

The impact of proximity on the Euro-Mediterranean Partnership: What lessons for the Moroccan SME?

AIT ALI EL HASSANE^a

^aHassan II University of Casablanca - Faculty of Law, Economics and Social Sciences
B.P. 8110 Oasis Casablanca Morocco

Abstract

The partnership agreement between Morocco and the European Union intervenes in a constantly changing economic context characterized by a greater openness on the world trade. In this vast puzzle that brings together the countries of the EU and the South and East Mediterranean Countries (SEMC), Morocco constitutes a key partner on the economic, social, political and financial plans.

This study examines the effects of proximity on the Euro-Mediterranean partnership; We incorporate the proximity approach (organizational, geographical, and institutional) on SMEs in Morocco particularly.

Keywords: Proximity, Euro-Mediterranean partnership, SMEs

1. Introduction

The partnership agreement between Morocco and the European Union intervenes in a constantly changing economic context characterized by a greater openness on the world trade. In this vast puzzle that brings together the countries of the EU and the South and East Mediterranean Countries(SEMC), Morocco constitutes a key partner on the economic, social, political and financial plans (Khrouz, D. El Ayadi M, Boulahcen, A . (2012).

The objective is to study the Euro-Mediterranean partnership based on a proximity approach (organizational, geographical, and institutional).

2. Literature review

The concept of “the economy of proximity” has proved to be pertinent in studying the impact of the euro-Mediterranean partnership on SMEs in the south Mediterranean region, and determining the extent to which this proximity may be regarded as a competitive advantage for the SMES. In this regard, the distinction is often made between geographical proximity and organized proximity (Torre and Rallet, 2005).

2.1. *The concept of proximity*

The concept of proximity can be approached from different perspectives: cultural, intellectual, psychological, or economic). This research is particularly interested in the economic component of proximity .In this regards and according to Gomez, P Y et al, (2011), “research in management is primarily interested in the physical distance between the different actors and focuses on the spatial dimension of proximity”.

In the framework of an economic approach, Grossetti (2000) highlights three essential reasons to determine the

importance of the concept of proximity. First, its effect on the economic costs, as already stated by Williamson (1975) through his theory of transaction costs. In this way, geographic proximity is an important variable in the calculation of costs.

Second, the concept of innovation is also paramount since geographical and organizational proximity facilitates the emergence and transmission of knowledge and technology, which foster innovation within companies and in the neighbouring territories. The last reason is the effects of proximity on the networks. In this way, proximity “impacts the accumulation of distinctive social capital of the different actors and therefore their economic relations (Gomez, P Y et al, 2011)”.

So if Marshall (1890) is considered the precursor that has identified the link between proximity and economic development, especially in the framework of cluster, it is the work of Porter which has significantly deepened the analysis of the relationships between business strategy and the micro and macro (Asselineau, A. Cromarias, A (2011)).

2.2. *The new geographical economics:*

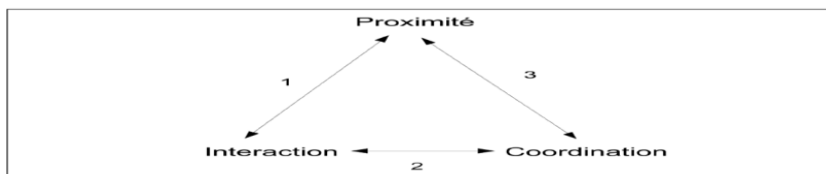
Based on the work of Dixit, Stiglitz, Krugman has developed a centre-periphery model to address the issues of localization but also of development, economic integration, and regionalization while taking into account the conclusions of the new theory of international trade, Croissard S (2007). According to Krugman, the new geographic economy can be defined (the self-organizing economy) 1998, as an interdisciplinary movement, more and more important, bringing together the concepts of physics, biology, geography and economics.

The shift back to the geographical economics is mainly related to the consequences of the economic globalization. The objective of Krugman was to demonstrate the reasons for the localization of productive activities.

Through the theory of geographical economics, Krugman tries to understand the uneven development between regions, since certain activities are concentrated in a region, while the other regions are considered as the peripheries of this industrial nucleus developed. It is the case of the Mediterranean area, composed of the North which includes the developed and industrialized countries and the southern developing and less industrialized nations.

