

Transforming the Mediterranean into an Industrial Region: A Key to the Sustainability of the European Economy

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Abstract: This paper examines the structural macroeconomic challenges confronting the Mediterranean member states of the European Union, focusing on the persistent coexistence of high public debt and a weak industrial base. Using a comparative analysis of Greece, Italy, Spain, and Portugal, it highlights the central role of manufacturing capacity in shaping economic resilience, growth sustainability, and external balance within a monetary union. The analysis demonstrates that Greece represents an extreme case of deindustrialization combined with excessive reliance on tourism and services, resulting in heightened vulnerability to external shocks and chronic dependence on external financing. Italy, by contrast, illustrates how a strong and diversified industrial base can mitigate the destabilizing effects of high public debt, albeit without fully resolving long-term stagnation. Spain and Portugal occupy an intermediate position, combining moderate industrial capacity with rising dependence on tourism and services. This paper argues that the structural divergence between the industrial core of Northern Europe and the service-oriented economies of the South constitutes a fundamental threat to the cohesion and sustainability of the euro area. In the absence of exchange rate adjustment mechanisms, internal devaluation strategies have proven socially costly and economically insufficient to restore competitiveness. The findings underscore that a durable growth model for the Mediterranean cannot be built on services alone and that industrial capacity remains a key determinant of productivity growth, export performance, and technological upgrading. The study concludes that an industrial renaissance in the European South is not merely a regional development objective but a systemic necessity for the European Union. However, such a transformation cannot be achieved through financial instruments alone. It requires deep institutional reforms at the European level, including closer coordination of monetary and fiscal policy, the strengthening of collective economic sovereignty, and the explicit recognition of the structural North-South dependency embedded in the current architecture of the Economic and Monetary Union.

Keywords: Agro-industrial integration, common agricultural policy, deindustrialization, economic and monetary union, economic resilience, european union, external vulnerability, fiscal sustainability, greece, industrial policy, industrial renaissance, manufacturing capacity, mediterranean economies, monetary-fiscal coordination, North–South dependency, productive restructuring, public debt, structural asymmetries, sustainable development, tourism dependence.

1. Introduction

The Mediterranean member states of the European Union face a complex and dual macroeconomic challenge (Doukas, Maravegias, et al., 2024), consisting, on the one hand, of exceptionally high levels of public debt (Doukas, Maravegias, et al., 2025) and, on the other, of a persistently weak industrial base. Greece is emblematic in this regard as it records one of the highest public debt-to-GDP ratios in the European Union while simultaneously exhibiting an extremely limited share of industrial production in the composition of its GDP (Spilioti and Vamvoukas, 2015). By contrast, Italy, despite similarly high public debt, maintains a long-standing industrial tradition and constitutes the second-largest manufacturing economy in Europe, after Germany (Spilioti and Vamvoukas, 2015). This comparative observation raises fundamental questions about the cohesion and long-term stability of the European economy. More specifically, it calls into question the extent to which the euro area can function smoothly when a substantial part of the South lags substantially in productive capacity and relies disproportionately on non-tradable services. Continued reliance on sectors such as tourism (Vardopoulos et al., 2024a), coupled with the ongoing need to refinance public debt (Salvati, 2019), composes a growth model that appears

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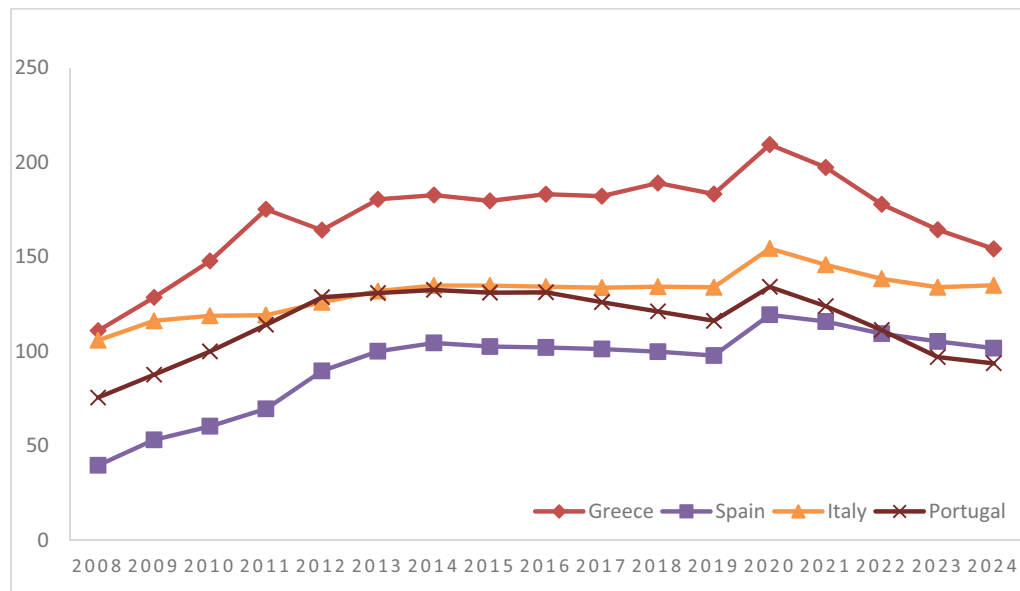


