

The Mediterranean: Between Globalisation, De-globalisation and Re-globalisation

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The world economy so dear to Fernand Braudel, the Mediterranean, is today an economy in the world, or rather a juxtaposition of economies more or less well-connected to the global economy. Though it was its own world long ago, in the past few decades the Mediterranean has progressively entered the globalised world of the end of the 20th century.

Globalisation, De-globalisation, Re-globalisation

Globalisation should not only be understood as the process of eliminating tariff and non-tariff barriers to the circulation of goods and the international mobility of services taking place within the framework of the General Agreement on Tariffs and Trade (GATT) up until 1994, and through the World Trade Organization (WTO) since 1995. Indeed, globalisation is not restricted to the formation of a commercially globalised world. It also represents the formation of a financially globalised world under a predominant currency (the dollar), a world structured according to its two dimensions of savings fund collection and investments on the world-wide level, with notorious imbalances on the national level (balance surpluses or deficits). It is also the rise to power of global actors operating in various regions of the world. These global actors are primarily multinational corporations investing on a global scale the capital they have collected globally, organising an international distribution of production processes to the best of their interests, multiplying international intermediate goods flow, producing or subcontracting production here and there

and assembling elsewhere in order to sell everywhere. States have been largely dispossessed of their traditional prerogatives of control over commercial and financial flows and have increasingly had to give up a significant part of their judicial sovereignty in their relations with multinationals, which resort to mechanisms of international arbitration in cases of conflicts with States, doubting – not without reason – the partiality of national courts of law. Globally, the market approach has prevailed over State regulations. Although States have attempted to regain the upper hand by establishing preferential agreements under the form of regional processes of geographic proximity (NAFTA, Euromed, Mercosur, ASEAN) and a great number of bilateral transcontinental agreements, a multilateral free trade approach, in particular after China joined the WTO (2001), has caused the international division of labour to evolve towards an uncontrolled and uncontrollable movement in the direction of Asia within the current international monetary system, with Chinese currency sticking to the dollar through a managed exchange rate. By taking advantage of a loophole in world economic governance – the double command exercised by trade regulation (WTO) and monetary regulation (IMF) – China believes to have found the highway for its development... on the backs of a number of developing countries that needed to make a place for themselves in the sun of the international division of labour. In fact, self-assured and domineering, in its certainty of an unshakable sovereignty handed down from times immemorial, China is but hastening the end of globalisation as we know it.

Indeed, globalisation is in crisis, because it is untenable and unmanageable due to imbalances lacking innate corrective mechanisms. The world financial crisis and the real economic crisis derived therefrom are sounding the death knell for current globalisation. Certain analysts have hastily deduced that we are

moving towards a process of *de-globalisation*, which they applaud, in order to organize less open regional zones. The temptation and hopes of de-globalisation are strong among the most determined partisans of the Euro-Mediterranean Partnership. However, though this may be disappointing for them, I believe that the correct reading of the situation is not that of eminent de-globalisation but rather *re-globalisation*. In any case, this re-globalisation could offer a new window of opportunity for the construction of a Euro-Mediterranean space and for the South Mediterranean economies (after the failure of attempts in the 70s and 80s), insofar as the *nomenklaturas* or political elite and oligarchies of these countries could avoid the shareholder mentality and develop real entrepreneurial mindsets.

The aim of this paper is therefore to examine the role of the Euromed Region in the internationalisation of economies, a role seen from the perspective of the development of Southern and Eastern Mediterranean countries in a chronological sense, retrospective at first, thereafter prospective. Three periods can be clearly defined:

- Pre-globalisation, or the inability of the South to take advantage of the North's preferential offer;
- Globalisation, or the impossibility of preferential status for the Mediterranean; and
- Re-globalisation, or a window of opportunity to be seized.