On the whole, Krugman has built his theory of the new economical geography on the bases of the neoclassical theory; Krugman’s theory of new geographical economics has proved its ability to model increasing returns is its ability to model the increasing yields by using them to understand the localization of activities. In this framework, the spatial economics is interested in the analysis of the company within the neoclassical economic theory. In this case, the space (Maillefert, M. Khattabi, M (2013) refers to broad regional sets defined by competitive economic strategies aiming to capture the economic benefits allowing growth. Therefore, space can play a very important role as a generator of benefits if geographical proximity is combined with other components of proximity.

The economy of proximity is based on two essential approaches, the first approach is that of "innovative environments", (GERMI, 1986, 1989), by which the emphasis is on the importance of local interactions within the process of innovation. However the second approach takes into account the external effects (Beccatini, 1987, Brusco, 1982), it has been developed through the theory of the new economical geography (Krugman, 1991, Krugman and Venables, 1995). The objective of the approach of proximity is the "development of a simplistic approach to space to further examine the question of coordination. This appears quite clear through the following graph (Zimmermann J.-B 2008):



Based on the analysis of the triptych "proximity - Interaction- coordination", we refer to Rallet's approach, A and Torre, A (2005), which makes the distinction between the geographical proximity and the organized proximity. The latter is composed of two essential components, first the organizational proximity, where (Zimmermann J.-B 2008) the agents recognize themselves in positions relating to production projects, innovation and training. In the second place, there is the institutional proximity which stipulates that the agents share codes, rules, and representations which make them capable to anticipate their respective behavior (Zimmermann J.-B 2008). Therefore the geographical proximity does not have a big importance unless it is associated with other forms of coordination especially organized proximity.

The main thesis defended by the new theories of international trade has been to explain in a clear manner how international trade works. Thus, for the States and the public authorities, there must be a link between these theories and the inputs of other schools in the economic analysis (industrial economy...) of strategic decision-making for the good of their economy.

3. The Methodology

The data collection was carried out from June 2015 to December 2015, starting with the distribution of 1200 questionnaires by mailing including postal and electronic and by telephone in some cases to complement the incomplete questionnaires. Due to the difficulties encountered during this phase of data collection, only 100 questionnaires could be exploited, 35 of them were eliminated because lack of information.

The validation of our hypothesis is based on a series of parametric and non-parametric tests, as well as a factor analysis to complement the statistical tests, through the SPSS software.

The Mediterranean region is considered as a specific block in the framework of the process of the normal evolution of globalization and regionalization. Strategic economic globalization stands as a complex and authoritarian political system led by a State (United States), or by a set of states (European Union), Ravenel, B (2003). In accordance with the teachings of the theory of international trade, trade liberalization intensifies trade between two countries or groups of countries, and in with reference to the new geographical economics, the space in the economic theory can play a very important role as the engine of economic benefits if the geographical proximity allies with other components of proximity

The question which rises in this regard is the following: can proximity play a dynamic role in the coordination of actors and of economic activities? It can be geographic, which allows the measurement of the physical distance between two entity or country, and can also can be organized, having a relational aspect. Hence the following hypothesis: Hypothesis: organizational and geographical proximity facilitate the SMES access to the European market.

4. Results

Organizational and geographical proximity facilitate the access of SMES to the European market

Table 1: Organizational and geographical proximity

Items	Denominated
VAR 20A	Access to the market
VAR 22b	Expanding access to the market
VAR 17A	Benefit Programs FOR SMES
VAR 18A	The accompaniment of the private sector
VAR 18b	Nature of the benefits
VAR 31A	The geographical proximity
VAR 31b	The cultural proximity
VAR 31C	Language

Principal components analyses (PCA)

The following table gives a general overview on the statistics of the eight items that are in relations with the hypothesis, namely the average and standard deviation, as well as the number of respondents

Table 2 : Descriptive statistics

	The average	The gap-type	No. analysis
VAR031A	2.83	,378	100
VAR031B	1.95	,297	100
VAR031C	2.11	,490	100
VAR020A	1.32	,665	100
VAR022B	1.41	,698	100
VAR017A	1.68	,490	100
VAR018A	1.58	,516	100
VAR018B	2.15	1,116	100

Before proceeding to the principal components analysis, it must first ensure that the items are minimally correlated between them. The following table is the matrix of correlations between the variables of the matrix, as well this matrix of inter correlation includes a certain number of different coefficients. In the matrix of correlations, certain correlations are stronger than others, but overall most of the variables appear slightly correlated.

