

New regionalism in the Mediterranean: towards a Meso-regional approach

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1. Introduction

The last decade has been characterized by the resurgence of regional integration agreements¹ (RIAs) in both developing and developed countries². This new wave of regionalism is usually connected with the signature of the Maastricht Treaty (1992), which has intensified the process of European economic integration (Hettne and Inotai, 1994). This process has created both hopes and fears in the countries outside the European Union (EU). Hopes linked to the evidence that deeper levels of markets integration can be achieved, though slowly, fears due to the fact that a deeper integration of the EU would mean a more protected and competitive European market.

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¹RIA indicates indiscriminately any kind of regional economic agreement, from the simplest free-trade area to the more complex economic union.

²Between 1990 and 1994 the General Agreement on Tariffs and Trade (GATT) was notified of 33 regional trade arrangements. This constitutes a 300% increase compared with the 1980s and nearly 30% of all international agreements since 1948. Marchand et al., 1999, note 5.

³Mercosur is a customs union involving Argentina, Brazil, Paraguay and Uruguay, established in 1995; NAFTA is the free-trade agreement between Canada, U.S. and Mexico, established in 1994; SADC is the Southern African Development Community between Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, established in 1980; GAFTA, the Great Arab Free-Trade agreement between the Arab Gulf countries and Egypt, established in 1998; ASEAN is the political and economic association between Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, established originally in 1967; APEC is the economic cooperation agreement involving 21 Asian and Pacific countries, launched in 1995.

Abstract

The recent reinvigoration of regional integration agreements in many parts of the world has called for a new assessment of global markets integration and forms of governance. By taking the Euro-Mediterranean Partnership as paradigmatic of the new regionalism trend, the paper highlights its limits and the need for a different approach towards regionalisation if the aim is endogenous development instead of just freer trade. The concept of meso-region is introduced with the objective to provide both an analytical and a conceptual tool of analysis to understand alternatives to liberalisation or neo-protectionist policies. The meso-regional level of analysis aims to rediscover forms of polycentric cooperation for the existing and emerging communities and needs, starting from the analysis of the local production systems needs and potentialities.

Résumé

Le rétablissement récent des accords d'intégration régionaux dans plusieurs parties du monde impose une nouvelle évaluation de l'intégration des marchés globaux et des formes de gouvernance. En considérant le Partenariat Euro-méditerranéen comme paradigmatique de la nouvelle tendance régionaliste, ce travail souligne ses limites et la nécessité d'une différente approche à la régionalisation si on a pour objectif le développement endogène plutôt qu'un commerce plus libre. La notion de méso-région est employée comme un outil analytique et conceptuel pour comprendre les alternatives à la libéralisation et aux politiques néo-protectionnistes. Le niveau méso-régional d'analyse vise à redécouvrir des formes de coopération polycentriques pour les communautés et les besoins existants et émergents à partir de l'analyse des systèmes de production locaux, de leurs besoins et de leurs potentialités.

The most important new RIAs, in terms of population involved and aggregate wealth (in terms of GDP) are found in Latin America (Mercosur and NAFTA), Africa (SADC), Middle East and Northern Africa (GAFTA), Southeast Asia (ASEAN) and the Pacific area (APEC)³. These will not be treated in the paper in their specificity. However, it is important to stress from the outset that they differ widely as regards objectives and timing, although all have in common the creation of preferential agreements for the circulation of the member countries goods and services, and some are closer than others concerning the acceptance of new members.

A first clarification is necessary. Here, “regionalism” is intended according to Hettne and Söderbaum (2000) and Katzenstein (2000) in its broader meaning of a general phenomenon, i.e. the ‘new’ or ‘second wave of regionalism’ arising more or less all over the world today. It is usually associated with a programme and strategy and may lead to the establishment of formal institutions. Instead, “regionalisation” “denotes the (empirical) process that leads to patterns of cooperation, integration, complementarity and convergence within a particular cross-national geographical space”⁴. According to Marchand et al., 1999, the phenomenon of regionalisation, can be seen as part of globalisation processes, i.e. the transformation of the global political economy, or as a formal (state-led) counterforce against globalisation (as part of a broader economic development strategy), or it can reflect a societal (grassroots) amalgam of

⁴Hettne and Söderbaum, 2000, p. 458.

trans-border activities through networks of the second economy, or underground economy⁵. Since the process of globalisation is also a political project (Amoroso, 1998, Petrella, 1998), sometimes regionalism may collide or may cooperate with the process of regionalisation, depending upon the actors of the regionalism project and their objectives.

