SOCIO-ECONOMIC REALITIES
THE MARK OF INEQUALITY

With around 30% of world GDP on average over the last few years, the Euro-Mediterranean hub plays a pivotal role in the global economy. But this aggregation of national GDPs hardly disguises the profound economic imbalance between the northern and the southern shores of the Mediterranean. The world GDP share of the European Union alone is close to 28%, a fact which relegates the southern shores to the background. Whereas the geographical distance between Spain and Morocco is minimal, for instance, per capita GDP in Spain is five times higher than in Morocco.

More refined observation also reveals that there is a "South" in the North – Albania in particular – and a "North" in the South – Israel in this case. It is observed furthermore that there are considerable inequalities in Mediterranean societies on the whole, with the exception of France. But despite the obvious socio-economic differences, it must be pointed out that growth has been more buoyant in the countries in the south and east than in the northern Mediterranean countries in the period from 2000 to 2009. Many years of higher growth would be needed, however, for these countries to make any significant headway in closing the gap with the North, quite apart from the fact that that growth would have to be more self-sustained and thus less sensitive to external hazards. The gap seems to be narrower when it comes to human development indicators (HDI): Europe has been optimising its performance in the social and health fields for quite some time, while the southern and eastern Mediterranean countries are making significant progress.

LOW FDI

The gap in foreign direct investment (FDI), which is both a symptom and a cause of these disparities, is a concrete expression of the economic gulf between the northern and southern shores of the Mediterranean. Europe attracted some 46% of global FDI in 2007, whereas the southern and eastern Mediterranean countries hosted 3%, which was just slightly higher than the figure for sub-Saharan Africa. This is due partly to a climate that is inconducive to business in the South and East, where geopolitical obstacles persist, particularly in the Near East. Although Turkey and Israel are in that region, these two countries host the bulk of the FDI of the southern and eastern shores. In the other countries, FDI is often limited to the traditional rent sectors (real estate, hydrocarbons and tourism). This is the case in Lebanon and Egypt in particular, where FDI is progressing substantially. The fact that so little FDI is attracted to industry unfortunately is not compensated by local investments, since savings tend to leave the countries, as does the labour that is not absorbed by a system where jobs are lacking.

The wide diversification of the countries of origin of FDI in the last few years must further be underlined. Whereas European countries are still the main investors in the southern and eastern Mediterranean countries, the Gulf States have stepped up their investments and US investments are still substantial. European commitment is low, however, when compared to US and Japanese FDI in countries in their immediate vicinity. Whereas less than 1% of European FDI is effected in the southern and eastern Mediterranean, 17% of US FDI was effected in South and Central America in 2007, while 20% of Japanese FDI was effected in Japan's Asian periphery.

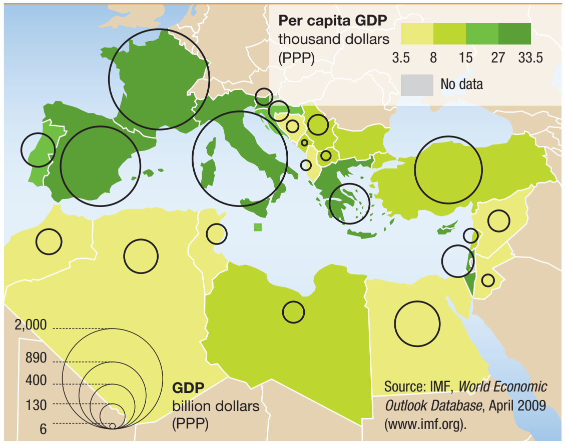
And finally, the larger share of the gross agricultural product (GAP) in total GDP, which is a further expression of the gulf between the two shores, highlights not so much the dynamism of the agricultural economies in the southern and eastern Mediterranean countries as the relative anaemia of the other sectors. Nor does this analysis of the gross agricultural product mean that agricultural activities are not important in the Mediterranean countries in the European Union. The added value that this activity creates is still significant in absolute terms. Furthermore, the farming sector contributes considerably to the agro-food industries, which are veritable flagship sectors of these countries' economies, while it has become a major consumer of industrial products.

