

European Agricultural Economists Face the Mediterranean

The X European Agricultural Economists' Conference was held in the Spanish city of Saragossa from the 28th of August to September the 1st. The number of issues discussed during the various sessions was vast and did not deal exclusively with the agricultural economics sector. Relevant problems affecting European and world agriculture such as, for example, EU Common Agricultural Policy evolution and the role of multifunctionality, EU enlargement, WTO agreements and world trade, and the transformation of the agri-food system, were analysed with the usual scientific and methodological rigor.

The ensuing debate on economic policy and trade relations in the Mediterranean region calls for a special mention in this journal as it has often been a neglected topic in the EU conferences where European agricultural economists meet.

Discussions of issues regarding the Mediterranean region took place in a session organized by CIHEAM and by the Spanish Economists Association and in a plenary session dedicated to agricultural policies dealing with the EU Mediterranean product trade policy, and with trade liberalization and the effects of an Euro Mediterranean partnership.

Issues on Mediterranean integration and EU agricultural policies were examined by Tomas Garcia-Azcarate and by Marina Mastrostefano who looked into the evident existing contrast partially evinced from the multilateral agreements between the protection and support allotted to European production - the Mediterranean one, in particular - and the trade liberalization requested by South-East Mediterranean Countries (SMCs). The passage to an decoupled form of support for Mediterranean products - such as, for example, for horticultural products - requires further looking into, according to the authors. References to the ongoing CAP debate and the Mediterranean Basin market discussions were also made.

Jose Maria Garcia Alvarez-Coque's second paper explored market liberalization and the Euro-Mediterranean partnership. The author ponders on the potential costs and benefits of the idea launched by the Barcelona Conference in 1995 of creating an Euro-Mediterranean Free Trade Area in which new forms of cooperation protocols involving reciprocal liberalization for agricultural products would take over the earlier generation of cooperation protocols, and wonders whether it is an attainable target.

Blatant economic and trade asymmetries exist on both shores of the Mediterranean basin. While the rate covera-

ge reaches 98% on the Northern bank, it is but a meagre 22% on the Southern bank. Enormous contrasts also characterize the agricultural trade exchange of the countries in the region. While the North is characterized by a diversified production structure and by the presence of countries which hold a prominent position as importers and exporters, the South shows a marked specialization - 43% of the total exports traded with the EU are fruits and vegetables - and hardly ever have a leading role in the trade market. Although the EU has a significant weight on SMC trade - it is the destination of about 37% or 47% respectively of its imports and exports UE - the same is not the case for SMC. In fact, SMC represent only 7% of the extra-EU's market. Another North-South asymmetry is represented by the fact that the GDP per capita ratio is 18.5 between France and Morocco, 15 between Italy and Egypt, and 9 between Spain and Algeria.

The aim of an Euro Mediterranean Partnership is the modernization of the SMCs, with technical and financial assistance from the EU. But Barcelona Process has not offered significant new concessions to SMCs in terms of market access to their agricultural products, while, EU manufactured industrial goods benefit from a total and reciprocal trade liberalization. By constraining agricultural trade, the "Barcelona Process" is actually risking an increase in competition between the various countries of the Mediterranean basin, which will make it very difficult to pursue a stronger regional integration strategy in the region.

However, research findings suggest that static gains from SMCs from EU tariff preferences granted under the current Euro Mediterranean Agreement (EMAs) are fairly low. A preference margin of 5% of agricultural export values to the EU: was calculated. Thus market access becomes a necessary but seemingly insufficient condition for improving export performance and economic competence, and for reinforcing the Euro-Mediterranean integration process.

The author contends that concessions granted by the EU in the form of preferential trade agreements with SMC are still far from full liberalization. Tariff-rate quotas, entry-price system and other trade barriers, are the result of the pressure exerted by European farm lobbies who fear the competition with the SMCs in agricultural product trade. From a global framework, international competitiveness is influenced by product differentiation, marketing, harvest and post-harvest technologies, facilities and

transport. Therefore, according to the speaker freer trade in the Mediterranean area will open new opportunities for European operators to increase the value added through trade integration and the completion of the production process. The increase in consumers as a result of EU enlargement to the East is not to be ignored. And, finally, an acceleration of the CAP reform to enhance rural development in a compatible way with freer trade could be a desirable path. Southern European farmers might be in favor if the CAP reform had the indirect effect of rebalancing the support between the North and the South of the EU.

