

The EU enlargement: new challenges for the Mediterranean countries?

RAUL JORGE*

In the near future, the Mediterranean countries will face new and significant challenges in the sequence of the 2004 EU enlargement. To what extent such challenges might be an opportunity or a threat for the agriculture of the region isn't yet clear, as the answer depends on several factors and circumstances still undefined for the time being. Moreover, the total effects of the enlargement are not straightforward and there can be gains or losses for the different countries of the Mediterranean basin.

In fact, the potential gains that the enlarged UE-25 might offer the Mediterranean countries, either by expanding access to the European markets, attracting new foreign indirect investment (FDI) to the region, enhancing emigration to the Community, or by reinforcing the Association Agreements with the Southern and Eastern Mediterranean Countries (SEMCs), may never materialise. In a context of a new political and geographical equilibrium, and due to the scarcity of financial resources and the budget restrictions in force, the risk of enlargement becoming a threat to the region is high, since it could exacerbate, rather than correct, its ill-favoured situation.

Next, we analyse this subject discussing some key aspects of the enlargement dossier, namely: the agricultural trade, the financial and budget issues, the foreign direct investment flows and the labour migration.

As a consequence of the economic integration, the tariff structure of the Central and Eastern European Countries (CEECs) shall inevitably change, leading to a global reduction of common external protection, though less significant because important reductions in trade barriers have already taken place in the pre-accession stage. In this scenario, it should be expected an expansionist effect on the total demand of agricultural and food imports of new Member States (MS), which shall benefit present MS and third countries, among which are the SEMCs. In particular — and contrary to what happened with the enlargements to southern countries in the 80's (Greece in 1981, followed by Spain and Portugal in 1986), which contributed to increase the self-sufficiency of the Community in Mediterranean products — the enlargement to CEECs might represent an opportunity to develop the market of these products.

However, the opportunities that this global market expansion might open to exports of non-European countries of Mediterranean border are likely to be much less significant. In the first place, because such impact shall vary from product to product and

shall be different among entering countries, depending on the trade policy practised by each of them before the accession. Secondly, one must bear in mind that the impact on the overall imports of the ten new MS is not the unique effect resulting from the adoption of the tariff and trade system of the Community. In addition to this direct effect, there is as well an indirect effect of deviation of trade flows in favour of intra-Community exchanges, as a result of abolition of barriers to interior trade in the enlarged Community itself. Within this scenario, the Southern European countries (EUMCs) might be, in this particular field and in relative terms, the great winners of the enlargement. Actually, the full integration of ten new MS in the EU in May 2004, will contribute, above all, to consolidate the present pattern of agricultural trade between the Union and those countries, characterized by a great dependency of these in what concerns Mediterranean products. By reaching the principle of Community preference, the agricultures of EUMCs shall be the first and main beneficiaries of this expected demand increase, which they shall explore by intensifying and increasing their production and, if necessary, by redirecting their exports to the markets of new Community partners. In fact, the significance of intra-EU agricultural trade is, besides, the expression of such discrimination in favour of the products coming from Southern European countries (Spain, Greece, Portugal and Italy) in prejudice of the imports coming from SEMCs (in 1998-2000 EUMC accounted for 26,2% of EU total imports, while SEMCs accounted for only 2,2%). At this level, the enlargement shall reflect its effects by the indirect via of CAP's reform, which tends to reduce the external protection of Community markets, or, in other words, to slow down the Community preference.

Thus, the opportunities that this market expansion might open to the SEMCs shall have to be much conditioned. However, the potential gains of agricultural exports of SEMCs shall depend, above all, on other kind of different factors. The first one is the liberalisation of Euro-Mediterranean trade within the context of the Barcelona process. As agreed in 1995, the access of those countries to the Community market will increase until the constitution of the Euro-Mediterranean Free Trade Area (EMFTA) in 2010. The second factor to be considered is the capacity of SEMCs' agricultures to fit the requirements of Community demand quality, to adjust their productive cycles in order to explore the seasonality of those markets and to move to a more diversified export structure based on high-value-added products.

Let's focus now on the financial and budgetary issues. The en-

* Instituto Superior de Agronomia/Universidade Técnica de Lisboa

largement of the EU from 15 to 25 Member States will inevitably have significant financial impacts. The transitional rules, as agreed upon in 2002, softened such impacts but did not eliminate them. Although the dismantlement of the present CAP was avoided, the policy model arising from this interim reform has actually more modest financial resources in view of the number of agricultures, which shall integrate. Regardless of eventual changes that might occur favouring the 2nd Pillar of CAP, the overall amount of agricultural funds shall not be enough to ensure, after the enlargement, the protection and support level in force so far. Either the present or the new MS will share the financial costs of the enlargement in different ways: the former by enforcement of the budgetary discipline set up; the latter by the phasing-in rules of agricultural support. To what extent the budgetary and financial effects of this process shall have repercussions in the SEMCs is, however, a question not easily answered, as that depends on the external priorities of the Union.

