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December 1999

Online at https://mpra.ub.uni-muenchen.de/93421/
MPRA Paper No. 93421, posted 22 Apr 2019 17:53 UTC

The Effects of Introducing the Euro on Southern Mediterranean Countries

Chris Kirrane

Abstract

Since the Barcelona Conference (1995) Europe's Mediterranean policy, without having been called into question, has been a little off track. The creation of the euro will have for the multiple and complex consequences for Greece and southern Mediterranean countries. It is essential for Europe and for Greece to benefit from the introduction of the Euro so they need to review their economic and financial relations in the context of financial liberalisation that both have adopted. It is true that the current flows from the north to south bank Europe (aid, financial movements, FDI) remain, despite the efforts made, insufficient. The euro can help to change financial relations and, as long as everyone wants it, relations of interdependence could be modified. Without calling into question the sovereignty and independence of the macroeconomic policies of Greece, the constitution of a vast Eurozone seems possible and desirable. However, it requires the establishment of a Regional Organisation for Monetary and Financial Cooperation in southern Europe which this paper outlines.

The economic and political relations of the European Union with the countries around the Mediterranean are complex and still far from being totally free from the weight of their colonial past. It must be acknowledged that the diversity of the experiences of the States now associated in the Union does not facilitate the emergence of these questions from a common point of view (Ayari, 1992 and Gautron, 1996). The attainment of independence of the countries of the South and East Mediterranean according to very different schedules and modalities has led the European States to radically modify their organisations.

The flows of trade, goods first, then capital, stimulated by the establishment of the Common Market as the European Free Trade Association, have intensified between neighbours. This phenomenon, characteristic of recent decades, concerns financial movements such as traditional commercial flows (unbalanced) and direct investments (modest and oriented towards a few destinations). It is a strong trend in Europe-Mediterranean relations.

Therefore, it is understandable that it is difficult to rely solely on bilateral or multilateral cooperation agreements and public development aid to ensure that the many Mediterranean countries concerned have a satisfactory level of growth. This leads to a rather bleak picture of current development in this part of the world (Reiffers, 1997).

Despite the strong words and commitments made in Barcelona in 1995, Europe's Mediterranean policy is far from being a firmly established axis of its nascent foreign policy (Bensidoun and Chevalier, 1997). Beyond the very general decisions of mainly public aid, the Barcelona Conference has, it will be remembered, an exceptional position in its conclusions to the effects on development and growth that could be policies achieved by commercial and financial liberalisation (final act of the conference, November 1995). As a result, the commercial component quickly advanced. Thus, Turkey, which had long sought a solution to its development in an increase in its foreign trade and the conquest of new markets, was able to put into effect on 1 January 1996 the Customs Union Treaty with the European Union which is already starting to bear fruit and appears to be a prelude to a still timid and questionable financial liberalisation effects Tunisia and Morocco have also engaged almost simultaneously in a process of liberalisation marked by the signing of free trade agreements with the European Union and by successive trains of reforms (money and financial markets, stock exchanges, financial innovations).

It can be expected that other Mediterranean partner countries will align with these initiatives. The financial dimension of liberalisation, which is always difficult to assess, remains largely open to debate (Akyuz, 1994). It is treated in a cautious and differentiated way by the states concerned, whether it is the choice of steps (Edward, 1984), its size, its limits. These decisions, with major international consequences, are largely the responsibility of the national authorities who strive, according to their own interests, to better control the ins and outs.

The introduction of the euro, in a context of already strong liberalisation, will have for the economies concerned multiple effects, sometimes unpredictable, sometimes also quasi mechanical linked to the levels of current of trade of goods and capital flows. These latter effects can be quite clearly deduced from a serious examination of the situation of the economies concerned. But this exceptional monetary and financial event can also give some (European Union countries) as well as others (Mediterranean partners) new capacities for action if we think about it and we know how to demonstrate 'imagination.

This is the purpose of this paper, during which will first be recalled the expected effects of the creation of the euro. The various components of financial interdependence (currencies and capital, direct investment, aid flows) will then be the subject of a finer treatment, preceding a proposal which seems to us to stimulate the regional use of the euro at the service of the states on both sides of the Mediterranean. It would be excessive, however, to present the South and East Mediterranean Basin Countries as a whole. For the moment, only some of them have been able to bring together in recent years the basic conditions necessary. They have achieved this primarily by relying on their own strengths, by combining more efficient institutions, greater attention to human capital formation, openness, broader external and much needed macroeconomic and political stability.