THE KNOWLEDGE ECONOMY – A WIDENING GULF?

Knowledge and innovation are now more central to production processes than ever before – to the extent that one refers nowadays to the knowledge-based economy. Here again, there is a marked gulf between North and South, development in this field being uncertain and variable in the South. Given that the technologies involved, and the knowledge-based economy as a whole, are central to production, processing and distribution processes, the North-South development gap could widen.

The Knowledge Economy Index defined by the World Bank is a valuable tool for evaluating how that economy is developing. It is actually measured on the basis of a database containing 80 structural and qualitative variables for 128 countries that are grouped in four main components: innovation, human capital, ICT and economic incentives. The index is the simple average of the values of the four knowledge-based economy components and reveals access potential to that economy, i.e. a country's ability to generate, adopt and disseminate knowledge as it develops. In the present case it confirms the North-South gap as regards access to the knowledge-based economy. It also provides a means of measuring recognised differences amongst the

GDP, 2007



Source: IMF, *World Economic Outlook Database*, April 2009 (www.imf.org).

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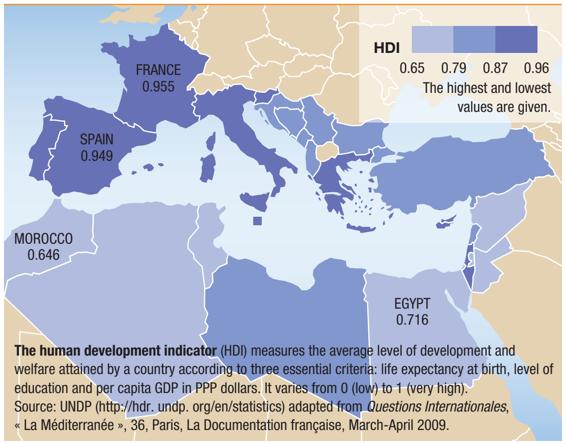
HUMAN DEVELOPMENT INDICATOR, 2006



The human development indicator (HDI) measures the average level of development and welfare attained by a country according to three essential criteria: life expectancy at birth, level of education and per capita GDP in PPP dollars. It varies from 0 (low) to 1 (very high).
Source: UNDP (http://hdr. undp. org/en/statistics) adapted from *Questions Internationales*, « La Méditerranée », 36, Paris, La Documentation française, March-April 2009.

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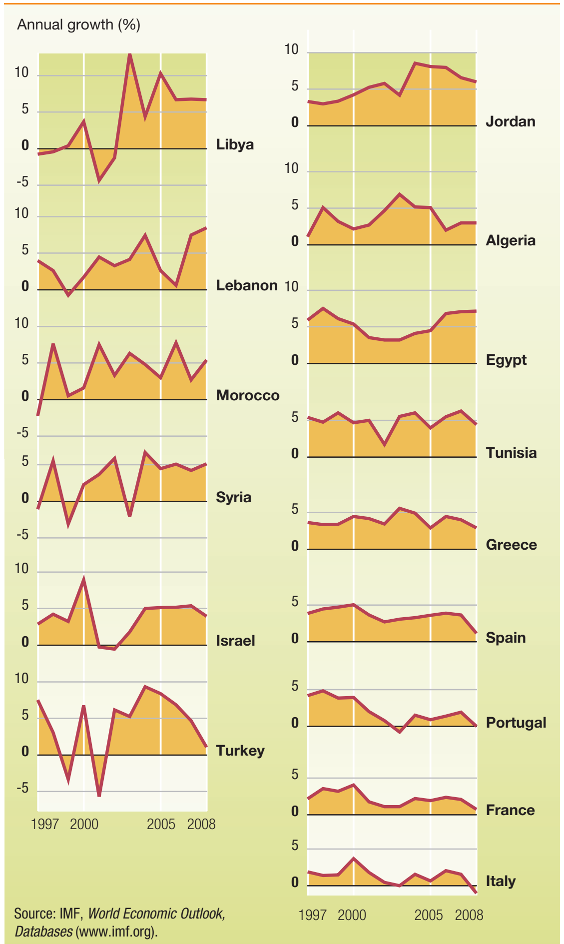
GDP GROWTH, 1997-2008