If one compares the total budgetary expenditure of enlargement (40.8 billion euros until the end of 2006) with the budget funding for the Euro-Mediterranean Partnership (5.350 million euros for the period 2000-2006), the figures reveal clearly the EU priorities. Even in absolute terms, one must admit that MEDA programme budget is undoubtedly under dimensioned, considering the ambitious political, economic and cultural aims of this programme, which includes the establishment of a free-trade area by 2010. For sure that the increasing pressure put by the enlargement process shall not help improving this situation.

One can argue that the lack of financial resources shall increase the pressures to reform CAP, towards to a major liberalization of the markets, on the one hand, and to the reduction of agricultural expenditures, on the other. Both effects will favour the agricultures of the third countries, expanding the access to the Community market and releasing financial funds to other policies and actions. From another point of view, however, one must bear in mind that the consolidation of a European agriculture policy model highly territorial orientated against the sectorial model in force, shall favour the Southern countries of the EU (EUMCs). The increasing decoupling of the direct payments and the effective reinforcement of rural development measures shall open new opportunities to product diversification in favour of typical Mediterranean products. Through such via, the enlargement might promote the self-sufficiency of the EU in these products of which the SEMCs are exporters.

The foreseeable changes of foreign direct investment (FDI) flows represent another threat to the Mediterranean countries. The enlargement shall result in significant additional FDI flows to the CEECs, assuming the local climate is encouraging. Within a scenario of appropriate policies in the new MS, it is likely that a period of growth and further rise in investment will occur in these countries in the early years of full membership, with serious indirect consequences on the Mediterranean countries. As a matter of fact, this would mean, among other things, the postponing of the desirable reinforcement of the European direct investment in the SEMCs.

Finally, the migration of labour is an issue of the EU enlargement that must also be considered. For instance, the Member States or the neighbouring countries having significant emigrant communities in the most developed regions of the Union might face the return of guest workers to their home countries. In fact, the affluence of qualified labour force arising from new Member States shall certainly put in risk their permanence in the welcome countries. This should be a main concern for the Southern Mediterranean countries, which shall be certainly affected by this phenomenon. Another point, which shall constitute a growing concern of a Community extended to 25 Member States, is the illegal immigration. The more so, when such migratory chains are very often originated from the CEECs. It is expected that the fears caused by a growth of this phenomenon gives place to more restricted and intolerant attitudes by the Union, with reflections on neighbouring countries, specially on SEMCs. Finally, whatever will be the aggregate imbalance of migration flows from CEECs and their Eastern neighbours to the Union, it is foreseeable a general effect on the labour markets of present MS which shall have relevant indirect impacts on SEMCs: the increase in supply of low-skill labour, as a result, among other things, of the movement of labour away from agriculture in the accession countries.

Taking into account the trends commented above, it becomes clear that is up to the Mediterranean countries to make an effort to overcome their weaknesses and explore their strengths with a view to the market and other opportunities that enlargement can offer.

However, the point of departure is so unfavourable for the Southern countries that only an extensive redefinition of the internal and external priorities of the EU itself in order to promote those countries, might lead to a globally positive impact of enlargement on the region. In fact, enlargement can only be expected to benefit the Mediterranean region and promote interregional balance if the Community strengthens its commitment to the development and prosperity of Mediterranean countries and to the consolidation of relations with the SEMCs. But this would require a regional strategy, guiding the Union in its pursuit of extensive reform of its internal policies – with special emphasis on agricultural and rural development policy – and lead it to a southern proximity policy that is more consistent with the intentions and priorities proclaimed in political discourse. This would seem to be the most advisable way to change the present situation for the better. Otherwise, the general lack of resources will not favour the correction of the present unbalance between intra-EU actions and EU-Mediterranean actions, but, instead, it will perpetuate and reinforce the North-South regional disparity.

Whatever will be the impact of the EU enlargement, the Mediterranean countries must claim for a greater engagement of the Community with the region and in the strengthening of the relations with the SEMCs, within the context of the Barcelona process, which does not depend so much on the EU enlargement and its effects, but above all in the priority given to a strategy of political, economic and social stabilization of the space around it.