

THE EURO-MEDITERRANEAN PARTNERSHIP AND SOUTHERN MEDITERRANEAN COUNTRIES AGRICULTURE

ANDREA GALLINA (*)

The creation of a free trade area or a custom union causes both negative trade-diversion and positive trade-creation effects for the countries and the sectors involved in the process of integration.

Furthermore, liberalisation of trade causes processes of adjustment and restructuring of some sectors. If the processes take place between countries with different levels of economic development, in terms of financial, infrastructural and technological capabilities, the "price" of the restructuring process is particularly high in the mostly protected sectors of the less developed countries.

The consequences of integration/regionalisation are visible both in short and long terms. In the short run the net gains of free trade are preminent in those products which show a revealed comparative advantage, while in the long term, the abolition of protection of some sectors causes the elimination of less competitive agents and their substitution by more competitive partners. The debate raised around the project of establishing a free trade area (FTA) between the European Union (EU) and the Southern Mediterranean Countries (SMCs) in 2010 has not fully taken into account the conditions affecting some sectors of SMCs economies. In particular, the abolition of barriers in agricultural trade represents the biggest challenges for the Euro-Mediterranean partner-

ABSTRACT

The project of creation of free trade area involving the European Union and the Mediterranean countries suggests a situation of dramatic uncertainty for the future of southern Mediterranean agricultural sector. In the paper, the current pattern of agricultural specialisation and marginalisation is taken into account in order to highlight the implications encompassed in the process of economic liberalisation. The analysis of the agricultural sector performance, at country level, shows a high level of dependency on imports, even though the economies considered have different degree of economic openness. The sectoral and the specialisations analyses of Southern Mediterranean countries agriculture underline the possibility of economic cooperation at regional level and for the specific sector. In the light of this, the Euro-Mediterranean partnership is perceived as the cooperation framework within which these objectives can be realised. Though it implies strong political commitment from Mediterranean governments, the results achieved in the research show that horizontal and polycentric economic integration should be strongly supported.

RÉSUMÉ

Le projet de création d'une zone de libre-échange entre l'Union européenne et les Pays Méditerranéens suscite une situation de grand incertitude pour l'avenir du secteur agricole sud-Méditerranéen. Dans ce travail, le modèle actuel de la spécialisation agricole est pris en considération en ordre de mettre en lumière les implications renfermées dans le processus de la libéralisation économique.

L'analyse de la performance du secteur agricole montre un niveau élevé de dépendance des importations même si les économies considérées ont un différent degré d'ouverture économique. Les analyses du secteur et celles de spécialisation agricole des Pays du Sud de la Méditerranée soulignent la possibilité d'une coopération économique au niveau régional et pour le secteur spécifique. En considération de cela la coopération Euro-Méditerranéenne est perçue comme le cadre dans lequel ces objectifs peuvent être réalisés et, même considérant que cela signifie un gros engagement politique pour les gouvernements des Pays méditerranéens, les résultats obtenus dans la recherche montrent que l'intégration économique horizontale et polycentrique devrait être fortement soutenue.

ship. This paper aims to present the major challenges for SMCs agricultural sector in the near future, putting the attention on the measures of economic policy which should accompany the process of liberalisation to avoid the deepening of the economic gap with the European partners. In the first part of the paper the patterns of agricultural specialisation in SMCs are described empirically utilising a static index of specialisation. This is followed by a brief analysis of SMCs agricultural sector performances over the last 20 years, stressing the importance of the sector in the economy of the country and its level of openness to the rest of the world.

The remainder of the paper is addressed to the analysis of total and agricultural trade flows from the EU towards SMCs and *vice versa*. In this context, the concept of specialisation is used to define the position of a country or a

region in the world market and for certain product. Its analysis allows us to pinpoint the sectoral policies needed to strengthen commercial and technological links between two or more regions. The analysis of the evolution of North-South and South-South patterns of trade shows the limits and potentialities of establishing a FTA. In particular the process of economic marginalisation of SMCs, as described in Amoroso (1993), is confirmed, as well as the existence of potential south-south commercial cooperation described by Bagarani, Mellano and Pesce (1996). Therefore, the main question which the paper will attempt to answer (given the general overview of the situation in the region and for the

(*) Ph.D. Fellow, Dept. of Social Sciences, University of Roskilde, Denmark.

sector concerned) is: What political and economic measures should be pursued in order to avoid the deepening of the dualism in the sector and in the region? In the conclusive remarks the risk of further polarisation of economic power and increasing dependency in the Euro-Mediterranean area, and the potential threaten they represent to the stability of the whole region, is emphasized. In particular, the need for closer cooperation between SMCs is considered as a necessary policy before joining a FTA with a well and long established integrated regional grouping such as the EU. This cooperation can take the form of sectoral cooperation, e.g. emphasizing the complementarities existing in agricultural exports between SMCs. The achievement of long terms socioeconomic results lies in the political commitment of Chiefs of States and Governments of both regions to pursue a development strategy based on a polycentric approach aiming to maintain and emphasize local specificities and peculiarities. In particular, the focus of the structural adjustment of the agricultural sector should be directed at those parts of the sector which suffer from the utilization of traditional usages and techniques and which "efficiency" (which is generally lower) should be improved. Furthermore, the specialisation in the region should be sustained emphasizing sub-regional specialisations and complementarities in food trade and developing a logic of cooperation instead of competition.

THE EURO-MEDITERRANEAN PARTNERSHIP AND THE IMPLICATION FOR SMCs AGRICULTURAL SECTOR

The agriculture of Maghreb and Mashraq countries⁽¹⁾ is in need of a structural adjustment which should take into account the peculiarities and potentialities of each country and of the people that survive on it. The agricultural sector of the Southern shore of the Mediterranean basin is characterised in large part by a traditional production system which still employs two third of the active population⁽²⁾ and by a high food imports and exports dependency from the EU. The implications of a process of liberalisation, aiming to the creation of a EU-MED FTA, are very important for the agricultural sector of the SMCs. The elaboration and development of accurate sectoral policies (commercial and structural, and on employment) is needed to override the likely consequences deriving from such process. An economic integration between two areas with deep differences in the level of economic development and production systems would not contribute to the elimination of the

existing dualism but the developmental gap will probably increase. Concerning the agricultural sector, on a price base, SMCs agricultural produces are very competitive, compare to the same EU Mediterranean countries produces. In the long run this advantage can be easily hampered by non-tariff barriers, such as quality and sanitary standards and calendars of production. Regional commercial policies are needed to overcome controversies between SMCs and the EU, while strengthening horizontal cooperation to improve intra-regional trade should not be seen as a measure to protect and isolate SMCs agriculture from EU competitors, but, instead, it constitutes a way to improve a "decentralised cooperation approach" which focuses on the needs of local markets and indigenous population. The Euro-Mediterranean Partnership forecasts that SMCs primary sector exports will gradually obtain a better access to European markets. Consequently, in the year 2010 the agricultural production of both regions will have a preferential and reciprocal access. Initially, "trade creation" will play in favour of SMCs' agricultural exports, while the gains deriving from the protection of their industrial sector, in which are less competitive, will be reduced.