These countries, faced with many difficulties related to both the stage of development reached and the globalisation of economies, expect much, perhaps too much, from the introduction of the euro. The commercial and financial liberalisation undertaken by them is still partial and fragile. The weakness of their productive and financial systems, the technological backwardness, the precariousness of their public finances, the modesty of their national savings are all sources of concern for which it is far from certain that the euro, alone , can provide the appropriate answers. Properly designed an enlarged Eurozone to these countries appears, however, useful and desirable. It must therefore, in our view, be considered as soon as possible.

It is far from proven that commercial and financial liberalisation is a suitable response to the expectations and hopes of these emerging Mediterranean economies (as in other parts of the world for that matter). Especially since no one knows how to properly measure a 'level' of liberalisation. It is therefore extraordinarily heterogeneous. This is the case in the most developed parts of the world where the process of financial globalisation is at the origin of the very strong instability that characterises international monetary and financial relations. Even more than for the developed countries, this global freedom is a vague and very ambitious goal that imposes new and considerable disciplines while introducing new and worrying risks. Without going into the details of the conditions for successful liberalisation (which can of course be gradual and pragmatic), let us stress the extreme importance of determining a realistic exchange rate that is consistent with the fundamentals of the economies concerned. (We also know the theoretical and practical difficulties raised by such a question). The development of rigorous and economic policies appropriate to respect macroeconomic balances is therefore a key objective. This will also ensure the necessary stability without which the worst is possible. Really free capital will indeed have the possibility of going out as well as entering. The ongoing Asian financial crisis, unfortunately, confirms that many states engaged in the liberalisation of capital movements have seriously underestimated this possibility and the catastrophic consequences of rapid and large withdrawals (Camdessus, 1997).

Will the euro, under the authority of the European Central Bank, be able, in a regional framework structure, to do better than an International Monetary Fund still strongly supported by the dollar? The challenges of the coming years will be to prevent the emergence of new international monetary and financial crises and to intervene quickly and effectively during disruptions. Much remains to be done to organise and control the international use of the euro and in particular to devise ways of intervening to help, if necessary, users outside the euro area (Kirrane, 1994).

The Mediterranean countries are not behind, at least in terms of stated objectives but also by the papers wriitten, on the establishment of conditions for liberalisation. However, the real situation is considerably different. It is in particular the opinion of C. de Boissieu who puts forward serious reasons for these dysfunctions (administrative resistance and delays in the application, lack of dynamism, the fears and brakes of local banks. And, paradoxically, states that we need to accelerate this liberalisation of financial markets by the creation of stock exchanges. Such an institution, which is fairly inexpensive to set up, is supposed to be an effective tool for supplying domestic and capital foreign to companies. This is true, provided that a sufficient number of companies appear and that the volume of liquidity is significant, if we want to avoid excessive volatility and excessive movements of prices that will have a deterrent effect.

The non-existence, apart from Israel and Turkey, of real financial markets in the Mediterranean therefore leads, if we consider that an economy can only be described as emergent in the presence of such an institution, to be put into perspective as emerging Mediterranean countries only eight have a stock exchange.

The difficulties and dysfunctions of these emerging stock markets are known. But it is not easy to go from diagnosis to treatment. The stock market offer from small family-owned businesses will remain insufficient for a long time as economic growth and the importance of domestic liquidity lead to strong and speculative demand. But fluctuating low profitability does not encourage outside investors. Especially as corporate bonds are almost nonexistent, local companies can hardly compete with the attractive conditions of government issued bonds. This is an illustration of the situation called 'crowding out'. As for security, which is essential for a high level of activity, it is progressing without doubt, but with a slowness of a nature to despair the most willing investors.

In short, liberalisation is still too vague, often considered more formally than realistically by the countries we study in this paper. This must be in mind as a detailed analysis of financial liberalisation should cover all capital movements. The flows are divided into three broad categories:
- official development aid, modest for the countries we are interested in here;
- financial movements;
- foreign direct investment.

The latter is a decisive element of growth and its liberalisation is just as important as that of financial movements. The Mediterranean countries are in the process of developing investment codes that set the rules of the game with precision. But the figures available to us confirm that in this area here is also little progress. Overall, a lot of caution is needed and some doubts remain about the real feasibility of financial liberalisation.