Figure 1. Evolution of general government gross debt as a percentage of GDP in selected Mediterranean EU economies 2008–2024. *Source:* Author's own elaboration based on publicly available data.

unsustainable in the long run (Salvati et al., 2016). In order to explore potential axes of reorientation toward a more industrial Mediterranean, it is necessary to present a set of core macroeconomic and structural indicators for the region's economies (Figure 1).

In Greece, the public debt-to-GDP ratio reached 166.5% in 2023 (Boumparis et al., 2017), while the share of manufacturing in GDP was 8.7% (Bertsatos and Chrysanthakopoulos, 2025). The economy exhibits a pronounced shift toward the tertiary sector (Markaki and Papadakis, 2023), with tourism (Prokopiou et al., 2019), directly (Rontos et al., 2017) and indirectly (Vardopoulos et al., 2023), accounting for more than 25% of GDP (Hackl and Hatzimarinakis, 2023). In Italy's case, the debt-to-GDP ratio amounted to 142.4% (Musiałkiewicz and Tomaszewski, 2024), while manufacturing accounted for 15.3% of GDP. Italy's manufacturing output is estimated at USD 353 billion, making it significantly stronger than France's in manufacturing terms (Hilmola et al., 2025).

Spain reports a debt-to-GDP ratio of approximately 111%, with manufacturing accounting for about 10.9% of GDP (García-Moral and Laporta-Corbera, 2024). The tourism sector occupies an almost equivalent position, with a contribution to GDP of roughly 14.5%, exceeding manufacturing (Melgosa Arcos, 2020). Portugal has a debt-to-GDP ratio of approximately 110%, with manufacturing accounting for 11.8% of GDP (Shibata, 2023). Here too, the economy remains significantly dependent on tourism and other services, despite a strengthening export orientation in recent years (Varum et al., 2016).

These numbers indicate a structural deficit in industrial development between the economies of the South and the broader European area (Ederer and Reschenhofer, 2018; Petrović and Gligorić Matić, 2023; Tsangaris et al., 2024) (Figure 2). While the average share of manufacturing in GDP across EU member states stands at 13.6% (2023), Mediterranean economies operate at levels markedly below this threshold (Accetturo et al., 2024; Ederer and Reschenhofer, 2018).

Hence, the analysis of the current study focuses on a comparative presentation of four representative cases, Greece, Italy, Spain, and Portugal, in order to highlight the causal mechanisms and consequences of this lag and to establish the necessity of a new strategic framework for productive transition.

2. Methodology

This study employs a comparative and longitudinal macroeconomic research design grounded in structural and interpretative political economy analysis. Its primary objective is to examine the relationship between public debt, productive structure, and external vulnerability in four Southern European member states of the euro area, Greece, Italy, Spain, and Portugal, within the institutional constraints of the Economic and Monetary Union. The methodological approach is