Source: IMF, *World Economic Outlook, Databases* (www.imf.org).

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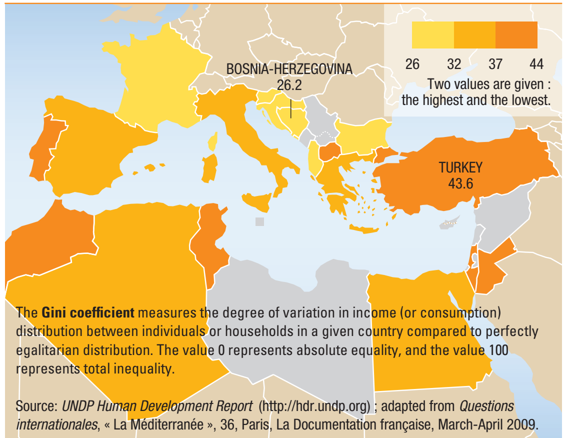
THE GINI COEFFICIENT



The **Gini coefficient** measures the degree of variation in income (or consumption) distribution between individuals or households in a given country compared to perfectly egalitarian distribution. The value 0 represents absolute equality, and the value 100 represents total inequality.

Source: *UNDP Human Development Report* (http://hdr.undp.org) ; adapted from *Questions internationales*, « La Méditerranée », 36, Paris, La Documentation française, March-April 2009.

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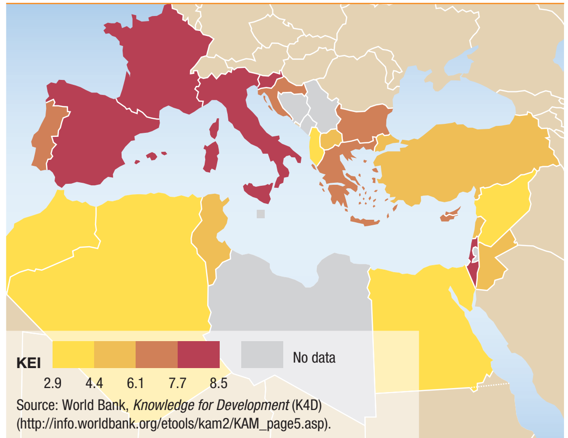
STATUS OF KNOWLEDGE, 2008



Source: World Bank, *Knowledge for Development* (K4D) (http://info.worldbank.org/etools/kam2/KAM_page5.asp).

Atelier de cartographie de Sciences Po, 2009 southern and eastern Mediterranean countries: whereas in Syria and Algeria performance is compromised by a veritable lack of incentives, in Albania it is the innovation mechanism that is lacking.

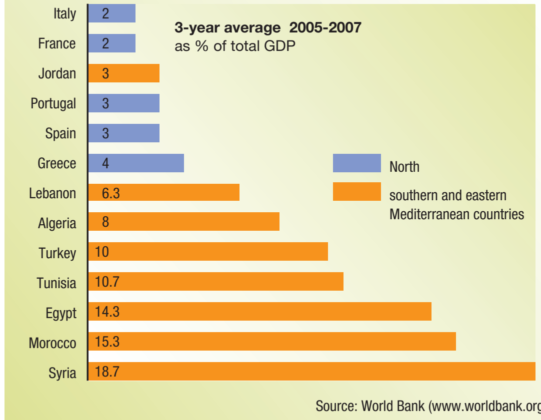
SHORES DRIFTING APART: A LOOK AT HISTORY

The acceleration in development in the northern Mediterranean countries, many of which were already industrialised, is a recent phenomenon. It began after World War II in a context of reconstruction, which was facilitated in particular by the implementation of a social market economy. It began later, but the graph was steeper, in Spain, Portugal and Greece, boosted in part by integration into Europe, where redistribution policy was all the more effective since it was implemented in regions that were already developing.