Besides the poster exhibition that took place during the session dedicated to the Euro-Mediterranean debate, Bruno Buffaria, Najb Akesbi and Enzo Chioccioli touched upon subjects such as the CAP reorganization, multilateral agreements, and the integration process.

Possible CAP renewal scenarios are traced regarding continental products – subject of the Mid term Review – and Mediterranean products which will have to wait still another year before being taken into consideration. However, in spite of the absence of a proposal regarding Mediterranean products, the main EU goal is to stabilize the market and enhance competitiveness of EU agriculture, promote a more sustainable system of direct payment and strengthen rural development by transferring funds from the first to the second pillar of the CAP via the introduction of an EU wide system of compulsory dynamic modulation and expanding the scope of currently available instruments for rural development to promote food quality, meet higher standards and foster animal welfare.

Akesbi goes over multilateral agreement issues – from the Uruguay Round to other recent negotiations – from the Mediterranean countries viewpoint. He wonders whether it is feasible to strive towards an increased market access within the multilateral agreements or whether to maintain a regional dimension within the not too persuasive bilateral agreements.

The position of south and east Mediterranean countries in WTO negotiations concerning market access is particularly complex. Most of these countries are importers – except Turkey and Syria which have an exceeding agri-food production balance – so their main concern is with import product access conditions in their own markets and not of access conditions of their own products in foreign markets. Exporting countries, however, are concerned with the negative effect that a generalized tariff reduction could have on the preferential trade concessions granted by Europe. The main obstacles to SMC product export access to the EU markets are no-tariff barriers – entry prices, quotas, import certification, quality standards, datelines.

A distinction between exporting and importing countries must be made when discussing export product competitiveness. Exporters are penalized by EU export subsidies, which, above all, represent in non-EU markets an unfair trade practice. Importers – the majority – are benefited by the abovementioned subsidies which give them access to the basic food products needed by their populations at

low costs. Though initially having an immediate positive short term effect, in the long run low cost imports, erode local productive capabilities. However, the speaker acknowledges changing this state of affairs requires effective political will and difficult reforms from within. No wonder, then, that it seems preferable to maintain subsidies instead.

The effect of the GDP burden and of agricultural surpluses on the work force, compel SMCs to protect their own farmers from the unfair competition represented by import products thereby safeguarding their incomes. This explains why SMCs, even those like Turkey, Egypt and Syria agriculturally self-sufficient, persevere in protecting and supporting local food production of, for example, perishable goods such as, meat, sugar, cereal, and milk products.

The steps taken towards liberalization in the Euro-Mediterranean unilateral agreements seem uncertain and incapable of fostering development in the SMCs. Moreover, the speaker underlines the countries involved do not see a concrete EU commitment towards the construction of an intra-regional Euro-Mediterranean trade area which would allow increased market access. There is a perception that it would be a commendable move to set-up a common program aimed at creating a sort of Euro Mediterranean agricultural market association to sustain and regulate the internal market and to represent the region's point of view from within a global, strategic framework, in unilateral agreement negotiations.

In his paper Chioccioli underlines the importance of international cooperation – as in the case of the Euro-Mediterranean agreements – for the advancement of SMC economies. From among the existing EU cooperation programs, MEDA I (1995-99) and MEDA II (2000-06) are taken into account. CIHEAM's interest in consolidating and provide incentives to encourage cooperation between the countries on both sides of the Mediterranean Basin so as to promote research and expertise is highly regarded. An example of its commitment in this direction are the yearly meetings of the Agricultural Ministries of CIHEAM member states which first began in Rome in 1999 and have reached a fourth edition with the last Beirut meeting on 2002. Common development policy projects and proposals leading up to the economic integration of the Mediterranean region are often studied during these meetings.

It is a shared opinion that the Mediterranean region trade agreements depend not only on resource availability and on the agricultural policies adopted, but also on the series of bilateral and multilateral agreements that regulate commercial and trade cooperation and consequently influence the countries' position in the world. A policy for the Mediterranean region must therefore be conceived within a global framework which allows EU reform mechanisms to be viewed from a Mediterranean standpoint. A synergetic, common approach towards market dynamics, rural development policies will surely strengthen commercial and economic activities on both shores of the Mediterranean.

Giulio Malorgio