The birth, under perfect conditions, of an extended Eurozone should produce remarkable effects which, although well known, deserve to be briefly recalled. The economic and financial relations between the EU and Greece will undergo two parallel developments: the completion of the formation of the single market with the full integration of financial market in the 'euro zone', of which non-member Mediterranean countries will also be a stakeholder, given the intensity of their relations of interdependence with the countries of the Union. With regard to the first aspect, the most common assumption is that the introduction of the euro will act as the final catalyst for the completion of the long transition to the EU's single market. It will also promote the formation of a highly financial business market integrated at European level, far beyond the liberalisation of capital movements and the freedom to establish financial intermediaries already achieved in the early stages of the process. At the same time, the euro will engender the birth of a European financial area, which will soon be integrated and in which innovations leading to greater efficiency will emerge (Kirrane, 1990). Among these innovations, a rebalancing of the different sectors of the financial system is quite likely, with a greater role for institutional investors, which will introduce into the market powerful efficiency and profitability factors (Velo and Zucchella, 1997). The end of the segmentation of national financial markets and the emergence of greater competitiveness on the integrated market scale among the different financial intermediaries will also result in gains in resource allocation, stimulating real investment and the creation of new jobs (Commission of the EC, 1997).

These possible changes to the Union's financial market framework should open up, for developing countries with particularly close relations with the EU, as is the case in the southern and eastern Mediterranean countries, new opportunities to access savings flows mobilised by a strong growing European capital market and, with positive consequences for growth (Kirrane, 1998). The theory indeed teaches that the insertion into a monetary zone whose characteristic is stability improves the allocation of capital and reduces employment costs.

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As for the private part of this market, the processes of rationalisation of investments, enrichment of portfolios with increased risk coverage can generate for these countries new currents of direct investment. Strengthening the presence of institutional investors in the Union's integrated financial market will, in particular, contribute to increasing the international openness of the system, given the comparative advantages enjoyed by this category of intermediaries in international portfolio management. The assessment of these developments must be completed by taking into account the effects of the inclusion in the euro area of non-member Mediterranean countries. According to Bergsten (1997), the conditions for a currency to assume the functions of international money depend on the following five criteria:
a) the size of the economy employing it and its foreign trade;
b) the high degree of independence of its economy from external constraints;
c) the lack of control over financial flows with foreign countries;
d) the extension, organisation and liquidity of its capital markets;
e) the size and stability of its economy in relation to its external position.

By the yardstick of these criteria, it is reasonable to assume that the euro will become one of the main reserve currencies of the economy world, alongside the dollar and the yen (Kirrane, 1996). Not only the performance of the EU aggregate economy, measured in terms of GDP and volume and value of their international trade, is better than that of the United States (38.3% of OECD GDP in 1996 compared with 32.6% 20.9% of world trade, compared with 19.6%), but the degree of openness of these fifteen economies is already higher than the US (the ratio of exports to GDP being in the first case of 10.2% versus 8.2%: Commission of the EC, 1997); this is perfectly compatible with the stability of its external position.

To this must be added that the limited autonomy enjoyed by the Union with regard to its energy consumption is to a certain extent offset by the strong diversification of its sources of supply. On the other hand, a stability factor in the EU economy will be represented by a lower vulnerability of the euro area to exchange rate fluctuations, following the elimination of tensions between European currencies depending on the shocks arising from outside the Union, i.e. the variability of currencies and especially the dollar. In addition, the expansion observed in recent years in the international employment of European currencies, and especially DM, as reserve currencies (from 16 to 20% of the total official world balances between 1983 and 1995), the contraction of the dollar's share in the assets of central banks and international institutions (from 71 to 61% in the same period: Commission of the EC, 1997) suggests that the euro will not have much trouble to assume functions of an international money. Recent studies can even quantify the gains from ‘seigniorage’ the issuance of the euro and its acceptance at the international as the same level as those traditionally enjoyed by the United States through the role of the dollar, or between $15 and $30 billion a year (Sinn and Feist, 1997).