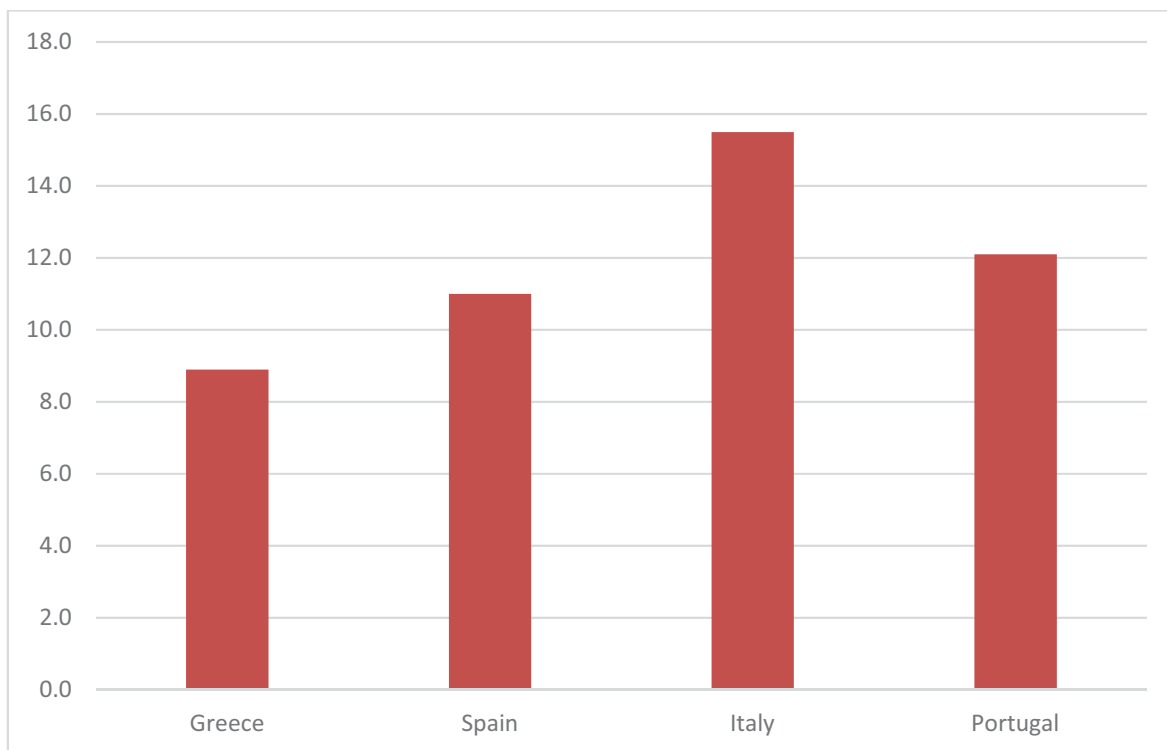


Figure 2. Manufacturing value added as a percentage of GDP in Greece, Italy, Spain, and Portugal, 2023. *Source:* Author's own elaboration based on publicly available data.

structural-analytical, aiming to identify patterns of divergence, institutional asymmetries, and long-term transformations in the productive models of these economies. More specifically, the study applies a descriptive and diachronic macroeconomic analysis covering primarily the period from the introduction of the euro to 2023, while incorporating selective historical references to earlier decades where necessary in order to contextualize processes of de-industrialization and structural change. The comparative dimension of the research allows for the identification of both common characteristics and internal differentiation within the Mediterranean. Greece is the most representative case of deindustrialization combined with high public debt and heavy reliance on tourism. Italy constitutes a contrasting case of strong industrial capacity under high debt conditions. Spain and Portugal combine moderate manufacturing shares with increasing servicesector dependence. The selection of these four cases is therefore purposive, considering that they share a common monetary regime and exposure to the sovereign debt crisis, all while displaying meaningful variations(s) in industrial structure, which permits (the herewith) analytical comparison.

Empirical analysis is based on a set of structural macroeconomic indicators that capture fiscal sustainability, productive capacity, and external balance. These include the public debt-to-GDP ratio, manufacturing value added as a share of GDP, tourism's direct and total contribution to GDP, trade and current account balances, manufacturing output in absolute terms, GDP per capita levels, and industrial employment trends. The combined use of these indicators enables an assessment of the structural composition of growth and the degree of external vulnerability associated with each national model. The study herewith attempts to interpret how differences in industrial capacity shape economic resilience within a monetary union lacking exchange-rate adjustment mechanisms.