Pre-globalisation (the 1970s and 80s): The Lost Opportunity

The Barcelona Euro-Mediterranean Conference seems long past, though it took place only in November of 1995. Everything before that could be said to belong to the prehistory of Euro-Mediterranean relations. Yet this history is at once rich and poor: rich in intentions and poor in results! It was a promising opportunity but nevertheless a lost one.

In 1958, at the onset of the customs union established by the first six countries of the European Economic Community (EEC), Tunisia and Morocco had only recently gained their independence and Algeria was still considered part of France! That is to say, it is impossible for Europe to build itself while disregarding its connections in the recent past: indeed, Northern Africa was part of the emerging European economic area. Multiple agreements would be signed in

the 60s between the EEC and the Mediterranean countries on a case by case basis and without an overall perspective, whether the countries were in the Southern, Northern or Eastern Mediterranean (recall that in the 60s and 70s, neither Greece nor Spain nor Portugal were part of the European Community).

Global Mediterranean Policy: A Euro-Mediterranean Specificity

It was not until the mid-70s with the establishment of the Global Mediterranean Policy (GMP) that a specific policy was defined by Europe towards the Southern and Eastern Mediterranean Countries (SEMCs), also designated by the term Mediterranean Non-Member Countries (MNCs) once they had signed an agreement with the EU. The GMP was structured on specific trade regimes and financial protocols ensuring EU financing for the MNCs. Its industrial trade regime granted the MNCs better conditions than the EU's Generalised System of Preferences (GSP), designed for the ensemble of developing countries: indeed, it granted the entry into Europe of industrial products from the MNCs with no customs duties whatsoever and no quotas, whereas the GSP functions with quotas. A step backwards (establishment of quotas) was taken, however, in the late 70s with regard to textiles, yet the MNCs managed to keep a more favourable textile regime than the general one defined by the Multi-Fibre Arrangement (MFA), made even more favourable by the fact that the quotas remained largely theoretical and unapplied in practice. The agricultural regime was generally an exception to this preferential European approach, as export quotas for the MNCs to Europe were established as duty-free or at lower rates, yet within a complex calendar and entry price system. This Euro-Mediterranean arrangement, based on non-reciprocal relations – the MNCs not granting Europe any particular preference – was in effect until the mid 90s, despite certain adjustments in the agricultural regime to reckon with a major event: the entry of Spain into the European Union. Spain's accession lent Europe a surplus of Mediterranean produce (fruit, in particular citrus fruit, olives and olive oil, and vegetables). Strict application of the principle of preference for EU Member States would have deprived the MNCs of their agricultural markets in Europe: to prevent such destabilization, the EU reaffirmed a principle of maintaining their traditional outlets and reasserted and adjusted the previous preferential mechanisms several times.

This preferential regional EU policy should be considered within its historical context. At the time, neither Japan nor the United States were deviating from the principles of multilateralism and had not signed any preferential accords on a regional basis, whether with Southern partners or not. Japan, a model of multilateralism, never signed any preferential agreements with any country before the first decade of the 21st century. The United States did not take up the non-reciprocal preferential agreement approach until 1984, with the launching of the Caribbean Basin Initiative (CBI), which preceded the signing of such agreements with Andean countries as of 1992 (Andean Trade Preference Act with Peru, Ecuador, Colombia and Bolivia).

*Global Mediterranean Policy:
Highly Disappointing Results*

Hence, in the 70s and 80s, the Southern and Eastern Mediterranean countries had near exclusivity on non-reciprocal preferential agreements of a regional nature, though shared with the ACP (Africa, Caribbean and Pacific) countries, which did not benefit from the same geographical proximity to Europe and whose state of development was not comparable to that of the MNCs. However, this highly advantageous trade situation notwithstanding, not a great deal happened insofar as MNC development except the single-sector development of subcontracted workshops in the clothing industry. The EU preferences caused a lot of fuss over nothing, for the Southern Mediterranean, far from analysing and understanding the reasons for its powerlessness to take advantage of the EU preferences, simply contented itself with lamenting Europe's agricultural protectionism! And during that time, numerous small Asian countries, with no other resource than their labour force and receiving no particular preferential treatment from anyone (except the GSP), succeeded in making a remarkable economic takeoff. It is true that Japan, as opposed to European countries, had decided not to open its doors to immigration, causing its workshops to emigrate, demonstrating that it preferred the emigration of capital to the immigration of labour.