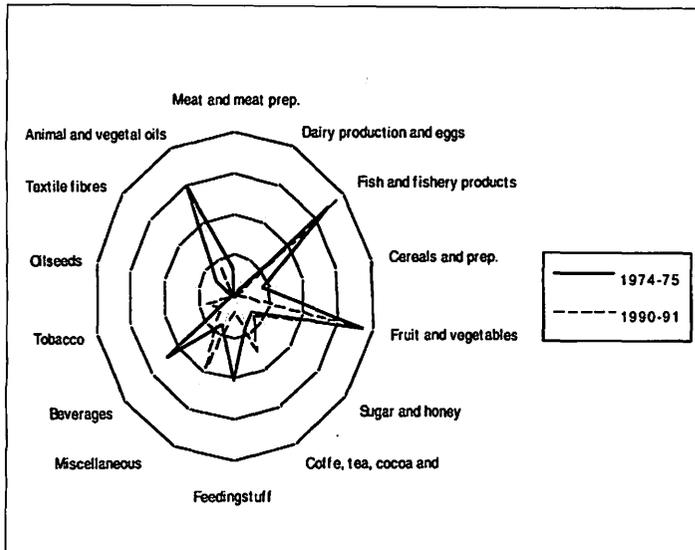
To cope with SMCs agricultural produces competition, the EU will be forced to raise new restriction policies on agricultural goods, e.g. non-tariff barriers as quality standards, which will thwart the comparative advantages in the nowadays typical Mediterranean produces. Pursuing a pure neo-liberal approach to cooperation traditional agricultural production systems will pay a higher price. The structural dimension of market liberalisation will deeply affect less "advanced" farms: a concentration of the factors of production in the more capital intensive foreign-owned farms, able to achieve economies of scale, will take place and contribute to the internal migration towards the cities of the littoral. This means that a large area of land will be increasingly abandoned, while the intensive use of chemical fertilizers, heavy machineries and pesticides, introduced with modern agricultural techniques, will threaten not only the rural population but also the environment, augmenting the rapid desertification of the soil.

METHODOLOGY

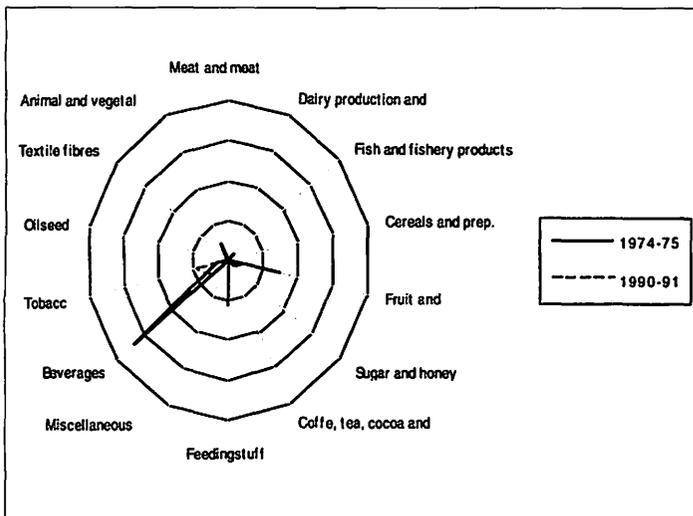
The quantitative aspects of marginalisation are described by the figures concerning trade, both total and agricultural. In order to avoid problems caused by unexpected annual variability of agricultural production, I have taken the average for groups of two years. The analysis of trade has been carried out using different sources. For SMCs, the figures provided are taken by the United Nations *Commodity Trade Statistics*. For the European Union the source is the *External and Intra-European Union Trade* Statistical yearbook 1958-94, and in particular the section "EU's Main Trading Part-

(1) Turkey and Israel, due to their particular economic conditions in comparison with other SMCs, their different economic structure and weight of the primary sector, and as well as for their "advanced" relationship with the EU, need a separate assessment in regard to the process of integration forecast in the Euro-Mediterranean partnership.

(2) According to Février (1993: p. 45) the agricultural population of the third Mediterranean countries is 73.5 millions.



Graph 1 - Morocco - Specialisation in Agrofood Production.



Graph 2 - Algeria - Specialisation in Agrofood Production.

ners". The analysis of the specialisation of agro-food exports has been carried out utilising a static index of specialisation (ISP). This presents the main advantage to have a given range, with a maximum value +1 (all production is exported) and a minimum value -1 (total absence of trade). This is particularly important in a comparative analysis of different countries in a certain period of time⁽³⁾.

The evolution of the specialisation of a country allows us to measure the competitiveness of a product. In the time considered the variation of the index can be positive or negative and can be due to two different reasons: a) the positive (negative) trend can be attributed to the increased (decreased) competitiveness of the internal market of the country analysed; b) the positive (negative) trend can be determined by a general decline (improvement) of the market shares of that prod-

uct for the rest of the countries (in our case the World). For these reasons the specialisation of a country in a product can be due to different situations: in the first case, the country is gaining market's share of that product in a situation of a dynamic growing market for everybody. It means that the country is performing well in that product and can more easily penetrate the international market, which means a higher competitiveness compare to other countries. In the second case, the country witnesses a growing importance of that product in the internal market, while the general trend shows a declining importance of the commercialized share of that product in the international market. It means that the competitiveness is increasing but for a type of product which importance in the international market is decreasing. Then, probably, in this case, the market penetration is not due to a greater competitiveness but to a specialisation in a product being abandoned by the world market. We can conclude by saying that the first case is characterised by a condition of "efficiency" while the second case can bring to two possible conclusions: the specialisation has occurred either because the product gained the world market, eliminating the competition from other countries, and then returning in a condition that can be defined of "efficiency", or because the product is not traded anymore and the country continued to specialise without perceiving the changes in the market. For a country this condition of "un-efficiency" is particularly dangerous because is connected with the risk of specialising in a product which is going out of the market (Bagarani 1993: 200).

The **graphs (1-9)** give a better illustration of the changes in the commercial behaviour of the countries considered. The ISPs confirm the specialisation of southern Mediterranean countries in the *typical agricultural Mediterranean productions* ⁽⁴⁾, such as fruit and vegetables, olive oil, textile fibres, tobacco, spices, etc.