The data utilized derive from internationally recognized publicly available statistical sources, primarily Eurostat, the World Bank (World Development Indicators), OECD Statistics, the IMF World Economic Outlook, and UNCTAD, complemented (where necessary) by national statistical authorities (ELSTAT, ISTAT), and secondary academic literature. By integrating quantitative macroeconomic evidence with institutional interpretation, the methodology situates empirical findings within the broader structural divide between the industrial core of Northern Europe and the service-oriented economies of the Mediterranean. In this sense, the research can be characterized as a structural-comparative macroeconomic analysis

embedded in a political economy framework, aimed at diagnosing systemic imbalances rather than estimating short-run causal effects.

3. The Case of Greece: Debt without an Industrial Base

The Greek economy constitutes a characteristic case of pronounced deindustrialization combined with persistently high public debt (Frangakis, 2015). According to the most recently available data, public debt in 2023 stood at approximately 166% of GDP, the highest ratio within the European Union (Daniel and Nam, 2022; Vigny, 2022). At the same time, manufacturing accounts for less than 9% of overall economic activity, placing Greece among the lowest-ranked EU member states in terms of the contribution of industrial production (Chalikias, 2017; Kyriakopoulos and Petropoulos, 2025). Economic activity is clearly oriented toward the tertiary sector, with tourism and related services contributing more than 25% of GDP (Soklis et al., 2025; Spithiropoulos et al., 2020).

From a historical perspective, the decline of Greek industry is particularly evident after the country's accession to the European Community in 1981 (Giannitsis, 1993). During the 1980s and 1990s, numerous manufacturing firms ceased operations, resulting in the loss of approximately 160,000 jobs in the sector (Kyrkilis and Simeon, 2015; Petrakos et al., 2012). This dislocation was not the outcome of isolated factors, rather, it emerged from the interaction of external pressures, such as exposure to global competition and the influx of low-cost imported products, with domestic structural weaknesses and deficiencies in investment strategy (Bitros, 2013; Vettas et al., 2020). The choice to rely on extensive fiscal expansion and public borrowing as the primary instrument for financing public expenditure led to the accumulation of debt without a commensurate strengthening of the economy's productive base (Economides et al., 2025; Pegkas, 2018).

The consequences of this prolonged weakening of productive capacity became especially visible during the sovereign debt crisis of the 2010s (Maravegias et al., 2025). With limited exports of manufactured goods and chronic current account deficits, the Greek economy became particularly vulnerable to external shocks (Gaki et al., 2025). The imposition of fiscal constraints and the implementation of adjustment programs led to a drastic reduction in industrial employment of approximately 42% over 2008–2014 (Carrasco et al., 2017), representing the largest relative decline at the European level. Despite partial consolidation of fiscal aggregates, the recovery remained weak, with GDP per capita in 2023 still roughly 28% below its 2008 level (Theodoropoulou, 2022). Based on publicly available official data, Greece ranks second-lowest among EU member states in per capita income, ahead only of Bulgaria, despite lacking a comparable history of economic exclusion to that experienced by former Eastern European countries.

Tourism, while having contributed substantially to short-term growth dynamics, raises significant concerns regarding the sustainability of the development model (Buhalis, 1999; Polyzos et al., 2013). Tourism revenues reached historic highs in 2024, exceeding €21.7 billion (Vandarakis et al., 2023). Nevertheless, excessive reliance on low-technology activities (Deirmentzoglou et al., 2025), and limited productive linkages (Rodousakis and Soklis, 2024), may constrain long-run growth potential. Moreover, one-dimensional dependence on services is associated with lower productivity, seasonality, and high vulnerability to external shocks, as demonstrated during the COVID-19 pandemic (Mariolis et al., 2021; Pnevmatikos et al., 2024). The absence of a reconstructed and diversified productive base leaves the Greek economy exposed to future shocks and dependent on external financing or fiscal support (Makantasi and Valentis, 2024; Vardopoulos et al., 2025).

4. The Case of Italy: Industrial Strength under High Debt

Italy represents a contrasting case relative to Greece, combining high public debt approximately 142% of GDP for 2023, with a strong and diversified industrial base (Ciaschini and Salvati, 2026). Manufacturing accounts for approximately 15% of GDP, one of the highest shares in Western Europe (Salvati, 2025). In 2024, Italy produced manufactured goods valued at roughly USD 353 billion, making it Europe's second-largest manufacturing economy after Germany (Muolo et al., 2026).