The non-reciprocal preferences of the Global Mediterranean Policy thus did not succeed in revitalising the Southern Mediterranean. Could this have been otherwise, considering the state of the societies concerned as well as the shareholder strategies of the predominant economic agents, static political elite

and private oligarchies? We will never know, since conditions changed radically in the late 80s.

Globalisation (1990s and 2000s): Berlin, Uruguay Round and China, or Triple Penalty for the Southern Mediterranean Region

November 1989: Fall of the Berlin Wall, onset of the dissolution of the Soviet Empire and the inclusion of numerous Central and Eastern European Countries (CEECs) within the structure of the EU.

December 1993: Conclusion of the Uruguay Round of the GATT and establishment of the WTO, to be operative by 1st January 1995, dismantling of the Multi-Fibre Arrangement (MFA) governing textile commerce.

December 2001: Entry of China into the WTO, thereafter benefiting from better customs tariffs for exports to its partners (so-called Most-Favoured-Nation or MFN tariffs).

Triple Penalty for the Southern Mediterranean Region

These three events defined a highly competitive globalised development scenario for the SEMCs, a true rupture with the preceding Euro-Mediterranean preferential period. The EU has been occupied by enlargement, organising the CEECs' economic adjustment and above all, German reunification. In compensation for German reunification and as a guarantee of the new Germany's EU allegiance, France demanded the creation of a European currency. The definition then implementation of the Euro devoured all of the EU's geopolitical energy. Enlargement placed Germany at the heart of Europe, making it rediscover its eastern hinterland. France and Southern Europe gained compensation in the south, in the Mediterranean Region, with the Barcelona Conference in 1995, but the two strong Euro-Mediterranean allegiances (Turkey and the Maghreb) were drowned out by a forced Euro-Mediterranean unanimity which could not but lead to renewed disillusionment, all the more so since the Israeli-Palestinian problem is mired in interminable, asymmetrical negotiations and recurring confrontations.

The conclusion of the WTO's multilateral trade negotiation led to the end of the MFA textile quota system. The Southern Mediterranean entrepreneurs who had clamoured against EU protectionism expressed in

textile quotas were to undergo the bitter experience of the elimination of the quotas to realize *a posteriori* that the quotas had represented a guaranteed market share that disappeared in the face of fierce competition, synonymous with a race towards the lowest production costs. And amid such competition, the Southern Mediterranean is no match for Asia, for various reasons (exchange rates, conditions of reproduction of the labour force and in particular, food budgets constrained by poor agricultural productivity, a more shareholder than entrepreneurial economic culture, etc.). The only export sector that had succeeded in developing during the previous period, i.e. the clothing industry, is handicapped by this new world order. Luckily, it still has its proximity to Europe and favourable lead time for replenishment of stock to go with it, indispensable for middle-range collections, though subject to the competition of the new, intra-EU peripheries of the East, boosted by EU aid ten to twenty times greater than the aid granted Southern Mediterranean Countries (on average, €100 per inhabitant and year in Eastern Europe through pre-accession funds followed by structural funds, as compared to € 5 to 10 in the South through MEDA funds followed by Neighbourhood Policy funds). In any case, the two areas, regardless of EU aid, are not in the same league: the human capital in particular makes a difference.

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And last but not least, China's entrance into the WTO completed the disruption of the world economic stage: inexhaustible labour force reserves, a development strategy wholly focussed towards export, supported by a managed trade policy adapted to this export goal has attracted foreign capital, which is rushing to the new El Dorado to take advantage of the new commercial world order. In 2009, China became the leading world exporter, surpassing Ger-

many. The entrance of China into the WTO did not go unnoticed in other developing countries either. Mexico itself (although party to NAFTA, see below) lost 20% of its employment in the export sector, namely in the *maquiladoras*, from 2000 to 2003 (from a highpoint of 1,340,000 jobs in 2000), even if the slight US recession in 2001 helps to explain the phenomenon, in addition to Chinese competition.