In the international political economy literature (Marchand et al., 1999; Katzenstein, 2000; Bøas et al., 1999; Hettne and Söderbaum, 2000; Thompson, 2000; Stubbs and Underhill, 2000), the process of RIAs creation has been analysed from a “neo-liberal” or an “interdependency” perspective (Bull, 1999; Oman, 1994; Mittelman, 1999; Page and Delvin, 1999; Hettne, Inotai and Sunkel, 1999). The first one considers RIAs either as “stepping stones”, i.e., the creation of free-trade areas (but not customs unions) between countries will gradually lead to the creation of a global free market; or as “stumbling blocks”, i.e., the creation of economically integrated groups of countries –especially if establishing common external barriers– would lead to the creation of isolated and conflicting blocks, hindering the optimal allocation of resources, as advocated by the supporters of free trade. The second one, partly looking at the historical experience of the European Union, considers RIAs as an appropriate institutional form that can: a) help overtake the weakening of the nation state as a proactive actor in the current international political and economic scenario, and b) establish a development framework that takes into account also other factors such as the environment, the credibility of reforms, the social integration which can have a meaning only in a regional setting (Mittelman, 1998; Thompson 2000). Therefore, this second perception of region is not limited to free-trade arrangements but it also includes more advanced forms of integration, which might also imply transitory protectionist measures, although creating substantially strong interdependencies with the international economy⁶.

The Mediterranean region has not been exempted from these tendencies, and following the initiative of the European Union, in 1995 a Euro-Mediterranean Partnership (EMP) was launched⁷, which included in its objectives the creation of a FTA by 2010 between the EU and 12 Mediterranean Partners countries. Although only the potential benefits and negative aspects of trade liberalisation can be analysed, the bulk of studies produced, along with the process monitoring by international agencies and spe-

cialised networks, show the limits of this approach to integration in the Mediterranean. Also, this scheme is taking place within two groups of countries that encompass without reservations several regions, North Africa and the Middle East on the one hand, and the EU with its Baltic, Mitteleuropean and Mediterranean regions on the other.

Taking the EMP as a starting point, and considering the work of Bruno Amoroso, I shall add and develop a third position to the previous ones (the neo-liberal and the neo-protectionist), that is to say the Meso-regional approach to integration⁸. In this approach the process of economic and political integration is not considered the end, but instead, the means through which co-development of local production systems –in their specificity and diversity– can be achieved. The Meso-region is not necessarily a unified political entity, but it needs a higher degree of political autonomy to achieve its objectives. In fact, it represents a system of countries, or part of them, that may belong to an already defined regional integration agreement, such as, for example, the Southern countries of the European Union and the Mediterranean countries, and which have “something in common” and “something that make them different” from the areas outside the meso-region. The combination of several meso-regions overlapping with each other – following Amoroso’s idea of a new model for the European Union– can be represented as the Olympic Rings of Solidarity (Amoroso, 1996).

To define the elements necessary to develop a Meso-regional strategy in the Mediterranean as well as in other regions of the world, it is necessary to transform the Meso-regional approach from a political project into a conceptual framework and a methodological analysis tool.

2. The Meso-regional approach to economic and political integration

The Meso-region is a concept that can describe something between the economy of the world – the market of the universe – and the world-economy, which is, according to Fernand Braudel, “the economy of a portion of the planet to the degree that forms an economic whole”⁹. As the world-economy, the meso-region has a given geographical space, and is divided into successive zones in a subordinated position to its centre. However, while the world-economy represents the dominant centre of the economy of the world in a given historical period (the Roman Empire during Caesar Augustus or Russia under Peter the Great), the meso-regions are coherent economic zones, which co-exist with other centres, and with which they form a system of interdependencies. Therefore, meso-regions co-exist, which means that even though some might be dominating over the others, they can live without a centre of gravity. The ideal

⁵Merchand et al., 1999, p. 900

⁶Furthermore, it should be pointed out that the “new regionalism” approach leading to “deep integration” differs from the “old regionalism” of the period 1950s -1970s on several grounds, and especially because, first, the region is not aiming to de-link from the outside world and, second, other interests are included besides the static and dynamic effects advocated by traditional integration theories (Balassa, 1961).