THE SMCs AGRICULTURAL SECTOR'S DYNAMIC

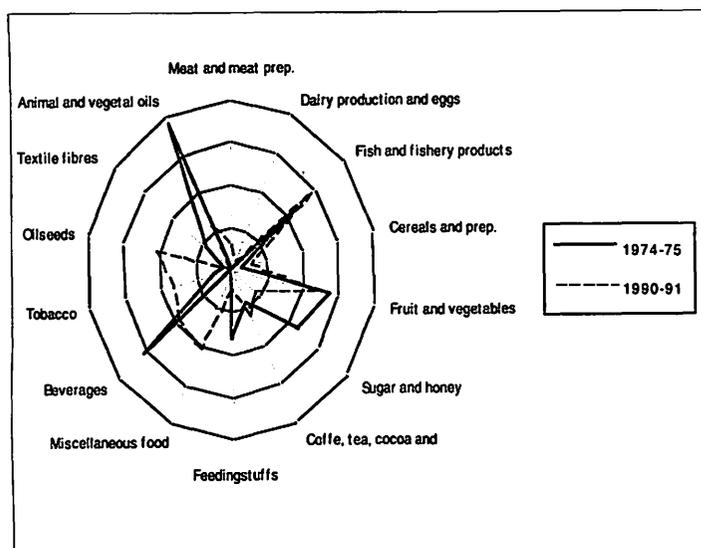
The analysis of the Euro-Mediterranean imports/exports flows structures, is preceded by a general description of the role of the agricultural sector in the economy of SM-

(³) For a detailed description of the specialisation index, both in its static and dynamic version, see Bagarani M., M. Mellano, A. Pesce, 1996. I have elaborated a ISP in a static version considering the exports of the periods of 1974-75 and 1993-94. The index is constructed taking a country-product trade matrix where the generic element $x_{i,j}$ represents the exports of the i -th country of the j -th product. The formula is as follows:

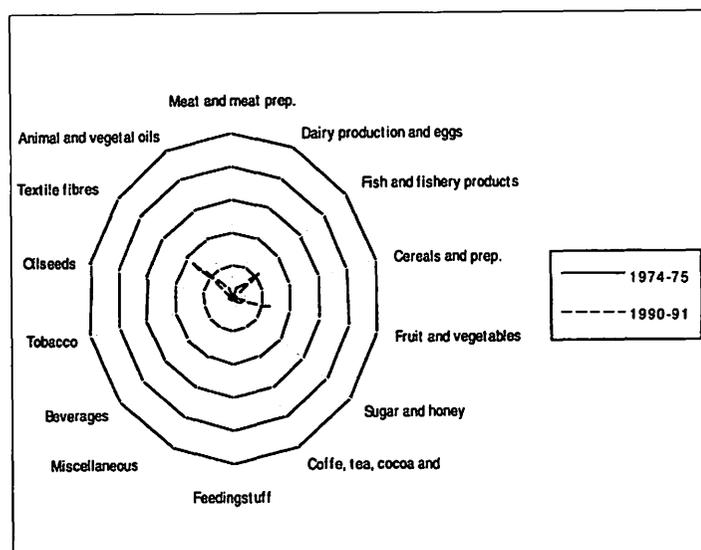
$$a = \frac{x_{i,j}}{\sum_j x_{i,j}}; \quad b = \frac{\sum_i x_{i,j}}{\sum_{i,j} x_{i,j}}$$

from which we can have the exemplified formula: $ISP = (a-b)/(1-a)*b + (1-b)*a$

(⁴) This is to indicate the agricultural products which, due to the favourable climatic conditions, have adapted and developed in the Mediterranean region in the last five centuries, becoming part of the natural agricultural landscape of the Basin.



Graph 3 - Tunisia - Specialisation in Agrofood Production.



Graph 4 - Lybia - Specialisation of Agrofood Production.

Cs. Traditionally, the agro-food balance of southern Basin countries is characterised by a high deficit. According to "The State of Food and Agriculture 1996" published by the F.A.O., agricultural production growth in the Near East and North African Region slowed from an already modest 2% in 1994 to 1.7% in 1995 (F.A.O., 1996: 187). In particular concerning the cereals production the average harvest in 1995 was 18% lower than the previous year's above-average harvest. At the time when the report was written, it was calculated, for instance, that Morocco's wheat imports in 1996, due to a very poor rainfall, will be about 3 million tonnes, which means an increase of more than 150% over 1995 (F.A.O., 1996: 190). The high dependency on crops from abroad is also confirmed by the agro-food "Normalized Balance" figures (table 1). The only country of the region that enjoys self-sufficiency in food is Turkey. The other SMCs have witnessed a constant decrease in their agro-food normalized balance since the 1970s.

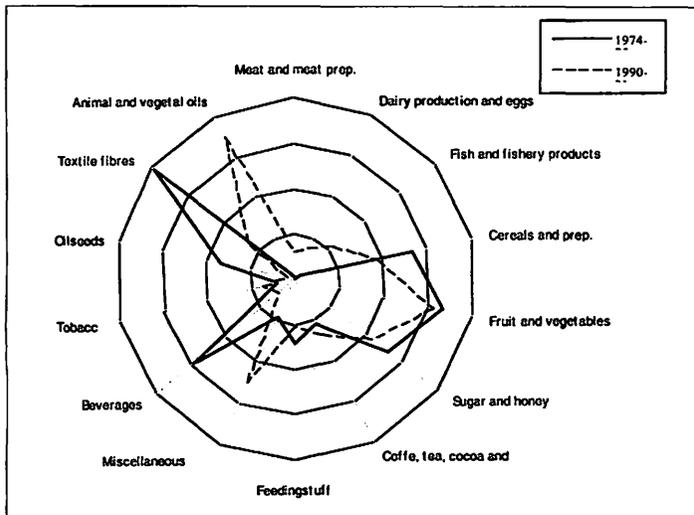
Even Israel has passed from a situation of surplus to a slight deficit in the beginning of the 1990s. This could be explained by the new commercial agreements signed with the European Union, which give Israel access to low price staple-foods imports. The degree to which agricultural exports can cover imports is very low in the whole southern part of the Basin, with the exception of Turkey. Table 1 also shows the small role played by the agricultural sector in the oil producing countries, such as Libya and Algeria, where the normalized balance is close to -100, i.e. a total absence of agricultural exports, and the deficit is entirely covered by the oil and industrial exports. Instead, in other countries the agro-food deficit largely contributes to the burden of the external debt (Gomez y Paloma 1991: 107). The causes which determine the present situation have been thoroughly analysed and discussed recently. Here, I will recall the most relevant macroeconomics factors which constitute the base of the "negative" trends in

Table 1 Agro-food normalized balance.

