN AMERICA	EASTERN EUROPE
France	4,2	1,9	3,5	3,7	2,7	2,4
FRG	3,8	1,3	1,7	4,5	2,4	3,6
Italy	6,9	2,9	2,5	3,2	2,3	3,6
UK	2,5	2,7	2,4	5,9	1,9	1,6
USA	2,4	2,1	1,9	12,8	12,4	0,6
Japan	1,0	7,0	1,8	23,8	3,7	1,6
EC	3,8	2,1	2,3	3,9	2,3	2,6

Source: see Tab. 2

Tab. 4 - Shares of Selected Industrial Countries in the Total Trade of the Mediterranean and Gulf Countries, Africa South of Sahara, Asia and Latin America, 1987

	EC	France	FRG	Italy	USA
Greece	64.0	8.1	22.9	14.0	4.0
Malta	68.0	3.0	22.1	17.3	9.6
Turkey	46.4	4.9	20.1	8.4	9.6
Italy	56.3	15.4	19.8	/	7.3
Yugoslavia	41.0	3.8	19.2	11.2	4.3
France	59.5	/	17.9	11.6	7.0
Portugal	66.5	13.0	14.9	6.7	5.5
Spain	58.3	15.2	14.4	8.8	8.2
Morocco	56.0	25.3	5.8	5.5	6.1
Tunisia	71.9	25.0	15.5	13.6	4.1
Algeria	65.7	21.5	10.6	15.4	15.0
Libya	71.2	6.0	13.9	29.3	...
Syria	49.1	9.2	8.5	17.6	4.7
Lebanon	34.5	7.0	4.8	9.2	5.4
Cyprus	52.8	3.7	7.5	8.7	3.7
Israel	38.8	4.0	8.5	4.5	19.7
Egypt	41.0	8.0	8.5	10.3	16.9
Jordan	23.2	3.8	5.2	4.5	6.9

Source: see Tab. 2

Tab. 5 - Mediterranean and Gulf countries: Export and Import Trends and Balance of Trade, 1984 and 1987

	<u>Variations in (1)</u>		<u>Balance of Trade</u>	
	Exports (index numbers)	Imports (index numbers)	1984 (US\$ millions)	1987 (US\$ millions)
Algeria	74	69	+1,379	+1,530
Cyprus	103	108	- 790	- 888
Egypt	146	115	-7,626	-7,805
Israel	144	147	-3,991	-6,030
Jordan	125	107	-2,090	-2,128
Lebanon	198	53	-1,860	- 862
Libya	62	70	+3,590	+1,643
Malta	153	159	- 322	- 533
Morocco	131	111	-1,741	-1,504
Syria	65	38	-2,124	- 305
Tunisia	118	95	-1,389	- 897
Turkey	143	120	-3,538	-2,673
Yugoslavia	128	119	-1,746	-1,158
Bahrein	89	76	- 385	+ 94
Iran	70	60	+ 812	+1,919
Iraq	98	71	- 662	+ 359
Kuwait	80	75	+5,372	+4,611
Oman	80	87	+1,184	+ 766
Qatar	45	98	+3,453	+ 964
Saudi Arabia	63	73	+8,751	+2,345
UAE	72	112	+11,299	+5,241

Source: see Tab. 2

Note:

(1) The ratio (1987/1984) indicates by an index number (base 1987) variations in exports and imports (e.g.: Algeria shows a decrease in 1987 export with respect to 1984 of 26%; Cyprus an increase of 3%; etc.)