⁷The 12 Mediterranean countries participating in the EMP are, eastwards: Morocco, Algeria, Tunisia, Egypt, Israel, Jordan, Palestinian Autonomous Territories, Jordan, Lebanon, Syria, and the islands of Cyprus and Malta (Libya participates as observer).

⁸Amoroso et al. 1993, pp. 20-24; Amoroso 1995, pp. 17-33; Amoroso 1998, pp. 130-150, Amoroso, 2000, pp. 31-33; Amoroso and Gallina, 2002b, p. 22-23

⁹Braudel, 1977, p. 81.

meso-regional system is a polycentric system of economies cooperating with each other in order to achieve the maximum distribution of benefits among the participating countries¹⁰. The concept of meso-region is based on two pillars of economic co-development, i.e. development with economic growth generalised across all the actors involved, and political co-determination, i.e. the joint involvement by all social and economic actors in the decision-making process (Petrella, 1998). In the meso-region, similar levels of specialisation, but different levels of technological capability, are exploited in order to co-develop the production systems towards a production that aims to satisfy the existing and the emerging needs and markets.

The Meso-region represents neither a block of countries nor a system based on bilateral preferential trade agreements. In this way, group of countries can seek for self-reliance through internal and external interdependencies, and eliminating the negative effects of unequal patterns of power distribution. Therefore, the creation of “rings of solidarities” is the key-objective of the Meso-regional approach. According to Amoroso (2001), this will also contribute to peace and a different exploitation of resources based on the reactivation of the endogenous forms of economic, political and social organisation¹¹. Following this approach, new forms of sustainability will aim to re-establish the harmonic relationship between cultures and production systems that has been destroyed by capitalist globalisation (Amoroso, 1999b and 2003).

In the Mediterranean, the Meso-region is constituted by the Arab countries on the Mediterranean shore (including Jordan), Turkey and Israel, which are all part of the EMP (with the exception of Libya that is an observer and Turkey, since it has already a special agreement with the EU), by the Southern regions of the European Union Mediterranean countries (Spain, Italy, Greece, France and Portugal), and by the regions of the Balkan Peninsula facing the seashore. They have always represented a unit, not only geographically but also economically, a place for exchanges (Braudel, 1985), and for a time in history, under Philip the II (XVI century), a hegemonic world-economy. Today, despite the similarity in the production systems (and with clear differences in technological capacities) and the complementarities in trade, the trends of global capital, trade and investment flows, split the Mediterranean Meso-region along a North-South axis. How this unit can be recomposed at an economic and political level by creating the Meso-region interface is discussed by analysing the potentialities for economic co-development of the production systems. Prior to this step, the meso-regional approach is plunged into the debate about regionalism.

3. The Meso-regional approach and the new regionalism

The Meso-regional approach does not take a distance from the different approaches to regionalisation recently developed in the literature¹², rather it combines elements from each of these explanations (functionalist, neo-functional, hegemonic, strategic trade theory, interdependencies theories) trying to provide a different political strategy and to explain more clearly why regional agreements, with a few exceptions, tend to fail.

Among the new approaches to regionalisation, the one developed by Björn Hettne and his colleagues¹³ - the so called New Regionalism Approach/Theory - has the merit to introduce a historical, multilevel and multidimensional perspective to the study of regionalism and regionalisation¹⁴. They view regionalisation as a process of change taking place simultaneously at three levels: 1) the structure of the world system as a whole; 2) the level of inter-regional relations; 3) the internal pattern of the single region (Hettne and Inotai, 1994). In particular, the Meso-regional approach builds its analytical tools on the third level. The need to go deeper into this level does not mean neglecting the other two levels. The ‘internal pattern’ of the region cannot be analysed without taking into account the dynamics of the global markets and of the other regional agreements. It is about turning the issue upside down, i.e. starting from the bottom (the analysis of the socio-economic structures of the single region) to the top (the analysis of the international relations) going through the middle (the analysis of the region related to other regions).