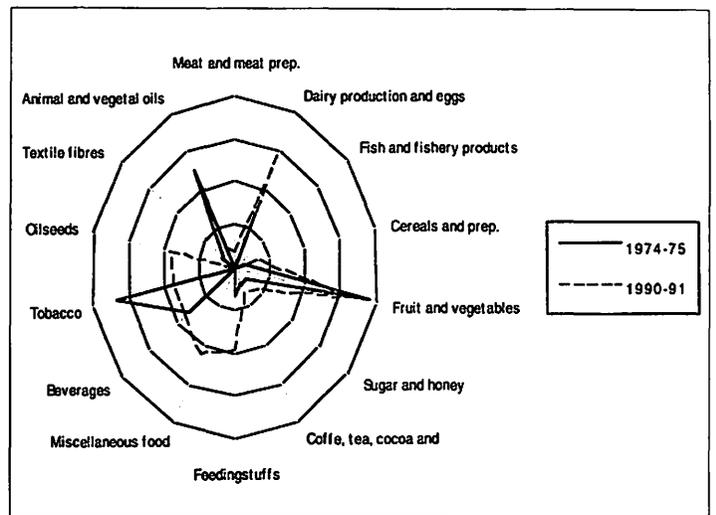
	Normalized balance*						Export/Import* 100					
	1969-71	1979-81	1984-86	1989-91	1992	1993	1969-71	1979-81	1984-86	1989-91	1992	1993
Algeria	-4	-89	-96	-97	-94	-94	93	6	2	2	3	3
Morocco	19	-29	-34	-14	-33	-42	147	55	49	75	50	41
Tunisia	-16	-46	-51	-31	-27	-23	73	37	32	53	57	62
Lybia	-98	-100	-100	-94	-95	-95	1	0	0	3	3	2
Egypt	36	-58	-69	-73	-73	-73	210	26	18	15	16	16
Israel	-5	-3	2	49	-9	-12	90	93	103	296	83	79
Lebanon	-38	-48	nd	-71	-77	-79	45	35	nd	17	13	12
Jordan	-61	-46	-64	-64	-61	-60	24	37	22	22	25	25
Syria	15	-38	-41	-5	-5	-7	135	45	42	90	91	87
Turkey	67	76	51	-26	33	23	500	729	307	59	198	159
Cyprus	24	3	47	7	9	-11	162	106	279	114	119	80
Malta	-75	-68	-65	-69	-67	-69	14	19	21	18	20	18

(*) The Normalized balance is obtained from the ratio between the commercial balance (Export-Import) and the total volume of trade flows (Export+Import) per 100. It varies between +100, total absence of Imports, and -100, total absence of Exports; as a standardized measure allows to make comparisons for different periods of time and/or different countries.

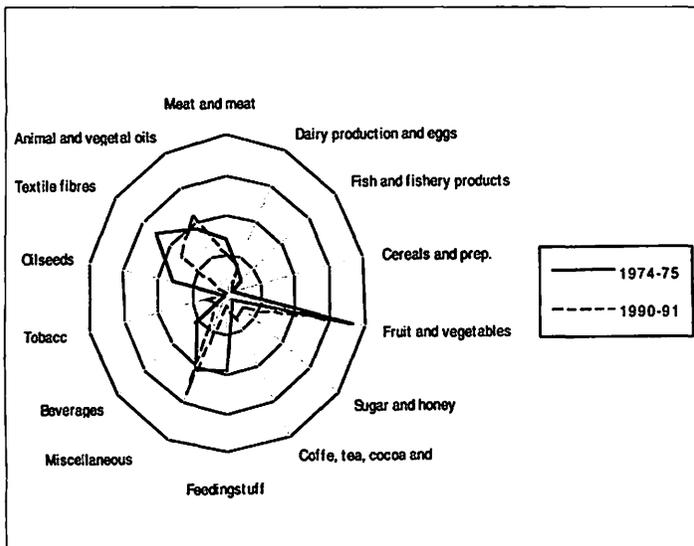
Source: elaboration from FAO, Trade Yearbook, various years.



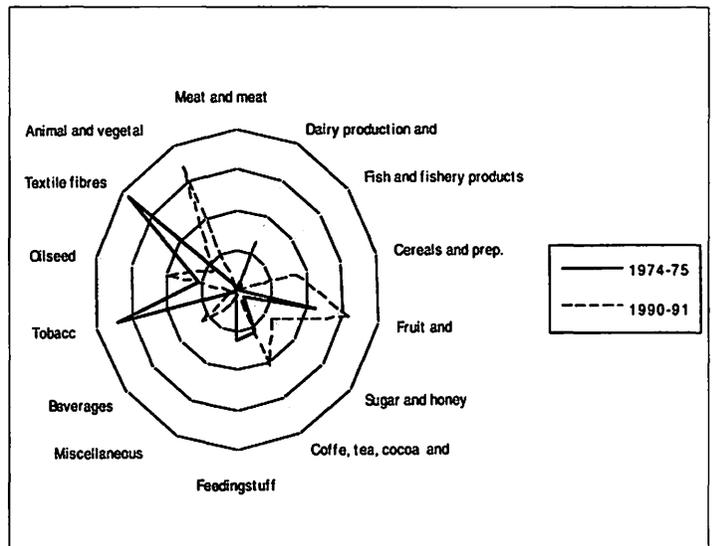
Graph 5 - Egypt - Specialisation of Agrofood Production.



Graph 7 - Jordan - Specialisation of Agrofood Production.

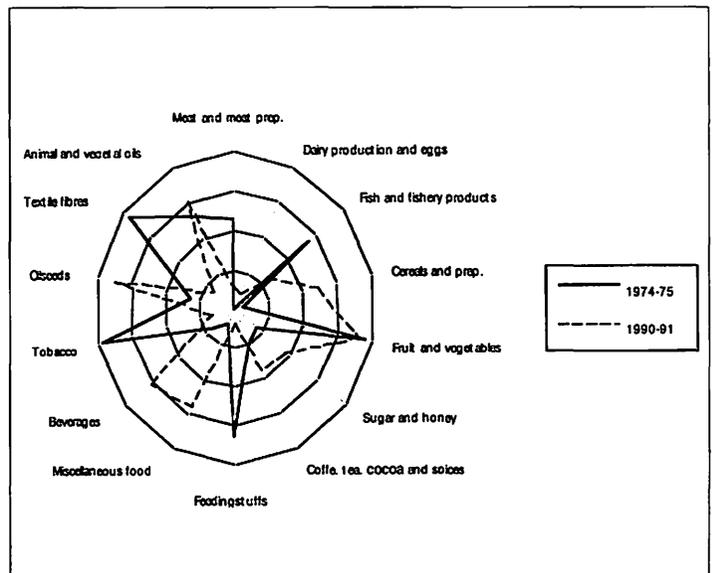


Graph 6 - Israel - Specialisation in Agrofood Production.