Euromed, or Minimal Free Trade!

It is in this international context of globalisation that the Euro-Mediterranean Region redefined its relations. Non-reciprocal preferences were no longer in fashion; (reciprocal) free trade had become the trend! Two factors led to this development. A legal factor, first of all: the WTO only accepts non-reciprocal preferential treatment of developing countries by developed ones on a worldwide scale, to the benefit of all developing countries within the framework of the Generalised System of Preferences; non-reciprocal preferences of a regional nature (of the Euromed or Europe-ACP type) became an endangered species. And secondly, an economic factor: economists examined the highly disappointing results of non-reciprocal preferences and attributed their poor performance to an intrinsic incapacity to revitalise developing economies; in the absence of customs dismantlement in southern countries, high customs duties were applied to incoming goods (except in duty-free areas or for exporting companies working with temporarily admitted incoming goods or goods in transit) and *salary goods* (whose prices determine salary levels) were produced under poor conditions of competitiveness.

Non-reciprocal preferences thus exited the stage. The previous Euro-Mediterranean agreements were adjusted to reciprocity and thus transformed into free trade agreements, with a highly consistent agricultural exception structured on tariff quotas (both in the North and the South) and calendars for the produce most likely to be imported to Europe (particularly tomatoes). Specifically, in the industrial sphere, the South is required to dismantle its protections vis-à-vis European products, and Europe needn't do anything... knowing it had already done everything within the framework of the previous non-reciprocal preferential agreements. Therefore, as of 1995, a new generation of Euromed agreements was established and free trade agreements were signed with Tunisia and Morocco, then generalised to include the ensemble of MNCs. In 1996, a Customs Union agreement

was concluded with Turkey, at an upper stage of economic integration, demonstrating the Turkish will for irrevocable integration into the European economic area, quite the contrary to Morocco, which chose the path of multidirectional free trade, made concrete through the free trade agreement signed with the USA in 2004, a fool's bargain signed with high hopes that were quickly dashed by US support to Cherifian claims to Western Sahara, contested by the Polisario Front, with Algeria in the background.

North America, or the Lesson of Profound Integration

During that same period, in North America, NAFTA (North Atlantic Free Trade Agreement) was established (signed in late 1992 and entering into effect on 1st January 1994) between Canada, the US and Mexico, in an approach highly different to the Euromed agreements. To begin with, the context was not the same: there had been no previous preferential agreement with Mexico (with the exception of the Generalized System of Preferences provided by the US and Canada, by which Mexico benefited, but only to the same degree as all other developing countries). Reciprocal customs disarmament was thus simultaneous. Without reaching integral agricultural free trade (which in fact only exists in Europe), agricultural liberalisation was much stronger, incomparable to the Euro-Mediterranean situation. But above all, NAFTA was based on a rationale of profound integration, whereas Euromed takes a superficial integration approach. Superficial integration refers to simple trade integration limited to the dismantling of tariff and non-tariff barriers at borders. Profound integration can be understood as a process of a much broader spectrum that, apart from the border trade dimension, attempts to homogenise the conditions of production through the adoption of common legal norms and regulatory mechanisms for disputes beyond the jurisdiction of national legal systems. Profound integration particularly ensures foreign investment in Southern countries, investors having fewer fears regarding the regulatory environment in which they will be acting.