This reflects the need –as stressed by Bøas et al. 1999 - to have a “new realistic” approach to regional integration, especially if we acknowledge the tensions existing between North-South RIAs and the failure of most current South-South RIAs. A new approach, which should rely upon a ‘back to basis’ effort, i.e. starting from what actually exists (in terms of formal and informal trade, cooperation networks and production systems), and only then looking for regionalisation schemes. This may allow to re-establish the micro-macro relation, since the relation between domestic and international is being transcended, in “an effort to contribute to a comprehensive, interdisciplinary, historically based international social science”¹⁵.

The notion of Meso-region is here close to that of region as in Hettne and Sönderbaum (2000), i.e. a portion of the state territory, as, for instance, a part of the coastal areas of China, which participates in an East-Asian regionalisation process (while the mainland does not), Northern Mexico which participates in the formation of a Meso-American re-

¹⁰At its early stage of development, this notion of regionalism has been criticised on the ground that it does not refer to existing social identities or movements, but is programmatic and future-oriented. “This region is a virtual region, a political project with some degree of potentiality and with some appeal to those who make plans for tomorrow” (Schmid, 1998, p. 6)

¹¹Amoroso, 2001, p. 37.

¹²See Marchand et al., 1999, p. 902.

¹³At the World Institute for Development Economic Research at the United Nations University in Helsinki and at the Department of Peace and Development research at Göteborg University.

¹⁴Hettne and Sönderbaum, 1998, in Marchand et al., 1999, p. 903.

¹⁵Hettne and Sönderbaum, 2000, p. 459.

New-regionalism	Meso-regional approach
<p>The objectives of the New regionalism are wider than those of the old regionalism and of the neo-liberal preferential agreements. Compared to these two, besides the traditional static (Trade creation and Diversion) and dynamic (FDI and technological spill-over) effects, New regionalism includes other central aspects, such as the policy reforms and social modernisation. The integration process is based on the idea of "concentric rings", such as the EU experience. In particular:</p> <ul style="list-style-type: none"> • The objective of creating a regional market is functional to the logic of Triadic competition; • Foreign investments regulation is limited; • Policy reforms aim at the homogenisation of standards and regulations imposed by the Triadic markets; • Social policies aim at the reduction of the negative effects produced by liberalisation of markets and de-regulation; • Trade creation is based on comparative advantages and has a centre-periphery characteristic. <p><i>The Aims of New regionalism are:</i> Attracting Foreign investments Labour market Reforms Vertical Trade creation Social modernisation</p> <p><i>The Means are:</i> The Integration of Regional Markets</p>	<p>The objective of the Meso-regional approach is the creation of a polycentric system of countries through the overlapping of bordering regions sharing similar production systems (but with different technological levels). In the Meso-regional approach, a country can be member of other regional agreements. Global interdependency and self-reliance are searched for through the creation of interdependency within the meso-region based on the idea of the rings of solidarity. In particular:</p> <ul style="list-style-type: none"> • The objective of creating a meso-regional market is functional to the internal needs of the region; • Foreign investments should aim at creating local capabilities taking into account the stock of resources (material and immaterial) available in the territory; • Policy reforms are based on the logic of co-determination • Transformation of the social fabric should aim to avoid social exclusion; • Trade creation is based on the logic of cooperative advantages, in which the level of specialisation of a country will not hinder the specialisation of another one. <p><i>The Aim of Meso-regional integration is:</i> Upgrading of existing markets to compete on the regional markets</p> <p><i>The Means are:</i> Co-development of production systems Determination of institutional reforms Horizontal Trade creation Social inclusion</p>

gion (unlike the rest of the country), or less dramatically, Sweden, split between a South aiming towards an Atlantic dimension, and a Centre-North heading towards a Baltic regionalisation. However, a Meso-region requires a minimum size and has objectives that transcend the pure integration of markets, or sectors, and also requires a political autonomy.

The economic and political rationale underpinning the Meso-regional perspective is based upon three considerations: firstly, given the present level of technological innovation and concentration of technological capability, the development of strategic sectors cannot be achieved in the framework of the Westphalian State. This holds true especially for less developed countries (Amoroso and Gallina, 2002b); secondly, the use of resources and the environment is often a trans-national issue, whose management cannot be left in the hands of one country; and thirdly, in the current transformations of global markets, a stronger negotiating power within the decision-making centres, such as the WTO, is required to resist global standardisation, which can

endanger the survival and resilience of the communities living on traditional production systems.