Consider more closely the effects arising for Greece of the euro, first as a reserve currency and secondly in portfolio composition. The first consequence of the constitution of the Eurozone on Greek' reserves will be the substitution of the official assets denominated in the various European currencies, notably the DM and the franc, by the new single currency. From a static point of view, it is possible that the euro cash balances that the Greek Central will have to have are lower than the sum of the old assets in European currencies national. It will no longer be necessary to provide separately foreign exchange reserves for each EU country. Secondly, there is likely to be a reduction in official dollar balances and a parallel increase in the euro as a result of both the strengthening of Greek economic ties with the new currency area and the possibility of adopting the euro as a common currency, according to the proposal that will be present below.

In contrast, the effect of the introduction of the euro on the composition of private portfolios is more difficult to assess. In the long run, the attractiveness of the integrated financial market of the euro, one of the largest and most liquid in the world, will lead to an increase in assets in this currency denomination at the expense of the dollar, a phenomenon that could be considered as an extension of a general trend already at work. Between 1981 and 1995, there has been a diversification of portfolios away from the dollar (from 67 to 40% of the world total) and to the benefit primarily of European currencies (past for the same period of 13 to 37%). However, in the short term, the reactions of private agents to the new currency will depend on the motivations that drive them to hold cash. Behaviours can go one way or the other and some expect strong speculative upsurges. ‘On the one hand, there are agents who, having already acquired European national currencies to diversify risks, hold cash reserves that they consider excessive and want to reduce them. On the other hand, agents who initially had no interest in going into the European financial markets because of their limitations on the dollar market, may be pushed to acquire more, to use the liquidity services of the new currency. It is impossible to make realistic projections of the balance of these behaviours today. In spite of this uncertainty, it must nevertheless be borne in mind that the simple transformation of assets denominated in European national currencies will be sufficient to make the euro one of international units the most widely used for economic agents resident Greece.

Two other areas exist in which the transactions of the Mediterranean countries are likely to assign an important role to the new currency. This is the use of the euro as the billing currency and international currency of indebtedness. The foreseeable and agreement-based increase in trade and financial relations within the EU-led monetary zone will result in an increase of the merchandise trade and euro-denominated debt ratios. Moreover, the use of the euro could be transmitted to the reciprocal relations of the Mediterranean countries among themselves, in the different domains. All this leads us to conclude that the Mediterranean countries will be, with the countries of the CFA franc zone and those of Central and Eastern Europe, one of the main components of the future euro zone, with a use of the new currency which will in any case be high and which will depend on the evolution of the exchange and integration relations with the central core of the EU countries.

However, a broad use of the euro by the Mediterranean countries does imply not that their problems of financing growth will be solved. The preceding paragraph certainly points to some opportunities for cost reduction, a better homogeneity of the monetary space and therefore a greater integration. But disparities in regional growth within Europe, by their size and duration, strongly temper an early optimism (Gasperini, 1989). A global approach cannot suffice. It is therefore important to develop a more regional approach. But the Southern and Eastern Mediterranean Basin countries considered as ‘emerging’ are hardly eligible for international public aid that Europe reserves for other parties of the world. Their external debt, of unequal size, is on the whole modest, at least compared to that of the most indebted poor countries and the euro effect here will be limited. Europe can intervene effectively and a solution based on economic and financial cooperation agreements that would complement the strengthening of trade and monetary flows should not be ruled out. One could usefully draw inspiration from Europe's relations with other regions of the world, and particularly the group of countries "Asia, Caribbean, Pacific" (ACP).

An EU-ACP joint assembly was held at the end of October 1997 in Lomé, Togo. Its aim was to redefine the way Europe's aid was delivered to developing countries. The current agreement (Lomé IV) ends in 2000 and the relationship between donors and recipients should change profoundly. The Marrakesh Accords and the creation of the WTO have in fact lost almost all the commercial benefits that had been granted to the seventy-one associated States. Moreover, the great diversity of their levels of development encourages the Community to introduce a ‘geographical differentiation’ in order to modulate aid which, for the years 1995-2000, is around ECU 15 billion and, taking account into other ambitions of the Union (enlargement to the East), certainly cannot be increased.

Countries around the Mediterranean, most of which are not included in past agreements, should not count on increased generosity from nations less and less inclined to keep aid at its current level. The official figures available for the Mediterranean actions of Europe during the period 1995/1999 (Maghreb, Mashrek, Israel) would not exceed ECU 2.3 billion allocated in a very progressive way. It is also worth recalling that the countries of Central and Europe Eastern(CEECs), half as populous as the Mediterranean countries (and perhaps three times less in 2010), already receive twice as much in various forms of aid.

