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## The Mediterranean Rim - Looking for a Growth Engine

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## Introduction

The Mediterranean rim contains 20 countries, a population of around half a billion people or 7% of global population, and accounts for 10% of global GDP.<sup>1</sup> This region has had some of the fastest growing Emerging markets in the 2000s. Yet, in contrast with its central historic position, today the Mediterranean Sea mainly functions as a transport route between Europe and Asia – as underlined with China’s purchase of Piraeus port as part of its Belt-and-Road Initiative (BRI). This article briefly examines the current state of economic relations around the Mediterranean and notes the absence of regional growth engines that in line with the “flying geese” metaphor of the Asian model helped boost prospects in south East Asia. Based on their size, and wide regional trade and investment networks, Italy and Turkey have the potential to play the role of a growth engine in the region, but current domestic economic and political constraints and global trends make this unlikely for now. There are however, other dynamic factors in play. Although the EU and the Gulf are the main investors in the region, a

major source of new investment seems to be from China, mostly in energy and infrastructure. But this has to be managed carefully, especially by non-oil economies which have large trade deficits with China. In addition, a new development over the past decade has been the contribution from region-wide investments of firms based in the southern and eastern Mediterranean (SEM) economies – a trend that is likely to be boosted by the current revisions to the rules of origin that will help reduce barriers to intra-regional trade.

## The neglected Mediterranean...

The wave of global integration in the 2000s mostly passed by the Mediterranean rim with the national economies on its shores looking elsewhere for growth. This was the case with the southern EU members which turned away from the Med as the centre of gravity of the EU single market shifted north. This process began with the southern enlargement of the EEC in the 1980s and accelerated with the establishment of the Euro and the EU eastern enlargement in the 2000s.<sup>2</sup>

Since the mid-1990s beginning with the Barcelona process, various EU initiatives recognised these problems but the “Enlargement lite” model failed to reverse the centrifugal dynamic away from the Mediterranean. Back in 2002 the European Commission proposed to offer full access to the EU single market to constitute a Euro-Med Economic Area similar to the present European Economic Area. This path, as Andre Sapir suggested would mean “the Mediterranean countries would effectively share everything but institutions with the EU”.<sup>3</sup> But this opportunity was missed. Meanwhile, the agglomeration effects of the EU single market continued to operate sustaining the gap with the EU periphery across the shores of the Mediterranean.<sup>4</sup> The Eurozone crisis followed by lingering slow growth, high unemployment and debt in the southern EU economies reinforced this negative dynamic. Outside of full membership, the EU has been unable to cohere constructive economic policies towards its periphery. In its place, there has been increased “securitisation” of EU strategy towards the Mediterranean that has become a dominant feature since the 2015 migration crisis.

As the EU turned inwards and Turkey struggled to keep its foot in the single market with the EU/Turkey Customs Union since 1995, growth trends in the southern and eastern Mediterranean (SEM) economies mostly tracked oil prices and looked to the rapidly growing Gulf economies that have become major investors in the region – a trend that has accelerated since the Arab Spring. However, the decade of liberalisation and growth in the 2000s benefited only a narrow section of the population given the oligopolistic structure of these economies. The regime changes in 2011 in Egypt and Tunisia, have begun to chip away (more in the latter than the former) at this structure that continues to limit competition in the domestic market, fosters corruption and keeps unemployment and social conflict high.

The many free-trade agreements (FTA) with the EU did succeed in increasing trade: exports to the EU from the non-EU economies around the Mediterranean rose to 30-60% of total goods exports, mostly dominated by energy. However, trade between the non-EU economies remains low at around 6-7% of total. Lack of complementarity between their exports is considered a factor keeping non-EU regional

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trade low. Trade costs are high: among the Maghreb economies for example, they are reported to be twice as high as trade costs with EU states.<sup>5</sup> Contributing to this has been the restrictive rules-of-origin measures included in the early FTAs with the EU that are belatedly currently being revised. Also holding back regional trade is the lack of uniformity in rules-of-origin across the many overlapping bilateral and sub-regional trade agreements including Agadir Agreement, Middle East Free Trade Area, Greater Arab Free Trade Area (GAFTA), and bilateral FTAs with Turkey and the US.