To develop a Meso-regional system a first step is represented by a systematic analysis of the dynamic of the existing institutional and productive structures, a definition of social needs, and the technological needs of the areas involved.

The Mediterranean Basin is taken as a paradigmatic case of a given geographical space in which the process of regionalisation has been rejuvenated by recent initiatives, namely the launch of the Great Arab Free-Trade Area in 1998, the Union of the Arab Maghreb in 1994. Aside from this, mention should be made of one project covering a part of the Souther Mediter-

anean shore, i.e. the Euro-Mediterranean Partnership (EMP), which was launched in 1995. Whether these are signs of the end of the 'exceptionalism'¹⁶ of the Middle East and North Africa, is hard to say. However, the need to analyse the EMP from the perspective of the new regionalism approach/theory stems from these contradictions¹⁷. In fact, when looking at the EMP, on the one hand, we have the EU, which includes several regions and is also as an established RIA, while on the other, we have the Mediterranean countries, which form undoubtedly a region geographically and in terms of international relations, but in which economic integration has hardly moved beyond the stage of rhetoric¹⁸.

Two reasons explain why the EMP have been taken into account and possible alternatives have been looked for. The first is

¹⁶Aarts, 1999.

¹⁷In this article, the past attempts of regional schemes of cooperation in the Mediterranean will not be discussed; instead the focus is on the EMP.

¹⁸Aarts, 1999, p. 911.

that the “regionality” or “region-ness” of the EMP in terms of cultural affinity, political regimes, security arrangements and economic policies is quite loose. The creation of regional identity needs the convergence of these factors and processes, otherwise it will be difficult to promote a specific vision of regionalisation. The second is that the EMP is aiming at integration mainly through trade liberalisation. This approach is doomed to fail due to the large differential that characterises the EU and the Mediterranean Partner countries, when looking at the production systems, institutions and history. The experiences of market integration in the recent European history is a good example of how these mechanisms fail, despite the dramatic flow of funds transferred to the peripheral countries¹⁹. Therefore, what kind of alternative can the Meso-regional approach bring to the Mediterranean countries compared to the EMP approach to integration?

4. The Euro-Mediterranean agreements: some preliminary assessment

The new European Union policy towards the Mediterranean countries took shape in 1995 with the launch of a new political and economic partnership (the Barcelona Declaration) based on a three-point program of (i) political and security cooperation, (ii) economic and financial cooperation, (iii) social, cultural and human cooperation. In particular, the main issue lies in the economic and financial cooperation, which foresees the establishment of a free-trade area by 2010, gradually encompassing all economic sectors. Since 1995, the debate among academicians and policy-makers about the impact that the liberalisation process might have on the economies of both shores has been very lively²⁰.

Both the EU and the Mediterranean countries, that signed the agreement, will face difficulties in adapting to the new regime. In particular, it has been pointed out that: On the EU side, the agricultural sector will suffer most from liberalisation because of the comparative advantages of the Mediterranean Partner countries (MPCs), especially in the fresh fruit and vegetables exports. On the MPCs side, the free entry of European industrial products in the MPCs markets will undermine the fragile, but large, manufacturing sector of MPCs. This kind of North-South economic integration may partly reactivate the process of a “natural” specialisation in countries, and agglomeration economies, as well as economies of scale, cannot be excluded. However, besides the positive effects produced by the growth of two-way trade and the creation of industrial links between the European and the Mediterranean enterprises, a number of problems arise. For example, the OECD has estimated that 60 percent of the industrial firms in Morocco and Tunisia would not survive against freely-imported European products²¹. By the same token, other studies have widely demonstrated that during the transition period, MPCs would experience a dramatic fiscal loss due to lost tariff revenues. For Mo-

rocco, by the end of the transition, this will have totalled more than 13 percent of the budget revenues, equivalent to more than 3 percent of GDP. For Tunisia, it is estimated that as much as 68 percent of tariff revenues will be lost, amounting to a loss of total government revenues of nearly a fifth²². This obviously means fewer resources to invest in other sectors of the economy. At the same time, the analysis of Chevalier and Freudenberg shows that the composition of imports from the EU will be increasingly made up of consumption goods, which, in turn, will put increasing competitive pressure on the local industries during the initial stages of complete liberalisation²³.