In contrast to this economic takeoff, most of the southern and eastern Mediterranean countries seem to be struggling to overcome their underdevelopment. The fact that these countries are not overendowed with production inputs in the form of land and water may have impaired their economic performance. In particular, the development avenues for which they opted in the 1950s and 1960s, when the economies in the North were taking off, did not achieve the expected results: the recovery in the agricultural sector, which was often based on agrarian reforms combined with large-scale hydraulic engineering projects, had mixed results, while in the industrial sector the models chosen, whether based on import substitution or industrialising industries, failed. There was thus no, or practically no, resurgence and diversification of branches of industry that were in a position to broaden the industrial fabric and to focus on products with higher value added. Since production inputs, which were financed through oil exports in the 1970s and 1980s or through loans contracted with banks that were bulging with petrodollars at the time due to the rise in oil prices, were not sufficiently developed, they did not provide the means of repaying a debt that had become too heavy. In order to obtain the foreign exchange needed for repayments, these countries thus had to accept structural adjustment programmes from the second half of the 1980s onwards, whose short-term effects brought a decrease in public expenditure, which was supposed to slow down demand and thus imports. Unfortunately, this State divestment came about at a time when rapid population growth would have required sustained efforts to provide facilities and services, quite apart from the fact that mass unemployment – particularly amongst young people – which the private sector was unable to contain, could no doubt have been prevented through job development in the public sector.

The economic problem today lies less in the investment capacities of the countries concerned – which have often had balance of payments surpluses since the structural adjustment plans have been implemented – than in the confidence of economic actors. The challenge that most southern and eastern Mediterranean countries face is thus to create that confidence, which is conducive to investment, and to improve redistribution policies. Cooperation with the countries on the northern shores and thus with the European Union serves as a catalyst for development in these countries. But while Europe can offer them investments and markets, the countries in the south and east themselves are not devoid of assets for a Europe that is seeking market outlets and labour. It is indeed imperative that a sphere of Mediterranean co-prosperity be created in the context of globalisation that is tending to shape major economic regions. ■

AGRICULTURE IN GDP FORMATION



Source: World Bank (www.worldbank.org).

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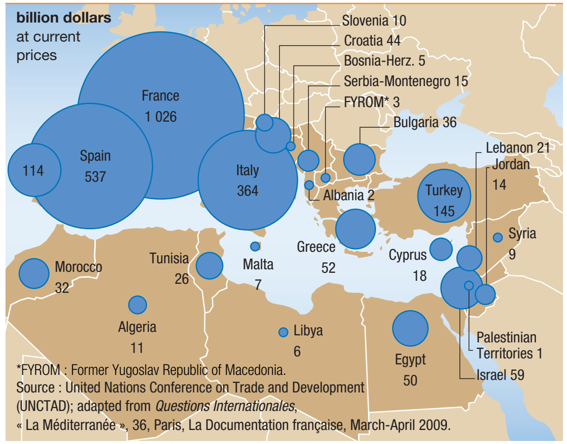
INWARD FDI STOCK, 2007



*FYROM : Former Yugoslav Republic of Macedonia.
Source : United Nations Conference on Trade and Development (UNCTAD); adapted from *Questions Internationales*, « La Méditerranée », 36, Paris, La Documentation française, March-April 2009.