The long-running regional conflicts and the ongoing civil-wars in Syria and Libya are adding to the problems and blocking the few transport routes that were active.<sup>6</sup> The slow restoration of Balkan economic links following the collapse of the Yugoslav economy in the 1990s added another fragmented geography to the Mediterranean rim. This low level of integration between the many small markets in the Mediterranean as well as weak rule of law and poor transport infrastructure and logistics have held back vital investments. Interference by powers external to the Mediterranean seeking spheres of influence have tended to further reinforce existing

divisions. These conditions combined to create many sub-regional clusters that perpetuate the fragmentation of the region and undermine its economic potential. The Mediterranean Sea and the countries surrounding it is very far from being the “Sixth continent” as the Turkish writer Cevat Sakir Kabaagcli (also known as the Fisherman of Halikarnassus) once suggested.<sup>7</sup> But can this be reversed?

## The evolution of EU policies

The economic gap between the southern EU economies and the rest of the Mediterranean remains wide though it has narrowed somewhat. At one end, the highest per capita income in France is 5-times the per-capita income of Morocco with the lowest; this is a marginal improvement on 1990 when it was 7-times according to World Bank data in PPP-terms. On the other side, Turkey has managed to “catch up” somewhat with its per capita income around 1.7-times lower than France, compared with 3.5-times in 1990.

But the policy-distance – the approach to the Med – has not improved.<sup>8</sup> In the 1970s, the EEC considered the “development of the Mediterranean basin as a natural extension

of European integration”.<sup>9</sup> There were Association Agreements with Spain, Greece, Cyprus, Malta, Morocco, Tunisia, Algeria, Israel, Spain, Egypt, and Turkey – all considered Mediterranean countries first and foremost. But, with the southward enlargement of the EU, access to the European markets for SEM exports became more difficult as the new EEC/EU members shaped EU policies to reduce competition – mostly in agriculture – from the rest of the Mediterranean. Any preferential benefits the latter had were further eroded with the Uruguay round (GATT94) that liberalised trade in textiles, clothing and agricultural products – the key growth sectors of the SEM economies.

The 1980s saw a further change in EU policies where-by “integration” implicit in Association Agreements of the 1970s were replaced with the concept of “partnership” and a more conditional relationship. This politicised trade and investment relations as seen with the collapse over disputes around tomatoes and fishing rights of the Euro-Maghreb Partnership between Spain and Morocco agreed in 1987. The eruption of the Algerian civil war in the early 1990s also cooled European investor interest in the southern Mediterranean. Despite the

Barcelona process initiated in the mid-1990s, the EU-Med Association Agreements and the most recent initiative, the Union for the Med, the EU has lost market share in the region to others including the BRICs. While Chinese banks increased their presence in the region, EU banks’ activities, restricted by new regulations including stricter anti-money laundering measures, declined after the global financial crisis. Although the EU remains the primary trade partner for all the Mediterranean rim economies, China has shot into second place with many SEM countries.

EU investment in the region is supported by an extensive array of multilateral and regional development banks including EIB, EBRD, and African Development Bank, as well as bilateral development funding – mostly to infrastructure, supplied by such entities as France’s AFD. EBRD has become a major lender in recent years since its remit was expanded to SEM at the Deauville Partnership summit in 2011; some recent projects include Egyptian copper cable manufacturer; clean-up of Lake Bizerte and waste-water treatment plant in Tunisia; water authority (WAJ) in Jordan; PPP funded Elazig hospital and, jointly funded with Italy’s UniCredit, electricity

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distribution in Turkey. But the level of investment remains inadequate. Excluding Israel, SEM attracted around 2.4% of global FDI in 2015. The EU is the main investor in the region, but ex-Israel and Turkey – the two top FDI recipients in the region, EU countries only allocated 3% of total FDI to the SEM economies. This compares with an average of 20% of total investment by US and Japanese firms in their “southern” neighbourhood.