Another aspect of the EMP that has been more recently included in the debate is the establishment of complementary horizontal free-trade agreements between Southern Mediterranean countries. The different patterns of specialisation between the MPCs could be exploited for the creation of a South-South integrated regional market, which should be complementary to the Euro-Mediterranean free-trade area. Still, due to the technical problems of rules of origin that will rise if South-South trade is liberalised, it seems that this parallel process will occur at a very slow pace²⁴.

The measures put in place by the EMP mainly rely on liberalisation of trade, while macroeconomic adjustment policies are supported through bilateral cooperation funds. So, not only little attention in the EMP is paid to establish a “region”, but also will the bilateral strategy contribute to create tensions among the MPCs. Moreover, considering that the labour circulation between the EU and the MPCs is increasingly restricted, and that the proportion of the population under fifteen will shrink in the next 10-15 years - meaning that the proportion of the population in working age will grow more rapidly than the total population- the needed job creation can hardly be achieved only through the export-oriented sectors. Over the next twenty years, the North African countries will need to create about sixty million jobs just to maintain the present hardly tolerable ratio of unemployment and under-employment²⁵. Parallel to this, less institutionalised forms of markets are emerging, despite the attempt of the authorities to reduce the informal economy²⁶. This phenomenon shows not only the existence of increasing demand for goods from lower market segments, probably due to the shrinking of population purchasing power, but especially an enormous amount of underemployed labour force. Furthermore, the capacity of the agricultural and petroleum sectors proves to be very limited in terms of creation of new jobs.

Therefore, an analysis of the main characteristics of the manufacturing production systems -in order to highlight their weaknesses, and hence their potentialities for co-development- can provide the first step towards the study of the technological, institutional and social needs of the Mediterranean countries that can be addressed in a Meso-regional setting²⁷.

¹⁹Triulzi, 1999.

²⁰See Hunt, 2002, for an economic analysis of employment and welfare implications of the FTA in Morocco and Tunisia, the first two countries that have established a free-trade regime with the EU. For opposite opinions about the benefits of the FTA in the EMP, see the World Bank paper based upon the study of Rutherford et al., 1993, and the criticism from IMF economist H. Ghesquiere, 1998.

²¹OECD, 1997. Also, on the effects of the *mise-à-niveau* (modernisation) programs sponsored by the EU in Tunisia, see Chourou, 1999.

²²Economic Research Forum, 1997, pp. 38-39.

²³Chevalier A. and M. Freudenberg, 1999, p. 4.

²⁴Femise, Annual Report, 2002.

²⁵Femise Annual Report, 2003

²⁶Economic Research Forum, 1998, p. 133.

5. The characteristics of the Mediterranean Partners production systems

The economic structure of MPCs presents a scarcity of large enterprises and they display a different nature compared to the European ones, in so far as the national bourgeoisie has played a modest role in the economic life of Mediterranean countries. This role has been replaced by the military economic apparatus, a heavy public sector and by few large trans-national corporations. Furthermore, the rentier or quasi-rentier state systems that prevailed in the Arab states, thanks to the net flow of aid and financial support, did create an alliance between the state class and the bourgeoisie and a palace politics based on informal ties and social privileges²⁸.

According to Ayubi, in the Arab states the bourgeoisie is not only structurally weak and socially ineffectual, but it also lacks hegemony over society²⁹. Furthermore, the selective liberalisation has led to the creation of a "second Arab bourgeoisie", made of the bureaucrats and regime members, or their close families, who, attracted by the prospects of quick profits, established private business, and became keener on opening the borders. This kind of big commercial business that emerged from the rentier or quasi-rentier state adapts easier to authoritarian regimes, having nothing but economic liberalisation as main interest, and lives a better life if red tape and palace politics prevail over "democracy" and "good governance"³⁰. In the case of the industrialists, we found the opposite problem, since they suffer from lack of state accountability and are in need of protection from free competition³¹.

More importantly, the structure of the dominant industrial/manufacturing production system in the Mediterranean countries is neither represented by the commercial-mercantile (compradora) bourgeoisie nor by the large domestic manufacturer. When looking at the industrial sector, we find that 90 to 95 percent of the total number of industrial firms has less than ten employees, with the exception of Tunisia, Morocco and Israel where small firms represent between 42 and 50 percent of the total. These firms are mainly concentrated in traditional sectors, such as textile, wearing apparel, agro-food, leather and shoes, wooden furniture and articles, etc. Nevertheless, they contribute by 20 to 45 percent to employment, and by 10 to 25 percent to GDP³².

