

# Changing agricultural policies in the Mediterranean Region

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The articles in this issue of NEW MEDIT illustrate the many changes currently affecting agricultural policies in the Mediterranean region: new policies are debated, some important policy changes have been decided and some have begun to be implemented. Perhaps even more striking, all parts of the region - North and South, East and West- are involved in those changes in spite of the many profound differences among the various agricultures of the region. To summarize, at the risk of oversimplifying: the centrality of trade liberalization which played a critical role in recent debates and policy reforms seems to be waning. Other issues and concerns, some of which had often been important in the past, seem to be coming back or to emerge as central. The main purpose of this introduction is to highlight the main common elements in those changes and to explore why they are happening now. We will first review the central role played until recently by the debates and decisions regarding trade liberalization, over a long period of twenty to thirty years, and then shift to the recent emphasis on other concerns. This will permit us to strike a note of caution: the recent shift of emphasis has many advantages, notably because it brings back to the fore the importance of such critical long term issues as the plight of the rural poor in many countries or the need to conserve fragile natural resources but it also carries the risk of forgetting the high costs, economic and social, of ignoring the signals which markets can provide.

## 1. Trade Liberalization as Main Driver of Agricultural Policies for Decades

Liberalization of agricultural policies has taken several aspects in the Mediterranean region in the last few decades. The most

dramatic feature was probably when the Southern countries, which had chosen a more or less socialist model, such as Egypt, Algeria or even Tunisia for a while in the 1960s, changed orientation, giving much more space to market mechanisms in their domestic economies. Note that this domestic liberalization has not been fully completed today for several agricultural markets, notably cereals. Governments intervene massively to keep producer prices high, often well above international price levels through high border protection, and at the same time subsidize consumers. In a parallel fashion, on the other side of the common sea, European authorities also intervened massively to support agricultural prices above international levels, leading them to subsidize exports.

In both cases, this major interference with market mechanisms was challenged by international trading partners. The role of GATT -and then WTO- negotiations in the successive reforms of the European CAP since 1992 has been well documented<sup>1</sup>. For Southern and Eastern Mediterranean countries, this role of GATT and WTO has been much less important, even if the final multilateral agreement on agriculture, concluding the Uruguay Round of trade negotiations in 1994, was signed in Marrakech. For these countries, trade liberalization became a critical component of their general economic policy orientation, including both domestic reforms and bilateral or regional negotiations with specific international trading partners. In this context, the case of Turkey is probably the most extreme and, as a result, most emblematic. For many years, the strategic priority of the Turkish government was to prepare for eventual admission into the European Union. And this meant eventual full trade liberalization with the EU, which would involve a major adjustment for the agricultural sector<sup>2</sup>. This prospect was then clearly the main driver of domestic agricultural policy reform.

The case of the other Southern and Eastern Mediterranean countries is less drastic than the case of Turkey. Similar forces, giving prime of place to trade liberalization, were at play however. Indeed, most of these countries have been involved in sever-

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<sup>1</sup> For a relatively recent review, see Cunha A. with Swinbank A., *An Inside View of the CAP Reform Process: Explaining the Mac Sharry, Agenda 2000, and Fischler Reforms*, Oxford University Press, 2011 (226 p.).

<sup>2</sup> Cakmak, E. *Structural Change and Market Opening in Turkish Agriculture*, CEPS EU-Turkey Working Paper No. 10, Brussels, September 2004 (138 p.).

al trade liberalization agreements with varying impact on domestic policies. The most far-reaching have undoubtedly been the trade agreements with the European Union, notably as part of the “Barcelona process”, following the Ministerial Euro-Med conference in Barcelona (1995). In this process, trade liberalization was to play a critical role since the objective was to establish a fully free trade zone by 2010. But trade liberalization was only seen in this context as an instrument for the loftier ambition of “building a space of shared prosperity”. More recently, the European Commission tried to formulate a new ‘neighbourhood policy’ taking account of the new political developments associated with the “Arab Spring”. It proposes differentiating among partner countries according to partner governments’ responses to the EU’s ‘democracy support activities’. And the reward to governments showing progress on this front is deeper trade liberalization through ‘Deep and Comprehensive Free Trade Agreements (DCFTAs)’.