## Role of southern EU economies

The Mediterranean rim has always been an important market for the Southern EU-4 (SEU4) France, Italy, Spain, Greece. It accounts for 25-30% of total trade of SEU4; of this 10-15% of total trade is with each other and another 15% with the non-EU Mediterranean. It could be much higher. For example, studies show that based on size and distance of the economies, the volume of trade between the EU and the Middle East and North African economies could be 3.5 to 4 times higher if the level of integration were the same as in the EU.<sup>10</sup>

The SEU4 could be expected to be engines of regional trade, investment and growth in

“their south”. This could follow the “flying geese” metaphor in Asia, where Japan, Korea and China’s investments have rippled across neighbouring countries establishing global value chains (GVCs) and boosting economic development in South East Asia.<sup>11</sup> Among the bigger regional economies that could play this role, France stands out as the biggest investor in the region. But, it is focused mostly on the Maghreb with finance and energy the main sectors in the wider region. Spain has made an impressive recovery from the Eurozone crisis and Spanish firms are increasingly active in forging supply chains in Morocco. But, historically Spain’s big investments have been directed to Latin America. Israeli economy would have good complementarity with its Mediterranean neighbours but remains largely isolated due to the continued Palestinian conflict. Egyptian economy has some strong corporates with regional investment networks (see below) but is currently struggling to overcome deep political and structural problems. Among the EU members, it is Italy, and among the non-EU economies, it is Turkey, that have the widest trade and investment reach.



## Growth led by the Mediterranean economies with wide regional reach?

Italy's regional and sectoral economic footprint spans from North Africa, to Eastern Med and Turkey, to the Balkans. Italy's biggest bank Intesa has operations throughout the Balkans and remains in Egypt unlike several European banks which exited since the Eurozone crisis. Italian clothing, automotive, and consumer durable brands and giants such as ENEL and ENI invest throughout the Mediterranean and it was the latter that discovered the massive Zohr gas field off the coast of Egypt. Italy has struggled to improve its lacklustre growth and hit hard by the Euro-zone sovereign debt crisis is yet to regain pre-crisis GDP levels. However, in 2017, there were some signs that this could change with the start of the much-delayed restructuring of the Italian banking sector, a more flexible approach to fiscal rectitude by the European Commission, and an export spurt (despite the hit to Russian exports due to sanctions). Of the non-EU Mediterranean economies, Turkey is the one that trades, transports and invests the most in the Mediterranean rim and developments just prior to the Arab

Spring showed that it could be another growth node for the region.<sup>12</sup> Around half of Turkey's total trade is with the EU; 10% with SEU4; 15% with Mediterranean rim as a whole. Turkish services exports are also high including media and entertainment, construction and logistics, education, health, and tourism. Turkish governments took seriously the plan to establish a EUROMED free trade area by 2010. FTAs were agreed with every country (except Algeria) in addition to its 1995 Customs Union with the EU. In June 2010, a high-level Strategic Council with representatives from Turkey, Iraq, Syria, Jordan, and Lebanon had met to move from bi-lateral FTAs into EU-style multilateral mechanisms; prior to the Syrian crisis, the establishment of visa-free travel with Syria, Lebanon, and Jordan had doubled trade volumes.

...but the time may not be right

However, for now, neither Turkey nor Italy seem capable of playing the role of a growth engine in the region. Both are vulnerable to the current global tightening of liquidity. To restore growth and contain its high public debt, Italy needs to pursue structural reforms – similar to those required in many

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Mediterranean economies – including labour market and fiscal reforms and measures to loosen the hold of patronage relations, reduce corruption and barriers to competition, strengthen rule of law, and increase transparency. The new Five Star/League coalition government seems focused on boosting growth. But its policies, including paring back pension reforms that would increase budget spending and debt, have alarmed international investors and triggered repeated bouts of sell-off of Italian sovereign bonds. With some of the highest unemployment rates in Europe, policies have also turned strongly anti-immigrant, reinforced with penalties on companies that move production off-shore. The protectionist tone of policies would suggest the Italian economy is unlikely to contribute much to boosting regional investment for now. Nevertheless, political instability is a persistent feature of Italy, and it is possible that a fiscal stimulus led growth spurt could still contribute some dynamism to the region.