Italy's industrial structure is characterized by a large number of small- and medium-sized enterprises, often family-owned, specializing in high-quality products with an export orientation. The industrial districts of Northern Italy (e.g., Lombardy, Emilia-Romagna) constitute dynamic production systems characterized by strong sectoral and spatial specialization, contributing to the resilience of the sector (Mariotti et al., 2020). The relative self-sufficiency in components and

intermediate goods strengthens the country's ability to maintain a comparatively balanced trade position, even during periods of international turbulence (Džajić Uršič and Jelen, 2022).

Despite these advantages, Italy faces significant macroeconomic challenges (Bull, 2018). Growth has remained persistently weak over a prolonged period, while the increase in GDP per capita since 1990 has remained below 20% (Angelone et al., 2025), the lowest among EU member states. Low productivity growth (Bugamelli et al., 2018), demographic ageing (Salvati, 2020), and slow progress in structural reforms (Mocetti et al., 2020), weigh on medium-term prospects. At the same time, Italian industry faces mounting pressures from high energy costs and intensified international competition (Giglioli and Giordano, 2024). The relative decline of manufacturing, from 17% of GDP in 2000 to about 15% in 2023, has been accompanied by the relocation of production units abroad and by acquisitions by international capital, developments that partly dilute national productive sovereignty.

The Italian case demonstrates that a strong manufacturing sector enhances economic resilience but is not in itself sufficient to secure a sustainable growth trajectory. The effective use of EU resources through the NextGenerationEU plan, amounting to more than €190 billion, may strengthen efforts toward digital and green transformation and help counteract long-term stagnation.

5. Spain and Portugal: High Debt, Moderate Industrial Bases

Spain and Portugal exhibit substantial qualitative similarities despite differences in size and scale (Salvati, 2014). Both economies experienced a significant rise in public debt following the global financial crisis, with debt ratios reaching approximately 111% and 110% of GDP, respectively (Matthes, 2018). Manufacturing accounts for approximately 11–12% of GDP in the two countries, shares that, although higher than Greece's, remain below those of the Northern European core economies (Panousis and Koukouritakis, 2020).

Spain developed notable industrial activity during its post-war industrialization, particularly during the so-called "Spanish Miracle" of the 1960s-1970s (Tortella Casares, 2000). From the late twentieth century onward, however, a shift toward services became evident. In the twenty-first century, rapid growth in construction and the expansion of the tourism industry supported overall economic activity prior to the 2008 crisis (Somoza-Medina and Monteserín-Abella, 2021; Tapiador, 2020). Manufacturing, and the automotive sector in particular, remained significant, but after 2008 it contracted due to the recession and internal devaluation (Albors-Garrigos and Collado, 2019). Following 2015, the Spanish economy experienced a strong recovery, with tourism again serving as a key driver of growth (Cuadrado-Ciuraneta et al., 2017). In 2023, the direct and indirect contribution of tourism to GDP exceeded 14.5%, surpassing manufacturing for the first time (PerlesRibes et al., 2017). Despite its short-term positive effects, a one-sided dependence on tourism generates macroeconomic asymmetries and environmental pressures (SoyuYildirim et al., 2025). Spain, therefore, looks to EU funds to support investments in areas such as electromobility (Bravo et al., 2024; Cansino et al., 2018) and renewable energy (Labriet et al., 2010; Ma et al., 2025), aiming to reorient its productive base.

Portugal, smaller in scale but similarly vulnerable, followed a comparable trajectory. Following entry into the Economic and Monetary Union, the share of manufacturing in GDP declined, although certain export-oriented sectors (textiles, footwear, metallurgy) retained outward-oriented dynamism (Blanchard, 2007). Since 2015, Portugal has experienced export growth and attracted investment in sectors such as the automotive industry and digital innovation (Adamczyk and Westmore, 2020). Nonetheless, constraints persist due to small firm size, limited access to finance, and high energy costs (Ferraz, 2022). Public debt remains elevated, and overall productivity lags behind the EU average (Silva, 2020). Despite these challenges, Portugal benefits from European resources, primarily to finance investment in green technologies (such as hydrogen; Bianchini et al., 2023) and digital infrastructure (Gonçalves et al., 2022), which creates prospects for a more diversified development model.