Community aid is however only one among many, and national contributions are still very important and surprisingly unequal. To be limited to a few cases, the breakdown in 1994 was as follows: With the exception of Greece, all EU members were contributors to international aid policies. In order descending of generosity with great disparities, we find France, Germany, Italy, Holland, Sweden and Great Britain. Three examples of this diversity: Morocco, received a total of about $318 million in 1994, of which 70% came from Europe. France accounted for nearly half of these resources (152 million or 48% in rounded figures), ahead of Italy (39 million), Great Britain and Germany (15 and 11 million respectively). In the same year, Tunisia received net flows of only $72 million. France contributed $77 million to Sweden and Holland (7 and 5 million), a substantial portion of the aid being used to repay older aid (repayments). US $15 million, 11 million to Germany and 6 ... to Japan). Turkey, less well off, has always obtained, in net flows, only $42 million.
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Whatever the method of calculation used, such figures confirm the extreme diversity of situations, for countries whose other characteristics are nevertheless close. Their external debt is thus very reasonable and comparable, as a percentage of the GNP (calculated on the 95 values) from 42.8% for Turkey to 61.7% for Morocco, Tunisia being in just intermediate position at 51, 8%. In 1994, Morocco collected $24 per capita, Tunisia $12 and Turkey $3, respectively 2.2% of GNP, 0.7% and 0.1%. An exhaustive study would probably lead to even greater differences. The united Europe will not be able to defer for a long time a flattening and a redefinition of its policy. The changeover to the euro may, however, be a good time to put into practice the good

arrangements made in Barcelona two years ago (financial cooperation effective, taking into account the specificity of each partner and substantial increase in financial assistance).
From its inception, EMU will have a financial market which, if it makes sense, should be the largest in the world. European bank assets, in 1996 value, will represent $15 trillion, more than double the Japanese market and triple the US market. The Member States will obviously be the first beneficiaries of this progressive unification (integration will be far from immediate). But as some analysts have rightly pointed out (Pratischinasi, 1997), European fund managers will no longer be able to play on the European diversification of their portfolios. They will then be tempted to increase their non-European financial assets, and giving a chance to some emerging Mediterranean markets. It may also be the same for investors and institutions that have become accustomed to playing on currency risks and who may consider non-European currencies. But the lack of attractiveness and credibility of the currencies of non-member Mediterranean countries will allow them, at best, to occupy a very modest place in these new strategies.
Some Mediterranean states, however, will be tempted to appear more frequently on the sovereign bond market. Yields close and, hopefully, influenced in Europe by low credit rates, will make them lose their attractiveness to public securities, for example German or Dutch, which will no longer have the same qualities as the old currencies. There may be a real chance for countries with a suitable rating to be able to raise in euro at least a portion of the money they will need in the coming years with greater ease, at more advantageous rates and with an excellent guarantee of stability of the borrowed currency. Similar reasoning could be followed about the evolution of the large bond market. The change in size should be positive and accelerate the placement of securities that are still primarily marketed in a national framework. This movement should result in a lowering of the remuneration offered by the best-ranked European companies (which will benefit from it) and an opening of opportunities for lower quality securities (which will play on more attractive rates). Some companies from the southern and eastern shores of the Mediterranean could probably find a place and escape the crowding out effect mentioned before (the public drain on savings is also eased by the access of states themselves to the financial markets of Europe).

Lastly, we must consider a more distant perspective that concerns stock markets. Operations are expected to concentrate on a limited number of places. London, Frankfurt, Paris will compete more than today to deal with large volumes of first- rate securities. This will force the other national stock markets, which have become less frequented, and especially those in Southern Europe (Madrid, Milan) to reconvert and to focus on particular securities, second-market, regional companies and, why not, Mediterranean? This is a new area of cooperation between Mediterranean financial centres. Indirectly, the euro can stimulate stock market interconnection initiatives whose utility would be equitably shared.