The Turkish economy presents a more difficult picture, having bungled into a currency crisis in May that has deteriorated over the summer. The regional instability since 2011 and rising domestic political

pressures since 2013 had already undermined regional relations and the failure to adjust policy to the harsher global environment since the global financial crisis had built up economic imbalances. For the Turkish economy to function as a driver of investment and growth and expand its regional network of GVCs, it needs firstly macro-economic stability but also structural reforms to increase national savings, improve competition, and technological upgrading.<sup>13</sup> There is a high risk that increased centralisation of power, and associated governance problems, in addition to tensions with major trade partners including the EU and US could hamper this transformation. Nevertheless, the Turkish economy has been here before. Its structural strengths including a large internal market, diversified exports, and low public debt have provided resilience and a rapid recovery from economic and political shocks in the past. This suggests an ongoing potential to function at least as a sporadic motor of regional growth.

## GVC and connectivity across the Med remains low

Regional links around the Mediterranean are tracked in a Global Connectedness Index (GCI) that ranks 140 countries' level of globalisation according to the size of their trade and geographical distribution of the flow of trade, capital, information, and people.<sup>14</sup> It shows – not surprisingly, that the European region was the most connected in the world. However, all the EU countries in the top-10 were from northern EU; along the Mediterranean rim, France, Spain and Italy made it to the top-25 along with Israel, then comes a group led by Greece and including Cyprus, Lebanon, Turkey, and Jordan in the second upper quartile; north African economies were ranked below the mid-point.

Connectivity in the Mediterranean is most developed in the energy sector which dominates north-south trade with some 7,000 km of gas pipelines that cross the region. However, there are still major gaps in regional links. The lack of a pan-Mediterranean electricity grid was one of the causes of the failure of two ambitious EU

backed multilateral projects – the Desertec and the Mediterranean Solar Plan (MSP). It is still not complete: a project to link North Africa and EU electrical grids via Italy is ongoing, but the Syrian crisis is holding up connecting the Eastern Mediterranean grid to Turkey that would then link-up to the EU grid.<sup>15</sup> The new gas field discoveries in the eastern Med that could increase this connectivity possibly reaching the Turkish and Balkan markets look set to be delayed by political conflicts.

Research on GVCs confirm the pattern revealed by the GCI.<sup>16</sup> Compared with Germany, the integration of Italy (and France) into GVCs is low, indicating that the southern EU economies have lagged in taking advantage of gains from trade liberalisation (such as increased specialisation, scale) in increasing productivity. Moreover, amidst some signs of re-shoring of manufacturing (most evident in the UK data), since 2011, southern EU economies themselves (Portugal, Spain, Italy, Greece) have lost out as location for off-shoring.<sup>17</sup>

For the SEU4, increased inter-industry linkages with southern-Med could help to restart a new cycle of investment and growth and to overcome SEU4 competitiveness

problems. These links had begun in the 1980s/early 1990s, but the direction shifted as investment flowed into Eastern Europe (and China). Since then, in its place, the EU has imported labour from the Mediterranean-rim countries. The SEU4 have been the first port of call for mostly unskilled labour from the southern Med (while skilled labour from southern EU migrated north). But this option has become increasingly difficult to sustain politically despite the obvious complementarity of demographic trends (aging northern Med, younger southern Med). On the other hand, given the negative demographics (and high levels of outmigration) and rising labour costs in East Central Europe, this may be a time to revisit the southern-Med as an investment destination. The opportunities also include investment in this region as a base from which to reach the rapidly growing Sub-Saharan African markets, as China has discovered with its investment initiatives in Morocco.<sup>18</sup>