6. The Necessity of an Industrial Renaissance in the Mediterranean

The absence of a robust productive base in the economies of the European South constitutes one of the most critical structural deficits undermining the cohesion and sustainability of the European Union as a whole (Bak et al., 2022; Georgescu and Herman, 2019). In contrast to Northern core member states such as Germany and Ireland, where industrial activity represents shares on the order of 18% to as high as 29% of GDP, Mediterranean economies exhibit significantly lower

manufacturing participation in total output (Rial et al., 2025; Sateriano, 2024). This divergence produces persistent trade imbalances, i.e., surplus economies with strong manufacturing sectors record positive balances across most branches, while Greece, Spain, and Portugal run deficits in the majority of production categories (Rial et al., 2025). These needs are met primarily through imports financed either by service revenues (such as tourism) or by external borrowing.

Such a structure cannot be sustained indefinitely within a single monetary framework. In the euro area, member states lack the instrument of nominal currency devaluation to regain competitiveness (Blanchard, 2007). “Internal devaluation” policies implemented in the South during the crisis, through wage compression and fiscal austerity, did lead to temporary improvements in external balances, but they were accompanied by high social and economic costs and produced only marginal gains in structural competitiveness (Villanueva et al., 2020). The persistence of productivity and technological specialization gaps between North and South renders balanced competitive convergence within the Union unattainable (Hoyos, 2025). Maintaining this configuration leads to the recycling of surpluses in the North and to the South’s dependence on transfers, subsidies, or renewed borrowing, an arrangement that is economically and institutionally unsustainable (Wang et al., 2020).

Strengthening manufacturing is a structural pillar of sustainable development at the European level (Pieloch-Babiarz et al., 2021). Manufacturing accounts for more than two-thirds of the European Union’s goods exports and generates a substantial share of private expenditure on research and development (Carboni and Medda, 2020). Jobs in manufacturing are typically more stable and, on average, better paid than those in many other sectors (Tito et al., 2022). Moreover, each new manufacturing job generates positive externalities and complementary employment in related industries, both within the secondary and the tertiary sector (Harris and McCall, 2019; Tsangaris et al., 2026). Conversely, an excessive shift toward services such as hospitality, retail, and tourism often entails lower productivity, more limited innovation capacity, and a weaker contribution to technological upgrading (Romão and Nijkamp, 2019).

The weakening of industry risks structurally trapping the regions that abandon it. For the past 15 years, the economies of the European South have offered precisely such an example, notwithstanding efforts at fiscal consolidation and a nominal return to growth (Heimberger, 2025), expansion remained subdued (Salvati et al., 2013), unemployment persisted at high levels (Salvati, 2020), and dependency on external conditions intensified (Salvati and Vardopoulos, 2024). In this light, the industrial reconstruction of the Mediterranean is not merely a regional development option, it is, rather, a necessary condition for establishing a more balanced, competitive, and resilient European Union.

7. Preconditions and Strategies for an Industrial Renaissance

Debates on the industrial renaissance of Mediterranean economies often focus on the availability of financial resources and the utilization of EU support mechanisms (Rial et al., 2025). Such an approach, however, is insufficient, as it overlooks the deeper institutional and macroeconomic constraints that shape the functioning of Southern European economies (Hurtado Ocaña et al., 2025). Funding, however sizeable in absolute terms, cannot by itself reconstruct the productive base unless accompanied by a radical rethinking of the framework within which monetary and fiscal policy is exercised (Boix-Domènech et al., 2025).

The experience of recent decades shows that the industrial weakening of the South is not merely the product of domestic shortcomings or institutional pathologies (Gambarotto et al., 2019). It is closely linked to the structure and operation of the Economic and Monetary Union (Gambarotto and Solari, 2015). The absence of a national monetary policy, combined with strict fiscal constraints and asymmetric adjustment rules, has severely limited Southern member states’ ability to pursue active industrial policy (Bassi and Durand, 2018). Without close and direct coordination between monetary and fiscal policy at the European level, investments financed through EU mechanisms risk remaining fragmented and failing to generate lasting changes in the structure of production (Saraiva et al., 2026).

It is also critical to emphasize that these policies are not technical or neutral choices; they are the outcome of political decisions and power relations (Tarlea et al., 2024). The institutional framework of the European Union is not exogenous or immutable; it is shaped primarily by member states, particularly those holding dominant economic and political positions (Schmidt, 2019). In this context, Southern economies are not merely “underdeveloped,” they are embedded in a relationship of structural dependence on the Northern core (Lopes, 2016). This dependence is most clearly visible in external balances. The persistent surpluses of Northern European economies are the necessary counterpart of Southern

deficits. Put differently, the income of the North constitutes the expenditure of the South, hence the industrial superiority and export dynamism of the former are sustained by the demand and financial adjustment of the latter (Nomaler et al., 2024). Southern economies do not follow an autonomous development path but, rather, they are synchronized, often under adverse conditions, with the pace and requirements of the core economies (Raffer, 2022).