Graph 8 - Syria - Specialisation in Agrofood Production.

southern bank agriculture: *a)* the EU and United States "sell off" of surpluses, especially of animal fats, milk and cereals; *b)* the over-evaluation of the exchange rate of southern shore countries currencies, which means subsidised imports and taxed exports, with the precise objective to keep stable the purchasing power of the urban bloc, even though it can damage local small farmers; *c)* the bilateral intergovernmental agreements, which still characterise the EU-Mediterranean relationships, aiming to facilitate imports through medium and long term loans, nevertheless the new "Partnership" policy; *d)* the Common Agricultural Policy (CAP), which has to a large extent affected the agricultural trade flows between the two shores: since the 1970s the CAP has played a dominant role and has worked differently in relation to the level of development and diversification reached by each Mediterranean country. The long term economic variations of the agricultural



Graph 9 - Turkey - Specialisation in Agrofood production.

sector performance in the country's economy is shown in **table 2**.

In a situation of equilibrium or surplus in the trade balance, the Index of openness (IOP) shows the share of GDP generated by the export oriented sectors, while in a situation of deficit the index shows the dependency of a country from imports.

In both cases, an increasing value of the index entails a larger openness of the economy towards the external markets. In the case of the Mediterranean basin it is not possible to make general statements because the very differentiated behaviour of each country.

Looking at the figures in **table 1** and **table 2**, it is possible to isolate three clusters or groups where the changes in the Index of openness and the Normalized balance (Nb) have followed a similar pattern^(*):

- group 1* $\Delta IOP \geq 0$ and $\Delta Nb \leq 0$
Turkey, Israel, Lebanon, Morocco
- group 2* $\Delta IOP \geq 0$ and $\Delta Nb = 0$
Tunisia, Jordan
- group 3* $\Delta IOP \leq 0$ and $\Delta Nb \geq 0$
Libya, Egypt, Syria, Algeria

Generally, the SMCs showing a positive variation in the index of openness (group 1 and 2) have a deficit in their trade balance in (and worsening), which means that the increasing openness is mainly caused by an increase in the level of imports and not to a good performance of the export-oriented sectors.

This can also be due to an over-evaluation of the exchange rate which subsidises imports and affects in a negative way exports. In groups 1 and 2 the openness of the economy is followed by a poor performance of the agro-food sector, with the exception of Turkey and Israel, which still have a food surplus nevertheless the constant decrease of the Nb.

The countries in group 3 are probably the most interesting, showing a good performance in agro-food exports, in particular Syria, and a general reduction of the openness, probably due to a policy of imports substitution. Furthermore, the only countries which record a positive trend in the agro-food normalized balance, are Syria and Egypt.

Even though Algeria and Lybia suffer of a large deficit in the agro-food balance, they are trying to reduce the food-dependency, improving the specialisation in export-oriented

products such as fruit and vegetables, textile fibres and tobacco.

PRODUCTION SYSTEMS AND SPECIALISATION

In the Mediterranean Basin's it is possible to find elements of a common heritage in the production systems, although economic development in the last three decades has led to southern countries agriculture lagging behind. The dichotomy in the production systems and the consequent lack of competitiveness in some basic products has led the southern bank countries to economic backwardness and to dramatic food dependency. Northern and Mediterranean Europe developed a modern agriculture system, i.e. with high levels of invested capital, high rates of industrial inputs and high yields per hectare. The output is a high value added product which easily complies with the standards required by industrial countries' markets. In southern countries, the farming system is traditional, i.e. with low productivity, low rates of machinery and industrial inputs, and it is generally characterised by a high level of autoconsumption. Moreover, the low factors endowment entails difficulties to process products at local level and export them in the international markets at a higher value. These types of products are also subject to sanitary standards which increasingly limit the "take off" of Mediterranean agro-food products. The pattern of specialisation in agro-food exports of SMCs is predominantly characterised by fresh fruits and vegetables, olive oil, textile fibres^(*). An examination of the indexes of specialisation of agro-food exports for all SMCs (for which the data were available) shows an unchanged commercial specialisation in the fruits and vegetables sector (**graphs 1-9**) over the last twenty years. At the same time, a process of de-specialisation has occurred in some countries. We can state, for instance, that in the Maghreb, since the beginning of the 1970s, the importance of vegetal oils exports decreased, while there was

Table 2 *Index of openness of the economy and index of openness of agricultural sector, various years.*

	Index of openness of the economy (Total Exp+Imp)/GDP*1/2*100				Index of agricultural sector openness (Agricultural Exp+Imp)/GDP*1/2*100			
	1979-81	1984-86	1989-91	1992	1979-81	1984-86	1989-91	1992
Algeria	36,7	13,9	25,3	23,9	3,5	1,9	3,3	3,1
Morocco	19,7	21,5	20,4	20,0	4,5	4,1	2,8	3,1
Tunisia	34,6	28,3	35,9	33,7	4,4	3,7	4,0	3,0
Lybia	39,9	27,8	21,4	29,0	2,0	2,2	1,7	1,9
Egypt	24,0	13,5	11,8	13,9	9,1	4,3	3,6	3,6
Israel	31,7	26,6	24,7	23,0	4,4	3,1	4,4	1,7
Lebanon	59,0	nd	75,7	55,4	11,5	nd	26,7	13,7
Jordan	48,5	33,0	42,8	47,2	11,5	7,0	9,1	9,4
Syria	23,2	11,9	12,8	10,0	3,4	2,2	2,8	2,0
Turkey	8,6	13,5	11,8	12,2	1,8	2,2	3,2	1,7
Cyprus	41,2	34,8	48,2	35,1	8,8	13,9	7,4	4,9
Malta	89,7	54,9	23,2	72,0	13,2	6,5	1,8	5,1

Source: elaboration on F.A.O. Statistical Yearbook, various years.

(*) The symbol ΔE (Delta) indicates the variation.
(*) See also the work of S. Gomez y Paloma *Mediterranean and Baltic Essays on Contemporary Agricultural Systems*, F. Caffè Centre, Roskilde, 1992a and M. Bagarani et al., 1996, op. cit.

a specialisation in non-food agricultural products. The high level of comparative advantage in fish and fishery products was stable for the entire period. In the Mashraq countries, in Israel and in Turkey, a de-specialisation occurred in the textile fibres sector, traditionally very important. This was balanced by an increase in the vegetal oils exports, which in turn means a tougher competition with Maghreb countries exports on the European market. Of the whole Basin, Turkey is the country with the more diversified commercial profile, even though has witnessed a deep de-specialisation in the textile and tobacco sectors since the beginning of the 1970s.