For the economies on the southern and eastern shores, participating in global value chains (GVC) can increase productivity, help overcome middle-income trap barriers, and counter trends towards de-industrialisation.<sup>19</sup> EU supply chain linkages

are most developed with Turkey, Morocco, and Tunisia. For example, Italian FDI in Tunisia in chemicals, electrical, and footwear industries employ 55,000. Indeed, among the southern and eastern-Med economies, Tunisia has the widest and most diversified trade relations with half its exports going to SEU4 and Turkey and Italy its main trading partners. Moroccan agriculture's integration into the EU food-supply chains is mostly intra-firm (with mostly Spanish firms). But it is not just agriculture, the automotive sector in Morocco has recently seen significant French FDI (Renault) and European investment in aeronautics has spawned extensive supplier networks creating jobs. In telecoms, Gulf investors have the widest remit but France Telecom has investments in Morocco, Tunisia, Egypt and Jordan. In Turkey, there is a broader range of inter-industry linkages. But even there, a recent OECD report highlighted the low level of GVC participation relative to its East European neighbours.<sup>20</sup> Adding to the problems associated with GVCs are barriers in logistics, transport infrastructure, and non-tariff barriers as seen with the long delays for Turkish lorries on the Bulgarian and Austrian borders to enter the EU despite

the customs union freeing trade in manufactured goods.<sup>21</sup>

## Leaving more scope for south-south connectivity and China?

High debt levels and low growth since the global financial crisis and the Eurozone sovereign debt crisis have undermined the potential for the SEU4 to play a transformative growth role. Nor does the outlook seem promising given the inward-looking protectionist political currents in the ascendance in several EU countries. But even before these recent trends, the non-EU Mediterranean had come to be seen as a high-risk destination due to political instability and difficult business environment adding to the lingering culture of mistrust on both sides from the historical legacy of colonialism. However, over the past decade, two new trends have emerged that are less affected by these issues.

One is increased regional interest by China as part of the BRI and second is increased south-south investment and reverse flow of investment from the south to the northern economies of the Mediterranean. This is evident not just in the bigger economies

such as Egypt and Turkey but also smaller ones such as Jordan and Lebanon. Egypt has a number of enterprises with a multinational scope that invest in the region. These include Elsewedy Electric with production units and joint ventures around the Mediterranean including Lebanon, Syria, Slovenia and Spain. In telecoms Egypt's Orascom has operations in Cyprus, Malta, Italy and Algeria. Egypt's nascent tech-scene – where the UAE is an active investor, has also produced entities such as an Egyptian digital health-care platform, Vezeeta, that has expanded to Jordan and Lebanon. Jordan is developing its pharmaceutical industry as a regional hub with local firms having invested in manufacturing facilities and R&D centres in many countries including Jordan, Algeria, Egypt, Tunisia, Italy, Portugal and Turkey. Although the Gulf states are the main investors, the number of Turkish companies operating in Egypt had more than tripled during 2004-10 and were employing 40,000 Egyptians.<sup>22</sup> In services, Turkey's TAV is operating airports in Georgia, Tunisia, Macedonia, and Croatia. Algeria's Sonatrach is investing in a major chemical facility in Turkey. Recent news from the Turkish Foreign Economic Relations Board (DEIK) reported several investments in the

Balkans and a Turkish solar panel manufacturer investing in Palestine.<sup>23</sup>

Although it is early days, China's investments in the region – mostly in energy and infrastructure, could be potentially a game changer to improve regional logistics and trade. Some countries such as Algeria have had China as a major investor for over a decade. However, Chinese interest in the Mediterranean region has recently accelerated around the BRI. Plans for a string of investments in the western Balkans has followed the purchase of Piraeus port in Greece, extending the transport route to Hungary. In addition, China's mega state entity Cosco has taken a share in Turkey's third biggest container terminal, Kumport in western Turkey. China (along with Russia) is a major investor in the Suez Canal Economic Zone in Egypt which is set to become an industrial and logistics hub on the newly expanded Suez Canal shipping route. The list goes on, with a recent visit by President Xi to Abu Dhabi adding another promised \$23bn of loans and aid, including for reconstruction of conflict economies such as Syria.