On the domestic scene, international trade liberalization commitments were used as a source of pressure to push a general policy reform agenda, notably to promote the modernization of the economy. The commonly used slogan of “mise à niveau” -in French- (i.e. catching up) is in this respect very revealing. In other words, to be competitive one needs to be modern. In this context, Foreign Direct Investments are welcome and the fact that FDIs are not very important in the region is often lamented. Another consequence of this general frame of mind is that smallholder agriculture is seen as quintessentially traditional. It is generally believed that it cannot in any way contribute to the modernization of the economy. Admittedly, the idea that Southern Mediterranean countries have a comparative advantage in the production of fruits and vegetables is widely shared. But exploiting this advantage is always seen as requiring the presence of modern actors in the export value chain, often even in the primary production stages. This leads to an ambivalent attitude towards trade liberalization for agricultural products in these Southern Mediterranean countries. Better access to European markets for fruits and vegetables would be welcome and European protectionism is blamed for insufficient trade liberalization in this sector. But liberalizing imports of cereals and other so-called ‘strategic commodities’ is seen as a threat, given that many poor and smallholder farmers in dry and difficult regions could suffer greatly from increased international competition.

## 2. New (Sometimes Old) Issues

In recent years however, trade liberalization has lost its place as the overwhelming and overarching issue dominating all agricultural policy debates. The current debate on the reform of the CAP is mainly focussed on what environmental conditions

should be attached to direct payments. The paper by de Castro et al. (in this issue) describes very well the complexity of the current debate and illustrates the importance of three ‘new’ concerns: “the greening component of direct payments, the market crises management measures and the incentives to access to individual risk management tools”.

Among Southern Mediterranean countries, the case of Morocco discussed also in this issue of *NEWMEDIT* is exemplary in this regard. For instance, the Plan ‘Maroc Vert’ (i.e. ‘Green Morocco’), as described by Akesbi, recognizes clearly the importance of a large population of small and poor farmers, residing mainly in difficult areas (mountains, oases, arid or semi-arid zones) and the need for public policies to provide them with specific support, which led to what is known as Pillar 2 of the Plan, specifically designed to provide ‘solidary support’ to this large segment of the agricultural population. It is worth noting here that the Plan ‘Maroc Vert’ was launched in 2007, i.e. well before the 2011 ‘Arab Spring’.

The paper by Raouf et al. on Tunisia stresses the role of ‘recent events’ in bringing to the fore issues of equity and of regional development. One must not forget indeed that these events began 18 December 2010 in a small rural town, Sidi Bouzid, following the self-immolation of Mohamed Bouzid in direct and ostensible protest of police corruption and ill treatment, but also in a broader context of limited employment and other economic opportunities in many rural areas of the country. The problem is of course not restricted to Tunisia and it is very clear that most political leaders at the highest level in the region are now acutely aware of the explosive character of the social and political risks associated with rural poverty.

Similarly, the growing scarcity of water is well understood in the region. More generally, environmental issues, perhaps more precisely issues associated with the management of scarce natural resources, threatened by demographic growth and general economic development – a management made more difficult in addition by the prospects of global warming – are well identified as critical for the long term future but also as requiring immediate public action.

The emergence, or re-emergence, of these major equity and environmental issues in the agricultural policy debates is certainly welcome. Obviously, the previous fixation of past debates on trade liberalization was, in some respects, stifling. But there is a danger here of throwing away the baby with the bath water. The focus on trade liberalization had the great merit of calling attention to the dangers of interfering with market mechanisms, which can entail very high costs. Many countries in the region paid dearly to learn that lesson in previous decades; they should not forget it now.