NORTH-SOUTH AND SOUTH-SOUTH PATTERNS OF TRADE

The analysis of imports and exports shares as a percentage of total EU external trade highlights the marginal role SMCs have as trade partners (table 3). This is also confirmed by the rank each SMC has in the list of the EU's main trade partners. With the exception of Turkey and Israel there is not a Mediterranean country in the rank of the first thirty countries with which the EU trades its exports. In the last fifteen years, the position of Algeria, Egypt and Libya lowered, while those of Tunisia, Lebanon and Cyprus remained at the same low level. This is also so on the imports side, with the exception of Turkey which rank has passed from 48 in 1980 to 17 in 1994, all the SMCs still have a low ranking. In particular the imports from Algeria and Libya have decreased both in relatives and in total terms. Furthermore, if we do not consider Israel and Turkey since the 1980 both imports

and exports decreased for all SMCs. In the period 1990-94, for example, the average share of EU's total exports to the southern Mediterranean shore ranged from a minimum of 0.32-0.4 percent (Lebanon, Malta, Cyprus) to a maximum of 1.48-1.94 percent (Turkey, Israel) while the average share of total imports ranged from 0.3-0.52 percent (Syria, Tunisia) to 1.34-1.4 (Turkey, Algeria, Libya). Agro-food trade flows structure is clearly affected by the differences in the development of agricultural production systems of the two regions. The EU exports mainly continental food products, such as milk products and cereals and imports mainly fish, vegetables, fresh and dry fruit. The exports of continental food products, such as cereals, dairy products and birds' eggs are directed mainly towards Algeria and Lybia. In particular Algeria is the major importer of EU cereal and cereal preparations, in front of Saudi Arabia and the United States, while Libya follows after Switzerland and Japan. Only for fruits, vegetables and fish products we can find two Mediterranean countries (Turkey and Morocco) in the first ten positions of the EU's imports structure by partners. By contrast to the situation described above, the European Union is an important trading partner for the SMCs. Even though the share of total trade with the European Union is very high for all countries it is not possible to draw general conclusions (table 4). The only countries with a surplus in the trade balance with the EU are Algeria and Lybia since they have a high revenue from oil exports. For the Maghreb countries, (Algeria, Morocco, Tunisia and Libya), there is a common trend towards the increase of trade flows with the European

Union, on both sides of exports and imports. Only Libya, in the last ten years, has decreased the imports from the EU, due to the commercial embargo, while its exports towards the EU in 1994 still represent more than 86% of the total trade. In the Mashraq countries (Egypt, Lebanon, Jordan and Siria), the commercial behaviour seems to be more diversified. In general, the share of total trade with the EU is lower compare to the Maghreb countries, both for imports and exports. It should be also underlined the deep deficit Jordan has accumulated in the last twenty years in the trade with the European Union countries. The figures of agro-food commodities trade(?) in the last twenty years

Table 3 The Mediterranean countries as EU trading partners.

% of total Exports towards:	1980	1990	1991	1992	1993	1994	average 1990-94	Annual rank 1980	Annual rank 1994
Algeria	2,4	0,2	1	0,9	0,8	0,9	0,76	10	30
Morocco	0,8	0,9	0,9	0,9	0,9	0,8	0,88	31	32
Tunisia	0,8	0,7	0,7	0,8	0,7	0,7	0,72	34	35
Libya	2,1	0,6	0,7	0,5	0,6	0,4	0,56	12	43
Egypt	1,6	1	1	0,8	0,9	0,8	0,9	18	31
Israel	0,8	1,3	1,4	1,5	1,5	1,7	1,48	33	13
Lebanon	0,5	0,2	0,3	0,3	0,4	0,4	0,32	41	40
Turkey	0,9	1,9	1,9	1,9	2,4	1,6	1,94	27	14
Cyprus	0,3	0,3	0,4	0,5	0,4	0,4	0,4	55	44
Malta	0,2	0,3	0,3	0,4	0,4	0,3	0,34	59	47
% of total Imports from:	1980	1990	1991	1992	1993	1994	average 1990-94	Annual rank 1980	Annual rank 1994
Algeria	1,6	1,5	1,5	1,4	1,3	1,1	1,36	17	26
Morocco	0,5	0,7	0,6	0,7	0,7	0,7	0,68	42	32
Tunisia	0,5	0,5	0,5	0,5	0,5	0,6	0,52	41	35
Libya	2,6	1,7	1,6	1,4	1,2	1,1	1,4	10	24
Egypt	0,8	0,5	0,4	0,5	0,5	0,5	0,48	23	36
Israel	0,6	0,8	0,7	0,7	0,7	0,8	0,74	36	30
Syria	0,3	0,3	0,3	0,3	0,3	0,3	0,3	49	47
Turkey	0,4	1,3	1,3	1,4	1,3	1,4	1,34	48	17

Source: External and Intra-European Union Trade Statistical Yearbook, 1958-94, Publications of the European Communities, Luxembourg, 1996.

(?) The figure concerning trade in agricultural products, both North-South and South-South flows, are available at the Federico Caffè Centre, dept. of Social Sciences, University of Roskilde.

show a general increase in imports, while exports are generally decreasing, except for Tunisia and Egypt. For the whole southern part of the Basin the imports of agro-foods from the EU represents in average about 1/3 of the total. The EU market is very important for Tunisian's exports, about 3/4 of the total, and for Morocco and Israel which exports towards the EU currently represent 2/3 of the total. The significance of flows towards EU-MED countries (France, Italy, Portugal, Spain and Greece) it must be stressed: in particular for the Maghreb countries 95 percent of Tunisian agricultural exports towards the EU are directed to northern countries, in particular towards Italy, France and Spain. Algeria and Morocco export towards EU-MED countries in 1993-94 still represented 69 and 77.5 percent of the total exports towards the EU.

The exports of Turkey and Israel have witnessed the opposite phenomenon: a general decrease in trade with the EU as a whole and an increase in the share with the EU-MED countries, especially with France and Italy for Israel and France, Italy, Spain and Greece for Turkey.

Imports from northern shore's countries are very high for Maghreb countries. For Algeria they represented 90 percent of total agricultural trade with the EU in 1993-94. The flows of imports come in particular from France, Italy, Spain. In the same period Morocco and Tunisia have shown a different behaviour. For Morocco they decreased (from 66 to 55 percent) and for Tunisia they increased (from 54 to 63 percent). By contrast, Mashraq countries and Israel have increased the imports from the EU while the role of the EU-MED countries declined substantially.

It is worth nothing that the figures concerning the total and agricultural trade between the SMCs and the EU and between southern and northern shores, do not only show the importance for SMCs of the EU as trading partner, but also the existence of a developed meso-regional Mediterranean trade.

To complete the picture of the interregional trade structure an overview on south-south trade flows is provided, total and agricultural. Total trade flows between SM-

Table 4 Trade of the Mediterranean countries with the European Community, various years, (1000 U.S.\$).