This importance is also highlighted by the fact that local production systems of micro, family and small enterprises have a fundamental role of social stabiliser. They supply mainly the local demand for goods and services in markets that are shaped like the traditional *suq*, where purchasing, selling, production and con-

sumption are social and socializing functions, strongly influenced by family and interpersonal relationships, and often based on the belonging to ethnic groups. Firms are family-based and have a very low ratio of capital investment, rely on informal credit, have a family management, and low intra-firm division of labour. However, the artisan type of production implies a differentiated production, personalised for each different customer. In these systems competition-with-the-neighbour does not represent a major threat, and proximity, instead, means exchange of know-how and information about markets, prices and new technology in a complete "shared environment" (Gallina 2002 and 2003a).

The problems faced by the Mediterranean micro and family enterprises and small and medium-sized enterprises do not differ much from those of other developing countries. The change in the population consumption pattern, the change in the production requisite imposed by the international standards, the weakening of the population purchasing power, are just some of the factors affecting production. Also, the quality of the products, the absence of continuous product innovation, and the lack of raw material of good quality, the use of obsolete technology, poor design, poor packaging and presentation of the products affect the supply. Furthermore, many of the problems faced in their daily productive routine are related to the lack of infrastructure, roads and communications and provisions such as electricity, water and telephone, especially in Lebanon, Palestine and Algeria, or to the lack of adequate spaces³³. The difficulty in organising the production line in a more rationale way implies losses of the value added. Furthermore, the lack of an internal division of labour is linked to the lack of machinery, which, in turn, produces competition among workers paid on a piece-basis and thus, a less collaborative working environment. The absence of qualified manpower is an additional problem that is widespread especially in textile and clothing firms, which utilize young and cheap labour. Small producers can survive only because they employ family members, do not pay social security to workers and rely on a fragile system of payment made of advances by the customers and suppliers of raw materials. These are obviously factors that are successful in a close economy, but they cannot represent the main factors of a development strategy in the long run.

6. Towards a Meso-regional approach?

Now, we can return to the original question: what can be the benefits of the Meso-regional approach compared to the EMP approach to integration?

²⁷Israel has been excluded from this qualitative study since its production has a similar structure to that of the developed countries.

²⁸Schlumberger, 2000.

²⁹Ayubi, in Aarts, 1999, p. 918.

³⁰Likely, if the decline of the state continues, the private-sector bourgeoisie actors will start to lobby for themselves against the state bourgeoisie, but now the national entrepreneurial bourgeoisie is too weak to compete versus the statesmen-cum-businessmen class.

³¹Since economic integration depends largely on the vested interests of these ruling classes and socio-political structures, these are issues that need also to be taken into account in the development of a framework that aims to address the needs and potentialities of the whole region.

³²The figures are taken from Amoroso and Gallina, 2001, p. 42. (See also Amoroso and Gallina, 2002a and Gallina, 1999). Data are elaborated by the authors from the national statistics, such as the industrial census, and from the ERF report 1998. However, the statistical classification of the industrial structures masks a significant heterogeneity. Artisan micro-enterprises, with only one or two workers and without machines, are classified in the official statistics together with small enterprises with some investments in fixed capital, and with small enterprises with higher level of mechanisation. Some work only as subcontractor for importers of finished goods, or perform both for other enterprises and for the final market, while other, despite the small size, are oriented towards the international markets, even though not directly but always through an intermediary. For a taxonomy of small firms, see Gallina 2003a.

New and old tensions in the area are awakening following the structural adjustments of the economies in the Southern Mediterranean countries, as those envisaged also in the EMP. When looking at the projections for the employment needs of the Mediterranean countries, and analysing the characteristics of the production systems that should be able to absorb the new entrants in the labour market, the weaknesses of the EMP as an answer to these problems are clearly there. The measures aiming to stimulate the growth of local markets for satisfying, firstly, the unsatisfied local demand, and only then, enter the international value chains, need a different framework that conceives the Euro-Mediterranean region as an area with several centres (polycentrism). This implies the political and cultural acceptance by the European Union countries (in continental Europe) of a strong and growing "ring" in the South, with which establishing collaborative agreements based on the idea of finding competitive solutions to cooperation and not cooperative solutions to competition. This ring can be either represented by a Mediterranean Arab common market, or by a more progressive and ambitious Mediterranean Meso-region composed of the southern regions of Spain, France and Italy, Greece, on the northern side, and the MPCs, Turkey and Israel on the southern side.