However, while the boost to infrastructure in the region is welcome, the BRI project has some risks that need to be managed. One is

the build-up of debt to finance the large projects which sometimes is politically rather than commercially motivated, as seen with the example of the \$20bn East Coast Rail link in Malaysia. Second, outside of hydrocarbons, exports to China from the region remain limited. In addition, Chinese manufactures – in consumer goods such as textiles, shoes, and household goods, are likely to threaten the very sectors that make up the local industrial base of non-oil economies. In response to Turkish complaints regarding its big trade deficit with China, Chinese authorities promised to import Turkish cherries, adding reassuringly that China is a big place! Hence, especially the energy importing economies in the Mediterranean need to approach these opportunities carefully and resist the temptation to see it as the easy answer to the region's problems.

## Conclusion

Major obstacles remain to the regeneration of the Mediterranean basin as a global investment destination. These include all the legal and political difficulties of doing business and the growth roller-coaster of the bigger economies. There is also the seeming existential crisis of the EU which will have

to be overcome. 2014-20 EU Neighbourhood Investment policy with a budget of Eur18bn allocated two-thirds to the southern neighbourhood. But EU policies need to do more such as re-construct a flexible version of a Euro-Med Economic area that had been mooted back in 2002. Admittedly, with protectionist trends on the rise globally, and reduced popular support for trade liberalisation in the SEM countries as well as the EU, this is not likely to happen soon.

However, this essay has argued that if these economies are to grow, there is no alternative but for these littoral states to cooperate in trade and cross-border investments across the Mediterranean. There will be no solution to the refugee crisis, high unemployment and political instability without investment and growth all around the Mediterranean. Despite the deep political rifts in the region, there seems to be some recognition of this. Turkey – which supported Kosovo independence, is a major investor in Serbia. Despite the collapse of the Syrian economy, the Lebanese banks present in Syria have stayed on. In early 2017, a British-Israeli entrepreneur established his on-line freight company in Ramallah staffed by Palestinian software

engineers. Despite the anti-immigrant debate currently gripping the EU, there are moves towards new thinking on the circulation of labour around the Mediterranean beyond the migrant/refugee/security nexus.<sup>24</sup> More of this tradition of compromise and willingness to try new ideas and continue with economic exchange is needed. Some political problems may never be solved, but economic progress can make them easier to manage.

According to UNCTAD, the past five years has seen Turkey and North Africa attracting more FDI than Eastern Europe with China adding to the traditional investors from the EU and the Gulf. In Eastern Europe itself, firms are looking abroad and a recent conference in London discussed Czech investments in the southern Mediterranean. In addition, nimble corporates from non-EU Med economies are investing all around the shores of the Mediterranean. This will be supported by greater coordination and uniformity in the rules of cumulation of the “Pan-Euro-Mediterranean preferential rules of origin” (PEM convention) that should boost regional trade. Today the “geese” leading the flight in South East Asia also include firms from Indonesia, Malaysia, or Thailand investing in Viet Nam and

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Cambodia. There may yet be a  
Mediterranean take on this metaphor.



## Notes

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<sup>1</sup> For more data see Litus Advisory, *The Mediterranean Growth Initiative*, 2016.

<sup>2</sup> The Uruguay Round (GATT94) further eroded Maghreb's preferential position in the EU market in food and textiles. See Leslie Budd, "Economic development and the EU Periphery", in Noel Parker, Bill Armstrong (eds), *Margins in European Integration*, Basinstroke: Macmillan Press, 2000.

<sup>3</sup> Andre Sapir and Georg Zachmann, "Eastern European Lessons for the Southern Mediterranean", *Bruegel Policy Contribution*, July 2011.

<sup>4</sup> This dynamic also operates within the EU – despite the income transfers from the EU budget in the form of structural funds-- creating periphery sub-regions "that have become economic shadowlands: for example, the Eastern lander of Germany, the Mezzogiorno in Italy, parts of the north-west of England and Wales". Ibid, p75.