Countries/years		Export			Import		
Country	Year	World	EC	EC (%)	World	EC	EC (%)
Algeria	1975	4.290.750	2.365.450	55,1	5.974.103	3.715.864	62,2
	1985	10.148.000	7.622.000	75,1	9.841.000	6.122.000	62,2
	1994	10.097.700	6.765.459	67,0	8.785.300	5.710.445	65,0
Morocco	1975	1.543.027	834.974	54,1	2.547.287	1.418.450	55,7
	1985	2.165.000	1.268.000	58,6	3.849.000	1.818.000	47,2
	1994	4.033.926	2.549.978	63,2	7.193.955	3.883.001	54,0
Tunisia	1975	856.172	408.848	47,8	1.417.819	944.096	66,6
	1985	1.627.000	1.165.000	71,6	2.591.000	1.743.000	67,3
	1994	3.804.511	3.009.420	79,1	6.214.158	4.451.245	71,6
Lybia	1975	6.834.703	3.533.130	51,7	3.542.522	2.681.127	75,7
	1985	12.314.000	9.228.000	74,9	4.102.000	2.987.000	72,8
	1994	10.734.200	9.252.880,4	86,2	5.335.000	3.510.430	65,8
Syria	1975	929.976	441.558	47,5	1.669.085	792.822	47,5
	1985	1.637.200	774.800	47,3	3.955.800	1.420.400	35,8
	1993	3.273.600	1.915.056	58,5	4.300.000	1.668.400	38,8
Jordan	1975	125.641	6.192	4,9	780.831	283.320	36,3
	1985	649.100	28.900	4,5	2.734.000	796.300	29,1
	1994	1.019.827	41.176	4,0	3.615.011	1.110.602	30,7
Egypt	1975	1.401.872	166.107	11,8	3.933.730	1.758.563	44,7
	1985	3.741.500	1.683.300	45,0	9.956.500	4.287.700	43,1
	1994	3.109.962	1.233.546	39,7	8.187.756	3.321.187	40,6
Israel	1975	1.941.080	726.002	37,4	4.172.542	1.620.046	38,8
	1994	16.933.986	4.784.841	28,3	23.778.852	12.139.625	51,1
Turkey	1975	1.401.074	615.142	43,9	4.640.394	2.414.760	52,0
	1994	15.348.933	7.292.661	47,5	29.429.323	12.949.681	44,0

Source: Foreign Trade Statistics for Africa, Economic Commission for Africa, United Nations 1994 External Trade Bulletin of the ESCWA Region, United Nations 1994; United Nations Commodities Trade Statistics 1994.

Cs confirm the weakness of regional exchanges (table 5). The situation is determined by both economic and political reasons, which in the Mediterranean always goes hand by hand. The model of economic development pursued by these countries after independence was "self-centred" and very reluctant in adopting "outward oriented" strategies. Moreover, the level of protection which characterises SMCs is very high, protecting both private and public enterprises particularly in the industrial sector. Another factor that limits interregional trade is the similarity in the pattern of specialisation in many sectors. The creation of a Euro-Mediterranean free trade area can overcome the problems of commercial cooperation, encouraging the opening of the borders and the establishment of subregional groupings in the southern part of the Basin^(*).

Agricultural trade between SMCs has a marginal impact on the total figures. Furthermore, during the last twenty years the amount of trade has not changed in relative and total terms. The weakness of south-south flows confirms the difficulties for SMCs to reach agreements in the specific sector, both bilateral and regional. The Arab Maghreb Union, the only regional economic integration agreement in the whole southern bank, did not had the time to take action in this direction before the political situation in the Maghreb collapsed.

Maghreb countries exports and imports flows are main-

(*) This elements of south-south cooperation have been described by G. Kebedjian, 1996, "Elements d'une Proctive Euro-Méditerranéenne", in Euro-Méditerranée, Une Région à construire, ed. by R. Bistolfi, Publisud, Paris.

Table 5 SMCs inter-regional trade, total import and export flows in 1993-94, (1000 US\$).

Total export 1993-94															
origin/ destination	Algeria	Morocco	Tunisia	Lybia	Egypt	Israel	Lebanon	Syria	Jordan	Turkey	Cyprus	Malta	Total South	World	% of total
Morocco	906.607	0	41.859	98.993	2.081	0	4.255	8.247	4.992	33.721	1.829	1.153	1.103.737	4.033.926	27,4
Tunisia	66.621	35.064	0	188.520	6.648	0	4.463	24.876	8.241	51.182	2.075	1.127	388.817	3.804.511	10,2
Egypt	24.481	10.704	20.523	62.540	0	230.273	26.742	0	14.493	25.856	15.248	943	431.803	3.109.962	13,9
Israel	0	0	0	0	20.668	0	0	0	0	130.981	41.748	0	193.397	16.933.986	1,1
Jordan	802	699	5.759	10.560	6.740	0	25.855	28.190	0	18.579	299	0	97.483	1.019.827	9,6
Turkey	82.190	22.053	55.552	246.267	191.420	80.236	99.596	238.884	105.004	0	153.726	53.189	1.328.117	15.348.933	8,7
Cyprus	0	1.361	1.117	3.079	4.244	19.025	27.141	8.033	6.589	0	0	1.621	72.210	443.205	16,3
Total export 1993-94															
origin/ destination	Algeria	Morocco	Tunisia	Lybia	Egypt	Israel	Lebanon	Syria	Jordan	Turkey	Cyprus	Malta	Total South	World	% of total
Morocco	119.317	0	29.056	82.648	13.043	0	6.999	17.397	1.253	42.170	2.103	207	314.193	7.193.955	4,4
Tunisia	99.032	48.612	0	52.138	24.050	0	3.407	26.206	5.345	57.100	3.884	6.837	326.611	6.214.158	5,3
Egypt	0	1.093	4.625	27.585	0	19.106	14.615	7.530	1.315	137.320	19.185	143	232.517	8.187.756	2,8
Israel	0	0	0	0	27.658	0	0	0	0	162.111	31.635	332	221.736	23.778.852	0,9
Jordan	576	3.467	6.025	30.409	42.156	0	35.654	48.087	0	86.113	5.622	168	258.277	3.615.011	7,1
Turkey	23.024	59.906	61.908	131.020	105.066	121.792	6.575	68.465	24.718	0	12.400	7.558	622.432	29.429.323	2,1
Cyprus	15.944	2.093	413	449	9.606	38.412	5.844	45.839	536	264	0	163	119.563	3.014.069	4,0

Source: elaboration from U.N. Commodities Trade, 1993-94.

ly directed within Maghreb themselves. Analogous phenomenon takes place within Mashraq countries. This pattern of trade is mainly due both to geographic proximity, which contributes differently to the development of sub-regionals markets, and to the lack of transport infrastructures, such as paved road or railway transports, which can facilitate exchanges of goods. Even though there was a slight increase in imports and exports average values between SMCs in comparison with the previous figures, they are still very low (see note 7). Within the Maghreb, Morocco and Tunisia hold the largest share of agricultural exports, which are mostly geared towards Algeria and Lybia, albeit a decreasing trend. In the Mashraq, Egyptian exports are rising, particularly, to Syria and Turkey. They consist mostly of fresh fruit, textile and cereals. It should be also underlined that according to the statistics Egypt and Turkey are the only countries trading with Israel. Sub-regional trends show a decreasing interest for neighbour markets. For instance, Tunisia exports to SMCs are decreasing while the already substantial trade flows towards the EU are constantly increasing. Jordan's commercial behaviour is similar to Tunisia's: the boost in agricultural production has not reflected an improvement in the commerce with the neighbours markets, but instead there was an increase in the flows towards the EU.