The research agenda that should provide policy-makers with more appropriate frameworks indicated by the Meso-regional approach should include:

- A thorough analysis of the level of utilisation of resources and of the needs of the local population. This implies taking into account the demographic and productive potential of the various areas of the Meso-region;
- More emphasis on the type of inter-firms collaborations that will be established. An entry in the international production chain only through sub-contracting can be dangerous if it aims only to cost reduction instead of enhancing the technical capabilities and the technological confidence of the entrepreneurs, workers and apprentices. This is possible only by starting from an analysis of the stock and quality of tangible and intangible resources available in the firms of the region;
- A deeper understanding of the social needs of the population involved in the project. Looking at the survival strategies can represent only a starting point and a wider assessment of poverty reduction programs and social security levels is needed;
- More emphasis on the institutional diversities and needs of the systems involved;
- Identification of strategic sectors and of areas of trans-national cooperation aiming at self-reliance through the creation of international and national interdependencies between sectors and industries.
- An analysis of the existing horizontal trade flows and not only of centre-periphery/north-south flows that can enable to identify the potential areas of inter-industry cooperation among southern Mediterranean countries.

³³The information has been directly collected by the author through interviews to local entrepreneurs in the whole region during the years 1998-2002.

7. Conclusions

The paper attempted to highlight the limits of the future EMP implementation if some important conditions are not taken into account. It has also attempted to draw the lines for an alternative path to markets integration and modernisation of industrial structures: the meso-regional approach.

The loss of fiscal earnings and the dismantling of public monopolies will continue to reduce the role of the state in the economy of the Mediterranean countries, and their possibility to keep the welfare improvements achieved during many years. This trend will transfer even more power in the hands of the comprador bourgeoisie to the detriment of the productive sectors. At the same time, the increasing demand for jobs cannot be met only by export-oriented strategies or technological innovation. The passage from import substitution to export promotion has been, even in the most successful cases, very painful despite strong state intervention, as in the Asian countries. Furthermore, export-oriented strategies can lead to specialisation in production which makes little contribution to indigenous technology and human capital development. Also, although the infant industry argument is very appealing, the reduction of tariffs on imports of capital goods, which represent an important share of total imports, can produce important technological advances if appropriate technological training measures are supported. However, it should be stressed that the process of innovation, as an accompanying measure to the more general process of modernisation, needs to focus on the learning capacity of the workers and entrepreneurs. Otherwise, it will not be sustainable with the existing stock of knowledge and create new forms of resources dependency. It is therefore important to take into account the development of an institutional set-up reinforcing and stimulating the learning capacity, according to the needs and the structure of the local production systems and markets.

Similarly, the centrality given in many MPCs to the creation of a special economic zone does not consider previous experiences in other countries, as for example in some Asian countries, where protected zones like these ones serve basically the interest of large international firms investing in unskilled and labour-intensive activities³⁴.

The discussion in this paper outlined the opportunities offered by a third approach to market integration that is neither the neo-liberal nor the new-regionalisms approach. This third position, starting from a deeper analysis of the production systems, can provide a policy framework for gradual co-development of markets, while keeping the objective of satisfying local social and institutional needs. The Meso-regional perspective has therefore methodological and theoretical implications. The attempt to link the micro, meso and macro levels of the analysis implies to combine quantitative studies on the macroeconomic dynamic with more qualitative studies on production systems, firms and social dynamics. This looking at the way differences in markets and production systems can enhance the process of innovation towards organisational and institutional forms of governance that are sustainable with the material and immaterial resources available. Therefore, as this approach may be easily applied to other regions

and groups of countries that are undergoing a process of markets' integration, and that are looking for a model of self-reliance in a system of interdependencies, research should be furthered in this direction, based on interdisciplinary methodologies.

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³For an assessment of these policies in the 1980s, see Ariff and Hill, 1985.