	Measuring accuracy of the sampling of Kaiser-Meyer-Olkin	,708
Bartlett's test of Sphericity	Khi two approximated	515,852
	Df	28
	Gis.	.000

The test of Kaiser-Meyer-Olkin" is a generalized measure of the partial correlation between the variables of the study. According to STAFFORD, J. BODSON, P, (2006), this measure is based on the average of the correlation coefficients which are located in the diagonal of the matrix anti-image. The Index KMO for 0.708 can be qualified to a mean validity. The reading of the test KMO indicates that the correlations between the items are of average quality. In addition the test of sphericity of Bartlett is a hypothesis test, its meaning is equal to 0.00, thus the result of the test of sphericity of Bartlett is significant, and it would therefore be legitimate to continue our study by the method of the principal components analysis (PCA).

	Initial	Extraction
VAR031A	1,000	,878
VAR031B	1,000	,980
VAR031C	1,000	,863
VAR020A	1,000	,839
VAR022B	1,000	,884
VAR017A	1,000	,828
VAR018A	1,000	,684
VAR018B	1,000	,423

Method of extraction: the principal components analysis

The previous table is a measure of the quality of the representation, that is to say the weight variable, for each of the variables in the analysis. In the factorial principal component analysis, the role of geographical proximity in the access of SMES to the European market has been validated (Test KMO of a high degree of validity).

Table 5: The total explained variance			
Component	Total	% of variance	Cumulative %
1	3,941	49,257	
2	1.362	17,029	
3	1.076	13,449	
4	,683	8.543	88,278
5	,400	5,000	93,278
6	,308	3,850	97,128
7	,178	2,219	57.598
8	,052	,653	100,000
Method of extraction: the principal components analysis			

The table of values presents the indications on the importance of the components, and on the evolution of the importance cumulative and also the quality of the information returned by the first five factors. In global table is a measure of the total variance explained (inertia) of each of the factors. The first four factors explain more than 88% of the total variance of the variables in the analysis. This table is the matrix before the rotation that determines the sum of the coefficients to the square for each of the variables in the analysis. Thus we have the weight of components: the first component expresses 49 per cent of the explained variance.

The reading of the diagram of the components (after rotation), allows us to determine sub groups of variables (31 A - 31 C) in correlation with other groups which implies that geographic proximity is an interesting element to promote the partnership agreements between the two areas of the Mediterranean. But the table the most important is the one that determines the value of the Index Cronbach's Alpha, we note that the value of the coefficient is negative, which is insignificant by this that the score of the Cronbach alpha values must be high (above 0.60); the more it is high, more the validity is strong.

Table 6: The Cronbach alpha values: Statistics of reliability		
The Cronbach alpha values	The Cronbach alpha values based on standardized elements	Number Of Elements
-,120	-,690	8
A. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item coding.		

The following table gives us a global overview on the statistics of these eight variables, namely the average, the gap-type and the alpha value of the scale, as well as the correlation between the eight elements. With regard to the correlation, the data indicate a low correlation between the elements of the analysis, this is also true for the values of the alpha. This means that the 100 SMES are almost in agreement that the proximity facilitates the access of SMES to the European market.

Table 7: Comprehensive Statistics on the Elements					
	Average of the scale in the case of deletion of an element	Variance the scale in the case of deletion of an element	Complete correlation of the corrected items	Square of the multiple correlation	The Cronbach alpha values in the case of deletion of an element
VAR031A	12,20	3,212	-,308	,591	,039
VAR031B	13,08	2,862	-,012	,446	-,121 ^{has}
VAR031C	12,92	2,357	,227	,611	-,322 ^{has}
VAR017A	13,35	3,987	-,659	,818	,287
VAR018A	13,45	3,705	-,520	,600	,228
VAR018B	12,88	,895	,321	,307	-1,319 ^{has}
VAR020A	13,71	1,784	,401	,865	-,668 ^{has}
VAR022B	13,62	2,076	,187	,902	-,384 ^{has}
A. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item coding.					

The chi-square is first and foremost intended to the examination of the relationship between two qualitative variables, nominal or ordinal. The chi-square test will therefore measure the statistical link between two variables. The chi-square test is a test of the hypothesis; it mainly operates in the comparison between an observed frequency and a theoretical frequency. The hypothesis H0 assumes that there is no relationship between the variables. The hypothesis H1, on the contrary, stated that there was a relationship between the two variables. Therefore the higher

the value, the more the gap between the null hypothesis and the actual situation will be great.

Table 8: Test The chi-square					
	VAR017A	VAR018A	VAR018B	VAR020A	VAR022B
Value	72.583 ^{has}	52,460 ^{has}	85,000 ^b	141,840 ^c	67.442 ^{has}
Df	2	2	4	3	2
Asymp. Gis.	.000	.000	.000	.000	.000
A. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3.					
B. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.0.					
C. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.					