It is under these conditions that the European architecture emerges as inherently unstable and unequal (Jones et al., 2016). The absence of meaningful redistribution mechanisms, the lack of a permanent common fiscal capacity, and the onedimensional emphasis on monetary stability have resulted in the systematic reproduction of regional inequalities (Schreurs, 2025). The industrial renaissance of the European South, therefore, cannot be achieved within the existing framework without deep institutional reforms. Through this lens, debates on productive reconstruction must shift from the technocratic management of financial instruments to political contestation over the redesign of the European Union. Through a radical revision of monetary and fiscal architecture, the strengthening of collective economic sovereignty, and the explicit recognition of the structural North-South dependency can the foundations be laid for a sustainable and substantive industrial renaissance in the Mediterranean.

8. The Common Agricultural Policy and Structural Imbalances in the Mediterranean

Any discussion of productive reconstruction in Southern Europe would remain incomplete without reference to the Common Agricultural Policy, one of the oldest and most financially significant pillars of European integration (Doukas et al., 2023). For Mediterranean member states, agriculture has historically constituted a crucial component of productive activity, employment, regional cohesion, and export orientation (Maravegias and Doukas, 2011). Yet the design and evolution of the Common Agricultural Policy have had complex and often asymmetric effects across member states, contributing indirectly to the broader structural imbalances examined in this study (Chrysomallidis and Doukas, 2024).

From its inception, the Common Agricultural Policy was structured around the agricultural patterns of the core Western European economies, particularly France and Germany, where large-scale, high-productivity farming predominated (Doukas and Petides, 2021). By contrast, Mediterranean agriculture has traditionally been characterized by small and fragmented holdings, labor-intensive production, and specialization in products such as olive oil, wine, fruits, and vegetables (Vardopoulos et al., 2018). Although successive reforms introduced greater flexibility and rural development components, the distribution of subsidies has largely favored scale, capital intensity, and historical production levels (Maravegias et al., 2024). As a result, Southern European countries often receive support that stabilizes farm incomes but does not necessarily promote structural upgrading, technological innovation, or integration with domestic manufacturing chains (Doukas, 2019).

The interaction between the Common Agricultural Policy and industrial development is particularly relevant. In several Mediterranean economies, agricultural production has remained weakly connected to domestic agro-industrial processing (Doukas et al., 2022). Instead of fostering vertically integrated value chains capable of generating higher value added, export competitiveness, and technological diffusion, the prevailing model has often reinforced primary production with limited industrial transformation (Postigliola et al., 2025). This pattern contributes to a structural segmentation in which agriculture, tourism, and low-technology services coexist without generating strong productive multipliers (Doukas, Vardopoulos, et al., 2024).

Moreover, the Common Agricultural Policy has functioned, in part, as a compensatory transfer mechanism within the European budget. While such transfers have provided income stability and political cohesion, they have also, arguably, reduced incentives for deeper productive restructuring (Maravegias et al., 2023). In countries such as Greece, Spain, and Portugal, agricultural subsidies have mitigated social pressures in rural areas but have not fundamentally altered the productive hierarchy within the European division of labor (Maravegias et al., 2025). In this sense, the Common Agricultural Policy has played a dual role, meaning that it has supported income convergence while leaving structural divergence largely intact (Doukas, Maravegias, et al., 2024).

In the broader context of the Economic and Monetary Union, this dynamic acquires additional significance. Without autonomous monetary instruments and under fiscal constraints, Mediterranean economies rely heavily on European transfers, including Common Agricultural Policy funds, to sustain rural regions (Maravegias and Doukas, 2012). However, such transfers do not substitute for industrial policy, nor do they correct trade asymmetries stemming from differences in manufacturing capacity. Agricultural policy, therefore, cannot be viewed in isolation from the industrial question, as it is

embedded in the same structural architecture that shapes North-South economic relations within the Union (Doukas and Maravegias, 2021).