<sup>5</sup> Filippo Biondi, "Promoting intra-regional trade in the south of the Mediterranean", *Bruegel*, December 2017.

<sup>6</sup> For example, as my colleague Agathe Demarais has pointed out, Lebanon that historically relied on its role as an entrepot economy with extensive inland and Gulf connections, is currently technically an island: its land border with Syria at Masnaa is the only one that is open, but the conditions are too treacherous for meaningful trade and the land border with Israel is blocked.

<sup>7</sup> Halikarnas Balikcisi, "The Sixth Continent", in Miriam Cooke, Erdag Goknar, and Grant Parker, (eds), *Mediterranean Passages*, Chapel Hill: University of North Carolina Press, 2008.

<sup>8</sup> Gonzalo Escribano, "The shrinking Euro-Mediterranean policy space," *Elcano Real Institute*, 14 September 2017.

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<sup>9</sup> European Commission July 1971. Quoted in Mina Toksoz, "EU trade and Aid strategy in the Southern and Eastern Mediterranean", in Parker, Armstrong, op.cit., 2000.

<sup>10</sup> Uri Dadush, Maria Demertzis, Gunt Ram Wolff, "Europe's role in North Africa: development, investment and migration", *Bruegel Policy Contribution*, 2017. Accessible online at <http://bruegel.org/wp-content/uploads/2017/04/PC-10-2017.pdf>.

<sup>11</sup> This concept was first introduced in Japan in the 1930s. For a discussion of the application of the concept to Eastern Europe, See Kalman Kalotay, "The European flying geese: new FDI patterns for the old continent?", *Research in International Business and Finance*, 18:1, 2004, pp. 24-49.

<sup>12</sup> The other potential candidates are Israel and Egypt – beyond the scope of this essay.

<sup>13</sup> World Bank, *World Development Report 2017*, spotlight 6: The middle-income trap, 2017.

<sup>14</sup> Steven A. Altman, Pankaj Ghemawat, and Phillip Bastian, "DHL Global connectedness index 2018: The State of Globalization in a Fragile World", *DHL*. Accessible online at <https://www.logistics.dhl/content/dam/dhl/global/core/documents/pdf/glo-core-gci-2018-full-study.pdf>.

<sup>15</sup> Simone Tagliapietra, Georg Zachmann, "Energy Across the Mediterranean: a call for realism", *Bruegel Policy Brief*, April 2016.

<sup>16</sup> IMF, *Country Report no. 17/238: Italy, selected issues*, July 2017.

<sup>17</sup> Dalia Marin, Reinhilde Veugelers and Justine Feliu, "A revival of manufacturing in Europe? Recent evidence about reshoring", in Reinhilde Veugelers (ed), *Remaking Europe: the new manufacturing as an engine for growth*, *Bruegel*, Chapter 5, 2017, pp. 102-124.

<sup>18</sup> Romano Prodi, "A sea of opportunities: the EU and China in the Mediterranean", *Mediterranean Quarterly*, 26:1, March 2015.

<sup>19</sup> Abdelaaziz Ait Ali, Yassine Msadfa, "Industrial policy, structural change, and global value chains participation: case study of Morocco, Tunisia, and Egypt", in OCP Policy Center and Bruegel (ed), *Seven Years after the crisis and Intersecting Perspectives*, Chapter 4, 2016, pp. 83-115.

<sup>20</sup> OECD, *OECD Economic surveys: Turkey*, 2016. p. 30.

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<sup>21</sup> Financial Times, *Turkey border gridlock hints at pain to come for Brexit Britain*, 16 February 2017.

<sup>22</sup> Telegraph, *Turkish investments in Egypt growing fast*, 15 February 2011.

<sup>23</sup> DEİK, *Türk yatırımcılar Filistin'de solar panel fabrikası kuracak* [in Turkish], 29 June 2016.

<sup>24</sup> Policy Department, Directorate General for External Policies of the Union, *The EU and the Mediterranean Partner countries: renewed partnership?*, Report presented to the EU Parliament, April 2014.