Eastern Asia, or De Facto Integration

And during this time, in Asia, nothing was happening... or rather many things... depending on one's point of view. Nothing or nearly nothing from the formal point of view, in terms of signing of agreements. Apart from

the Association of Southeast Asian Nations (ASEAN), no free trade agreements were signed from the 70s to the 90s. Asia, with Japan in the lead, was a model of multilateralism, respecting the principle of non-discrimination to the letter, without resorting to the exceptions prescribed in GATT Article XXIV (Customs Union and Free Trade Areas). It is true that ASEAN, which began as an anticommunist group of five countries in 1967 (Indonesia, Malaysia, Philippines, Singapore and Thailand) progressively extended to include Brunei in 1984, Vietnam in 1995, Laos and Myanmar (formerly Burma) in 1997 and Cambodia in 1999. A free trade area was laboriously established as of 1992 by the name of AFTA (ASEAN Free Trade Area), yet its dynamics would remain very limited. Intra-ASEAN trade never greatly increased, remaining stagnant even today at some 25% of the area's international trade (and a significant part of this intra-FTA traffic corresponds to warehousing and transit through the port of Singapore and not to an effective interpenetration of the area's productive processes). Frankly speaking, what has essentially been occurring in Asia is certainly not related to the ASEAN FTA but can be considered 'de facto integration'. The term de facto integration refers to a process of economic integration taking place beyond any inter-State agreements, born of the practice of economic agents organising a regional division of labour instigated by direct investments and subcontracting relations. The role of Japanese firms was a determining factor in this process at first, later led by firms from other countries (Korea, Taiwan, etc.), in a dynamic generally understood as falling within the conceptual framework of the 'Flight of Wild Geese' paradigm put forth by Akamatsu. Though this period of de facto integration ended in the first decade of the 21st century (with Asian countries making up for lost time through an accelerated process of signing formal intra-Asian agreements, as well as accords with partners external to Asia), the results in terms of interpenetration of Asian productive processes is remarkable and largely symmetrical, regardless of the development levels of the different partners, in contrast to highly asymmetrical US-Mexican and EU-SEMC relations, where the North represents a great deal for the South (up to 80% of exports in the case of Mexico) and the South remains highly secondary in importance to the North (on the order of 10%, in the best of cases). Indeed, in East Asia, intra-zone trade is on the order of 50% (40% to 60%) in all directions, between Japan, China, ASEAN, Korea and Taiwan, indicating a remarkable degree of interpenetration only surpassed by the European Union.

**Re-globalisation (2010 and beyond):
A New Opportunity for the Mediterranean,
Not to Be Lost!**

The world crisis that began with the collapse of the US mortgage systems known as subprime lending has brought with it a new era. The subprimes are but the tip of the iceberg of a profound phenomenon of growing inequalities in the distribution of wealth, the ultimate consequence of the end of Fordist regulation, an approach that disappeared during the process of globalisation, replaced in the Western World by regulation à la Greenspan, by household debt, untenable in the long term. This financial episode, in a period of more fundamental stagnation of world growth, constrained by technological limits (energy, limitations of the food and agriculture model), has inaugurated a period of Serious Multidimensional Crisis (Très Grande Crise Multidimensionnelle, TGCM) that raises doubts about the previous major balances. The globalisation we have come to know is no longer tenable. The roots of the current crisis can be sought in the geopolitical imbalances crystallising in a collapse of the International Monetary System (IMS). The inevitable readjustment will open a window of opportunity for the Euro-Mediterranean Region. Will it be used to make the Euromed framework emerge from its stalemate? Is a Braudelian comeback in the form of reconstructing a coherent Euromed ensemble conceivable, or has the Mediterranean Region been definitively disbanded through globalisation? What is certain is that such a comeback will not take place within the process of de-globalisation that certain Euro-Mediterranean 'militants' are hoping for, more or less secretly, as a consequence of the crisis. De-globalisation will not take place because the global actors, supported by technology and global networks, will not disappear but rather continue to develop global strategies. On the other hand, the process of re-globalisation regulated by States or by the market that is taking shape could offer a setting for such a revenge of History, if Northern and Southern Mediterranean Regions are capable of seizing the moment. It will not be easy!