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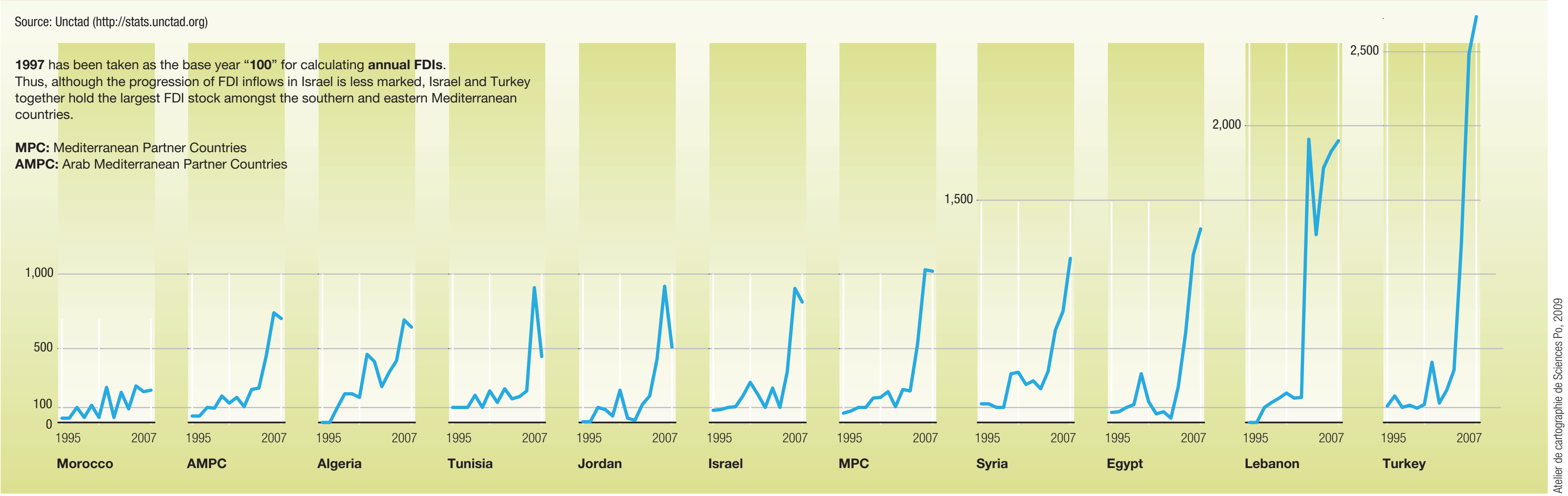
GROWTH IN INWARD FDI STOCK BY COUNTRY, 1995-2007



HIDDEN ECONOMIC GAPS: THE CASE OF LEBANON

As in many countries in the region, socio-economic development in Lebanon is extremely uneven. In 2002, the United Nations Development Programme (UNDP) published very interesting statistics on the subject including the human development indicator (HDI), which is measured for the various Lebanese governorates (muhafazats).

The figures clearly illustrate that only the governorates of Mount Lebanon and Beirut have indicators higher than the figures for Lebanon as a whole (they both have an indicator of 0.74), whereas the governorates of North Lebanon (0.64) and South Lebanon (0.68), Nabatieh (0.66) and Bekaa (0.66) are below the average indicator, which is estimated at 0.71. The poverty indicators show a similar trend, ranging from 14.3 in North Lebanon to 6.3 in Beirut.

This imbalance has historical, economic and geopolitical causes: Beirut, which was established as the decision-making centre (and thus the economic capital) at the end of the 19th century, and the adjacent Mount Lebanon region had access to education, which was provided by missionaries, earlier than the other regions. Feudalism continued to prevail in the peripheral regions in the first half of the 20th century, with a very unfavourable system of share cropping. After independence in 1943, the liberalism that prevailed in Lebanon followed by the civil war tended to sacrifice the productive sectors (agriculture and industry), which were established mainly in the peripheral regions, and this further exacerbated the gap between Beirut and the peripheral regions.