Tab. 6 - Total External Debt, 1984-1987: Mediterranean and Main Developing and Socialist Areas

	(US\$ millions)				(Shares)			
	1984	1985	1986	1987	1984	1985	1986	1987
Mediterranean	135,077	151,063	171,952	193,477	15.3	15.6	16.2	16.3
Africa South of Sahara	81,713	93,216	109,399	128,779	9.3	9.6	10.3	10.9
Asia	205,616	235,267	261,783	288,653	23.3	24.3	24.6	24.4
Latin America	377,429	388,595	406,031	442,481	42.7	40.2	38.2	37.3
Eastern Europe	82,087	97,744	113,249	131,335	9.3	10.1	10.6	11.1
Developing countries and Eastern Europe	881,922	965,885	1,062,414	1,184,725	100.0	100.0	100.0	100.0

Sources: see Tab. 7

Tab. Z - EDI/XGS (1), 1984-1987: Mediterranean and Main Developing and Socialist Areas

	1984	1985	1986	1987
Algeria	99.6	108.7	210.3	217.7
Cyprus	73.6	100.8	103.8	103.8
Egypt	230.3	296.7	347.2	343.1
Israel	226.5	221.2	214.0	191.1
Jordan	96.7	120.9	138.9	141.6
Lebanon (2)	(14.9)	(19.3)	(21.5)	(25.7)
Malta	24.9	24.8	23.0	22.0
Morocco	359.3	394.1	379.9	381.8
Syria	101.6	129.1	232.1	190.4
Tunisia	130.6	162.8	189.0	182.1
Turkey	186.5	198.3	263.0	248.1
Yugoslavia	117.5	118.8	111.3	147.3
Mediterranean	160.3	179.1	210.0	218.5
Africa South of Sahara	209.9	241.4	329.7	362.3
Asia	112.3	133.5	141.3	125.0
Latin America	285.9	308.9	369.0	359.5
Eastern Europe (2)	210.5	271.6	325.1	333.5

Sources: World Bank, World Debt Tables 1988-89; for Eastern Europe: OCDE

Notes: (1) External Debt Total/Exports of Goods and Services  
 (2) does not include exports of services

Tab. 8 - Main Developing Areas: Net Total Receipts from Selected Western Industrial Countries, 1984-1987 (millions of US \$)

	EC+Members	U S A	JAPAN	FRANCE	F R G	ITALY
Mediterranean	9,943.0	14,015.0	1,778.3	4,465.7	2,999.1	-51.9
Gulf	2,798.9	51.0	-554.4	934.5	789.8	-0.5
Africa South of Sahara	26,487.6	4,616.0	1,071.2	9,405.4	3,951.4	3,273.8
Asia	14,251.8	-481.0	21,987.4	2,865.7	3,623.1	595.6
Latin America	17,855.9	14,399.0	18,952.1	4,749.5	7,565.7	1,373.9
- Central Am. & Caribbeans	7,794.8	10,985.0	15,322.1	2,266.1	2,658.5	139.2
- South America	10,061.1	3,414.0	3,630.0	2,483.4	4,907.2	1,234.7

Source: OCDE, Geographical distribution of Financial Flows to Developing Countries, Paris 1989

Note: Total Receipts, Net: In addition to Official Development Assistance, this heading includes in particular: other official bilateral transactions which are not concessional or which, even though they have concessional elements, are primarily trade facilitating in character (i.e., "Other Official Flows"); changes in bilateral long-term assets of the private non-monetary and monetary sectors, in particular guaranteed export credits, private direct investment, portfolio investment and, to the extent they are not covered in the (other) headings, loans by private banks. Flows from the multilateral sector which are not classified as concessional are also included here.

Tab. 9 - Main Developing Areas: Total Official Flows (Gross) from Selected Western Industrial Countries, 1984-1987 (millions of US\$)

	EC+Members	U S A	JAPAN	FRANCE	F R G	ITALY
Mediterranean	9,163.0	13,552.0	1,867.7	2,887.4	3,144.3	1,260.1
Gulf	360.1	89.0	165.6	32.3	104.8	218.0
Africa South of Sahara	28,173.5	5,348.0	1,750.2	10,776.2	4,895.8	3,653.4
Asia	10,234.6	5,897.0	14,727.4	939.1	3,931.4	617.6
Latin America	10,596.0	11,101.0	3,084.1	2,283.6	4,802.0	1,724.0
- Central Am. & Caribbeans	2,447.3	7,864.0	1,555.4	500.7	618.3	293.7
- South America	8,148.7	3,237.0	1,528.7	1,782.9	4,183.7	1,430.3

Source: see Tab. 8

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