A Serious Flaw of World Governance

The IMS is agonizing, the victim of a double asymmetry: on the one hand, the international role of a national currency inherited from an outdated configuration of the world economy and on the other, a

managed exchange rate for the currency of the world's leading exporter. We are clearly speaking of the dollar and the yuan, co-authors of a gigantic economic imbalance on the international scale, China accumulating dollars through its trade, which it then loans to the United States under the form of treasury bond purchases. China demands strict application of market laws to which it is entitled by its membership in the WTO to its merchandise, and at the same time, refuses to allow market mechanisms to decide the parity of its currency. This is one of the greatest anomalies in economic history, whose main victims are other developing countries incapable of managing their exchange rates with enough dexterity to ensure market outlets. This is a major failure of world economic governance, made possible by the overlapping command held by the WTO, in charge of international trade issues, and the IMF, in charge of international monetary issues, as if the two spheres could be separated! Trade liberalisation makes no sense unless exchange rate determination mechanisms ensure a tendential balance of international trade.

In the face of such IMS dysfunctions, profound readjustments are inevitable, whether through the cooperative process of international dialogue or in the non-cooperative process of more or less forceful confrontations. Two scenarios are thus conceivable:

- Reconstruction of a unified IMS built around an international monetary standard under the authority of the IMF and equipped with a tendential exchange-rate balancing mechanism. This balance between large regional areas through the necessary re-evaluation of currencies of areas with a surplus will necessarily change the current order of the international division of labour to the benefit of developing countries that could not find a place in the old system due to the under-evaluation of Chinese currency. According to this hypothesis, the world would move towards a re-globalisation of the market in which firms would play the predominant role and world regulation would be carried out through market mechanisms, arbitrated within the framework of world governance (a super IMF-WTO) to the greatest benefit of the private oligarchies, who are not constrained by Nation-States (or what is left of them!).
- Inability to reconstruct a unified IMS, leading to a partial retreat of world trade into regional areas revolving around a predominant currency: the

Euro for Europe and its peripheries, the Dollar for North and South America (with the possible counterweight of Brazil in South America), the Yen and Yuan in stepped-up monetary cooperation in Asia. In this hypothesis, a return of protectionism (on the regional and not national scale) is inevitable: the international division of productive processes will be forced and constrained to shift from a global to a regional scale. International trade in ordinary goods will be largely constrained by this new regional world order. Inter-regional trade of high-tech goods will give rise to State to State negotiations on a case by case basis, which is already often the case. In this scenario, we are moving towards a managed re-globalisation in which the States play the predominant role and world regulation is carried out through managed mechanisms to the benefit of the State political elite, private oligarchies being on the defensive and having to accommodate the States.

*Advanced Status...
with or without Advanced Practices?*

In both scenarios, Euromed relations will have a window of opportunity for the forthcoming decades, more obvious in the case of managed re-globalisation, more conditional in the case of market-based re-globalisation. But will the Euromed Partners succeed in taking advantage of such opportunity to improve their position in the hierarchy of territories? Will they manage to establish mechanisms to discourage shareholder strategies and encourage entrepreneurial ones? The advanced status the EU proposes for its Southern Mediterranean Partners (already implemented in the case of Morocco) could be an advantage in this process, but is by no means a guarantee of success in and of itself. If it allows the implementation of advanced practices among the economic actors and their political-administrative environment, if it represents an effective shift from a superficial integration approach to an in-depth one, it will certainly be an important factor for the development of the South in the international post-crisis environment. These advanced practices could trigger a rise in status within the international division of production processes and an improved position in the value chains, as Turkey has succeeded in doing over the past 20 years (going from a simple capacity subcontracting position to a specialized or intelligence subcontracting status,

to the point of creating its own brand names). But if advanced status does not provide a framework for the implementation of advanced practices, it will soon turn out to be a new gadget for diplomatic congratulation, inevitably bringing renewed disillusionment to Euro-Mediterranean relations.

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