REGIONALISATION OF AGRO-FOOD PRODUCTS

In this section of the paper, the analysis of the ongoing process of specialisation in agro-food products illustrates the possibility that present patterns of specialisation may represent the starting point for overriding difficulties in establishing regional agreements. The analy-

sis of the exports structures and the evolution in the ISP confirm the hypothesis that the specialisation is accompanied by a process of the *regionalisation* of production. This means that southern Mediterranean shore agricultural trade has a sub-regional distribution. In particular, two sub-regional geographical aggregates emerged in relation to the pattern of specialisation: on the one hand the Maghreb countries, which export mainly vegetables, fruit and olive oil, and on the other the Mashraq countries which export mainly textile fibres. In the Maghreb, while Algeria and Lybia have constantly, and greatly, increased the production of fruit and vegetables. Tunisia and Morocco have encouraged also other sectors, e.g. olive oil in Tunisia and sugar, "food for animals" and "other foods", in Morocco. The diversification towards greater industrial production is probably a consequence of the increasing difficulties to place traditional exports on the market. In the Mashraq countries, as well as in Israel and Turkey, de-specialisation which occurred in the textile fibres sector has been replaced by a process of specialisation in the sectors of miscellaneous food, animal and vegetal oils (Israel, Syria and Egypt) and oilseeds (Turkey, Syria and Jordan)^(*). The specialisation in beverages is particularly high in Turkey. Of particular evidence is the tendency in Lebanon and Cyprus towards the abandonment of milk and dairy products. The decrease in these exports was followed by an increase in fresh fruit and vegetables, namely in the sectors in which there are still com-

(*) The de-specialisation in the textile was provoked mostly by the substitution of the natural fibres with synthetic materials.

parative advantages and, of course, a natural vocation. Milk products of these countries are linked, in particular, to the extensive breeding of sheep and goats which can not easily compete with the European dairy products based on cow milk.

The diffusion of cheaper European exports of dairy products has also influenced the consumption structure, shifting the consumers towards a more western style product containing less fat. This phenomenon was already described by an English agricultural economist, Graham Hallett, in the 1970s, who highlighted the skill of the European producers, and the Danish in particular, to create and satisfy a new demand for Danish cheese in Iran, even though he was skeptical about the fact that such trade could continue because the Iranian "cultural revolution" (Hallett 1983: 275, note 9).

CONCLUSION AND POLICY IMPLICATIONS

A process of complete liberalisation of trade in agro-food commodities will probably be implemented on a country by country level. Technical assistance is needed to harmonize standards and eliminate the smuggling of products.

Taking into account the empirical results described in the paper, even though partial and limited to the exports sectors, some important policy implications emerged. At a European level, the goal to be pursued is the realization of a multilateral and polycentric approach to co-development. Technical and economic assistance in agriculture should be provided to all the countries involved in the partnership without discrimination. They should be addressed not only to the support of liberalisation measure but also to the improvement of the more traditional production systems to which the highest share of rural population is linked. At a Southern Mediterranean level three main aspects of the study should be underlined: *i*) the increasing importance of Turkey, especially as supplier of staple food for the neighbours countries, e.g. cereals, *ii*) the existence of sub-regional trade, both real and potential, and, *iii*) a sub-regional distribution of agricultural products. These are elements which can create a base for regional cooperation in the sector and in turn represent the first step towards a further economic integration in the area. In the primary sector of the Mediterranean countries, experience demonstrated that difficulties are due to several reasons. The lack of infrastructure, the high tariffs, the weakness in distribution channels and the absence of regional market boards, are likely the main constraints for the creation of a regional agricultural market in the South. Furthermore, internal difficulties are exacerbated by the presence of a developed market along the Northern shore of the Mediterranean.

In fact, easy access to staple foods, such as cereals, milk, cheese and butter, at very competitive prices represents a limit to the definition of a regional development strategy aimed at food self-sufficiency. But the lack of favourable conditions for the establishment of a regional division of labour is not the only obstacle for an actual cooperation in the sector. There are also relevant political questions which have been sufficiently analysed by most of the literature concerning the economics of regional integration among developing countries. From a political point of view, one of the main obstacles to cooperation lays in the difficulty for developing countries governments of giving up control over a strategic and important sector (such as agriculture) and then renouncing the fundamental role of providing food for their people (El Khaldi 1981). Problems such as control of food stocks and placement of storage facilities are also relevant from a political perspective, and it is very difficult to reach when economic conditions do not allow a policy of import substitution at a regional level.

The support provided by the Euro-Mediterranean partnership framework should attempt to avoid increasing dualism and marginalisation of poor rural area of Southern Mediterranean and focus on specific and concrete policies, such as: *a*) a Common Southern Mediterranean Agricultural Policy, which would be: sustainable for the environment and for the people, and able to organize markets on a regional level in a manner which would improve distribution and marketing structures within the region; *b*) an endogenous and regional agricultural development aimed at supporting traditional farmers and recovering abandoned areas; *c*) the growth of a local agro-food industry by the establishment of Trans-mediterranean agro-food companies with mixed capital; *d*) the creation of Mediterranean Boards and Consortia⁽¹⁰⁾. Furthermore, a regional open market can represent the tool for the transfer of appropriate technology and know-how according to the need of the whole sector and for the creation and maintenance of market niches.

The strengthening of horizontal co-operation is a possible instrument for the implementation of these policies. The peculiarity of each sub-region of the Basin must be emphasised and studied as well as the complementarity in trade and production underlined in the research should be developed. A South-South regional agreement is the complement of North-South cooperation. The sector analysed here is too conflictual and not homogenous, and the risk of destabilization of the whole region (as well as the polarisation of the decision making in a limited arena) should be taken into account.

Complementarities in agricultural sector are, of course, not enough to define a regional integration strategy and the analysis must be enlarged to the industrial sector as well. Moreover, the objectives of food self-sufficiency

⁽¹⁰⁾ This point has been already highlighted by Gomez y Paloma, 1992b.

and inter-regional specialisation are difficult to be reached without a strong external support. They can be achieved gradually with a supranational coordination and with a co-operation of the international development agencies. The success of these strategies depends on the involvement of all the socioeconomic parties of the region: individuals and cooperatives producers, national agencies and ministers, consumer organisations, etc. The existence of complementarities in some exports stressed in this study, even though cannot justify a large regional economic agreement parallel to the Euro-Mediterranean partnership, could indeed represent the base for the establishment of a regional common policy for SMCs agricultural sector. Horizontal and polycentric cooperation is therefore needed to enable SMCs to establish sectoral policies for the whole region and avoid the marginalization and exclusion of large strata of the population linked to agricultural activities both in the cities and the rural areas. ●

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