If the Mediterranean is to undergo a genuine productive renaissance, agricultural policy must be reconsidered as part of a broader strategy of structural transformation (Maravegias et al., 2024). This would imply shifting emphasis from income support alone toward investment in agro-industrial integration, technological upgrading, energy transition in primary production, and stronger linkages between agriculture, manufacturing, and research systems (Doukas et al., 2026). Only through such integration can agriculture contribute not merely to income stabilization but also to a diversified and resilient productive model (Doukas, Salvati, et al., 2025).

Overall, the Common Agricultural Policy illustrates how European integration has combined redistribution with structural asymmetry. Addressing the industrial lag of the South requires not only rethinking monetary and fiscal governance, as argued earlier, but also reassessing sectoral policies such as agriculture that shape the longterm configuration of production (Doukas et al., 2023). Without integrating agricultural restructuring into the broader agenda of industrial renewal, the Mediterranean transformation will remain partial and incomplete.

9. Conclusion

Through the analysis undertaken herein, the current study argues that the structural weakness of the industrial base in the Mediterranean economies constitutes a systemic vulnerability not only for the countries concerned but also for the European Union as a whole (Postigliola and Salvati, 2023). The coexistence of high public debt with limited manufacturing capacity is not a temporary imbalance as it reflects a deeper structural asymmetry embedded in the architecture of the Economic and Monetary Union (Simoniello et al., 2024).

The comparative examination of Greece, Italy, Spain, and Portugal demonstrates that industrial capacity is a decisive determinant of economic resilience (Di Felicianantonio et al., 2018). Greece illustrates the risks of extensive deindustrialization combined with heavy dependence on tourism and services, resulting in persistent external deficits, low productivity growth, and structural fragility. Italy, despite facing similarly high public debt, benefits from a diversified and exportoriented manufacturing base that mitigates external vulnerability and stabilizes its macroeconomic position. Spain and Portugal occupy an intermediate position, showing partial industrial capacity but increasing exposure to service-sector dependence and tourism-driven growth.

Within a monetary union that lacks exchange-rate flexibility, structural divergence cannot be corrected through conventional adjustment mechanisms. The experience of internal devaluation has revealed its social costs and its limited effectiveness in restoring long-term competitiveness. As long as the productive gap between the industrial core of Northern Europe and the Mediterranean South persists, trade imbalances, capital flow asymmetries, and political tensions will continue to reproduce themselves (Vardopoulos et al., 2024b).

The discussion of the Common Agricultural Policy further reinforces this argument as the policy has functioned as an important mechanism of income support and territorial cohesion in Southern Europe, it has not fundamentally altered the structural hierarchy within the European division of labor (Coluzzi et al., 2025). In many Mediterranean economies, agricultural policy has stabilized primary production without sufficiently promoting agro-industrial integration, technological upgrading, or stronger linkages with domestic manufacturing systems. As a result, redistribution has partially mitigated social pressures but has not resolved the deeper productive asymmetries between North and South (Salvia et al., 2025).

An industrial renaissance in the European South is therefore not a sectoral policy option but a strategic necessity for the sustainability of the euro area (Mavrakakis et al., 2015). Manufacturing remains central to productivity growth, technological upgrading, export performance, and stable employment creation (Duvernoy et al., 2018). At the same time, agricultural policy must be reoriented from predominantly income-based support toward integration with industrial value chains and innovation systems (Salvia et al., 2022). Economies structurally specialized in low-technology services and weakly industrialized primary sectors cannot generate the innovation dynamics required for sustained convergence within a highly competitive global environment (Egidi et al., 2020).

Industrial reconstruction cannot be achieved through financial transfers or temporary recovery instruments alone. It requires a reconfiguration of the European macroeconomic framework, including stronger coordination between monetary and fiscal policy, the establishment of a meaningful common fiscal capacity, a strategic rethinking of sectoral policies

such as the Common Agricultural Policy, and explicit recognition of the structural interdependence between surplus and deficit economies (Rontos et al., 2019). Without such institutional reforms, Southern economies will remain locked into a subordinate position within the European division of labor.

In this light, the transformation of the Mediterranean into a dynamic industrial region, supported by coherent industrial, agricultural, fiscal, and monetary coordination, is not a peripheral development agenda but a prerequisite for restoring balance, cohesion, and long-term sustainability to the European project itself.

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