The evolution of financial relations between partners on both sides of the Mediterranean after the introduction of the euro will be part of a long process of increasing economic interdependencies between both groups of countries. As regards, in particular, the financial flows linking the EU to the Mediterranean non-member countries, these countries have experienced a new growth since the 1970s, following the liberalisation measures gradual adopted by these countries, after a long period of controls and centralised management. Indeed, one of the most remarkable consequences of the relaxation or the end of the controls on the capital movements at the exit of a country is the influx of new capital. International investors often interpret liberalisation as a signal of the willingness of the authorities of the country concerned to play the game of integrating the economy into the global market, ensuring the conditions that allow fund managers to freely manage or without undue constraints on their investments (Bartolini and Drazen, 1996). As regards, for example, the process of financial liberalisation in Tunisia, it should be noted that it began in 1986, passing through successive phases, the first of which concerned the internal market. In 1988-1989, a money market was created and interest rates were deregulated, while the financial market was reactivated in 1990-1992. Since 1992-1994, liberalisation has increased relations with foreign countries, resulting in the current convertibility of the dinar and the establishment of an official foreign exchange market. The full liberalisation of capital movements, however, remains to be completed because of the difficulty of dealing with the problems of external equilibrium that may arise, as well as the uncertainty surrounding the relationship between monetary and exchange rate policies, on the one hand and the growth of these countries on the other. With some variations, one finds a very similar evolution in Morocco, and Algeria who are going through a process of both commercial and financial liberalisation. Turkey is trying to make up for lost time. The latest figures are encouraging and confirm that despite its difficulties (inflation, political crisis) investors and financiers have confidence in the exceptional potential of this country. But the search for the necessary synergies between Europe's Mediterranean commitments, the creation of the euro and the implementation of financial liberalisation by the South and East Mediterranean countries is also likely to involve a device capable of facilitating a more harmonious functioning of regional economic and financial relations oriented towards growth.

The quality of the financial relations between the Mediterranean countries and the countries of the European Union of the euro zone, as well as the influence of these on their growth rates, will depend on the institutional forms which will be given to them. It is the interest of the Mediterranean non-member countries to organize this type of relationship with the EU by means that are both effective and flexible. On the one hand, it is for them to coordinate as far as possible their actions, taking advantage of the gain in contractual power that will result from a common approach. To give up this asset vis-à-vis the EU would place them in the conditions of the players of the prisoner's dilemma, while the cooperative approach produces for them solutions that can be Pareto optimal. On the other hand, the links to be established with the EU will have to be able to reinforce the convergence with the financial conditions of the countries of the Eurozone, while maintaining a high degree of flexibility to allow adjustment processes taking into account the structural characteristics of their financial markets and their economies. Among the possible solutions, one would be to adopt a model of financial cooperation inspired by the one borrowed in the past by the EU countries, during their first experiences of coordination of exchange rate policies, placing it in the new context of the single European currency.

It would be a question of building up an organisation among the Mediterranean non-member countries, a regional cooperation just like in the post-war European Payments Union (EPU), whose aim was to complete the financial liberalisation processes already under way, until the final stage of complete convertibility of the currencies of these countries, while at ensuring the same time privileged but flexible links with the centre of the euro zone. The resources needed to manage this regional monetary cooperation agency could be obtained from the EU, as part of the new financial assistance reports between the two groups of countries. The euro should be used as the inter-bank currency of the Mediterranean non-member countries in external relations, either between themselves or with the EU countries and the rest of the world. From a technical point of view this approach, which has recently been proposed to regulate the relations with the countries adopting the euro as single currency and the countries 'pre-in', which will be integrated only in a second time in the nucleus of the Euro, will imply for the European Central Bank the need to manage two different compensation systems.

One of the advantages of the proposed scheme would be to allow the Mediterranean countries to keep their national currencies, while ensuring a link between them and the euro by a system of fixed but revisable exchange rates, as in the case of what happened inside the EMS. Countries wishing to do so could follow a path of convergence with the conditions of the euro without abandoning the use of monetary and exchange rate policy, as well as autonomous management of their fiscal policies. This would enable them to easier adapt policies to cyclical and structural situations, arranging at the same time the tool of the exchange rate parity with the euro. If it becomes necessary to absorb an asymmetric shock affecting the national economy alone, the country concerned could get by on realigning the official exchange rate of its currency against the euro. Such a mechanism would ensure that the countries adopting it would be exceptionally stable and sound, effectively contributing to exploiting the benefits of financial liberalisation. It would benefit also the European Union to contribute to the growth of the countries of the South Shore of the Mediterranean, but also to prevent this from happening at the cost of a destructuring of its economy and through competitive devaluations whose harmfulness is well known. The challenge is therefore to make the objectives of monetary stability and autonomy of macroeconomic policies compatible, in a context of complete free movement of capital, without losing sight of development objectives.

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