By convention the threshold is 0.10, 0.05 or 0.01, in our case, the value of the chi-square varies between 52 and 140 and the number of degrees of freedom is 2 and the "Asymptotic meaning bilateral" is 0.000. These results show (according to the table of the chi-square, the CPA, test KMO) that the assumption must be accepted. More studies of the direction of studies and the financial forecasts stipulate that in the framework of the overall profile of Moroccan exports between 1998 and 2012. The number of exported products recorded a rate of overall growth of 21% between these two dates, from 2429 products to 2948 products. Similarly, the number of export markets has increased by 24% from 141 to 175 markets between the two dates, DEPF(2014).

Result Hypothesis: Validated

5. Discussion and conclusion

The geo-economy of the Mediterranean region can be described in the form of chained circles whereby the developed countries, which are the origin of the European Union, dominate the whole of the Mediterranean area, then the circle of the Least developed regions compared to the centre, and next to it the circle of the enlargement countries, especially the countries of Eastern Europe, and finally the countries of neighbourhood which includes in large part the south and east of the Mediterranean countries (SEMC). Therefore, as the circles widen the development decreases. The Barcelona Process has been the victim of the enlargement of the EU to the East. Consequently, the European Union has spent only a dozen Euros per capita and per year under the euro-Mediterranean partnership.

According to several reports of the FEMISE, regional exchanges are still low at the level of the Arab countries. The private sector must draw the benefits of partnership agreements already put in place, of this fact; the Moroccan SMES could develop new markets in the framework of the South-South Partnership Agreement (Agadir) to bridge the gaps of the euro-Mediterranean partnership. However, it should be emphasized that the Mediterranean area knows the lowest rate at the international level in terms of the trade Interzone, compared to the NAFTA area, ALMERAS, G (2009), knowing that the United States will attract 83% of Mexican exports and 76.5% of Canadian exports, half of these exchanges are "business-to-business".

As a matter of fact, the southern shore of the Mediterranean represents a promising area for a better integration. Moreover, and since 1980 there has been a trend in the increase of trade between the countries of the Mashreq, as well as has that of exports of the Mashreq to the Maghreb (Femise 2005). However, some countries, such as Morocco and Tunisia have higher level of competitiveness in terms of their exports to the European Union than in the commercial area intra-Arab, which may restrain better south-south integration.

Yet, compared to the other regional groupings, the intra-Maghreb countries still remain marginal (DEPF, 2008) The Global Trade Intra-Maghreb was limited in 2006 to 1.2% of the external trade of the area. By comparison, the intra-euro area trade represented 32.7% of the trade of the European Union, 11% of the ASEAN, 14.6% of the CEECS and 7.9% of the MERCOSUR countries, more exchanges between the Maghreb countries did not exceed 3.1% of global exports of Algeria, Morocco and Tunisia. In 2006, intra-trade of the Maghreb was still low compared to the trade of the countries of the UMA with the European Union. On average, the countries of the region exported nearly 51 times more toward the European Union than to the Maghreb.

In this perspective, several studies have demonstrated that a deeper integration of the countries of the UMA, especially when they form a trading bloc with the EU, would have positive effects on several levels, namely, the Exports, GDP per capita, the level of income, and employment. In this framework the study of the World Bank has highlighted this trend between the years 2005 and 2015 by specifying that "The growth of income per capita average annual which is planned between 2005 and 2015 is 6.2, 5.8 and 5.7 percent respectively, for Algeria, Tunisia and Morocco. The real GDP per capita between 2005 and 2015 would increase to 57, 38 and 51 per cent overtime, respectively for Algeria, Morocco and Tunisia." (World Bank (2006). Therefore, with the constraints that are opposed to the countries of the Union of Maghreb Arab, regionalization appears as an effective means for carrying out a large economic growth, but in parallel, the Euro-Mediterranean space would continue to constitute an opportunity of size, but which could not be capitalized unless perceived as a logical extension of the Maghreb Space.

It is in this spirit that we can conceive of a better integration of the countries of the Arab Maghreb Union to the European space and also the best track for a large successful insertion in the global economy as a whole. Also, the great challenge that the SEMCS must overcome «is that of globalization through a rise in international competition on the European market which reduces their benefits of proximity and can erode their commercial positioning. (Catin, M. Regnault, H. (2006).

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