

Euro-Mediterranean partnership: the dilemma of liberalization of agricultural trade

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Opening up the EU market to agricultural produce of the southern Mediterranean countries has always been a problem. On one hand, the EU Mediterranean countries push not to lavish too much grants otherwise their produce especially fruits and vegetables and partly olive oil, would have to compete with products from the southern Mediterranean countries. On the other hand, the southern countries, relying on a consolidated neighbourhood relationship and in view of the repeated EU attempts to adjust the Mediterranean policy as a support for development and integration, ask for the elimination of tariff and non-tariff barriers that prevent any production and economic growth and consequently affect the establishment of an open and transparent dialogue.

The way is rather complex and, of course, would not involve only agricultural trade, though it would partly help achieving the development process of the Euro-Mediterranean partnership. The complexity of the EU-SEMC relationships lies on three components: trade policy, through the abatement of customs tariffs, the association agreements, the access to mutual or unilateral market, the cooperation for development and economic cooperation, i.e. socio-economic integration and strengthening of the socio-cultural links. Having a closer look at the agreements, a remarkable unbalance between the three dimensions of economic and social integration, in favour of trade is evident. The bone of contention seems to be exclusively due to trade mechanisms, regardless of the conditions of each single market and the consideration that trade flows result from the economic situation one should act on.

Theoretically speaking, in the absence of tariff obstacles to trade and assuming full mobility of resources, the derived trade in the region could be seen as the result of production decisions based on the comparative advantage approach with positive repercussions on the subdivision of labour and production specialization.

Such a condition has no empirical verification when trade mechanisms between the two banks increase market imperfections and make the logic of trade preferences defined through association agreements poorly effective. It would suffice to consider the imposition of quotas to exports fixed by the EU on some fruits and vegetables from the southern Mediterranean countries, the often poorly advantageous and untimely tariff concessions granted by the EU, the link with the support mechanisms of the CAP and its evolution especially in terms of quality standards and the origin content, the same as the presence of some tariff protections by so-

me southern Mediterranean countries for products like cereals and beef.

Over the last ten years, the trade balance of the agri-food sector in the TMC as a whole has remained basically unchanged on the UE market, due to an almost equivalent variation of inflows from the EU and outflows towards the EU. This variation has basically decreased over the last 10 years for both the TMC agri-food imports from the EU and, to a lesser extent, the TMC exports towards the EU. This proves how poorly effective integration policies applied so far and hoped for within the Barcelonan process are.

Equally so, exchanges between the two regions are highly asymmetrical. As a matter of fact, the EU is an important market for the TMC since it represents an average 45% of agri-food exports and 32% of imports, whereas the inverse is not true. In fact, the TMC hardly represent 2% of the EU agri-food trade. Equally important is the trade mix of the products exchanged between the two groups that is strongly concentrated in two categories of products only, i.e. fruits and vegetables and fish products that represent about 70% of the TMC exports, with risks related to the climatic hazard and market distortions. More diversified are the imports from the EU where the same percentage applies to cereals, meat, and milk and oil seeds. As a whole, however, this mix is much less diversified if compared with that of the TMC exchanges with the rest of the world. This highlights a loss in dynamism of the agricultural interdependence system in the Mediterranean basin. Such lack of dynamism pushes some southern countries to start and sign free trade agreements with other countries. This is the case of Morocco that has recently signed a free trade protocol with the United States.

For the southern Mediterranean countries, of course, the prospect of greater opening up of the market is an opportunity for economic growth that would allow triggering production specialization and increase competitiveness of their products. The lack of transparency in trade and the uncertainty of market outlets make any structural programming difficult in terms of technological investments and professionalism of human resources.

From the European Union side, the liberalization process should be seen in a comprehensive framework where one should take into account not only the support interventions on each single production, as fruits and vegetables, but also the Mediterranean products like tobacco, flowers, cotton and olive oil. In such a context,

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according to the EU, the protection level of all these products, if compared with the value of production, is not comparatively high and thus is not subject to accusations of discriminatory actions against Mediterranean products. Moreover, one should consider that exports of such products are granted no special support, the same as the levels of imposition of quotas of these last years do not present appreciable constraints to the entry of the products from the southern Mediterranean countries to the EU. For sure, the on-going transformation processes within the EU do influence the interest and the effort addressed to the Mediterranean matters; some of them being, the EU enlargement process towards eastern countries that subtracts financial resources and technology - and the political interest as well - from the Mediterranean region, the CAP reform that over the last ten years has been evolving and adjusting itself to the domestic and international market. For sure, enlargement to the East could be a great opportunity for growth of southern countries exports that would be easily placed on a larger European market. This could only occur if the existing EU-TMC trade mechanisms based on concessions were dismantled, at least partly, otherwise, as already highlighted in some analyses carried out so far, trade diversion and trade creation phenomena might be triggered within the European Union enlarged to twenty-five member countries in favour of the EU Mediterranean countries without any direct advantage to the TMC.

Also the CAP reform, increasingly addressed to interventions of integrated rural development and less and less oriented to market support, could be favourably oriented to strengthen the socio-economic and trade relations at the local system scale of the Mediterranean regions. The shared will, manifested by the Euro-Mediterranean Ministerial Conference of Venice, to focus on improving the quality of exchanged products, points to a Euro-Mediterranean quality process. On one hand, this refers to the need of helping the SEMC to pursue the way to secure production according to standards accepted by more developed countries, both as an orientation for a closer cooperation and integration between the different production systems aimed at enhancing diversities, by vocation and traditions of Mediterranean products, and by common orientation, within the WTO, in favour of rules, not directly trade-based, addressed to recognize and safeguard typical quality products.

From the sanitary point of view and in terms of policies aimed at limiting and controlling the risks, at promoting quality and regulating and defending typical agri-food products against counterfeits, the assumed food security evidence in the EU could originate further trade conflicts for fear that they could establish disguised protectionism.

Opening up of the markets in the Mediterranean basin is a necessary process. The proposals by less developed countries relative to the readjustment of international trade tools, the free trade

agreement proposed between the EU and the Mercosur and the evolution of agricultural negotiations of the WTO and, the last but not the least, the need of having a peaceful area of life in common, have all contributed to the efforts aimed at creating a free trade area. It is evident that opening up of markets should be gradual to attenuate the consequences caused by liberalization of exchanges on the domestic and foreign market and make it possible to apply social, structural and economic readjustment policies. In fact, one should mutually set up a number of accompanying and adaptation policies to the effects, even negative, that liberalization could originate, resulting from the vulnerability related to the unbalances of the production structure, to the possible degradation of rural areas and of natural resources, to the increase in costs and reduction of employment, to the losses of revenue resulting from the abolishment of the tariff barriers and, finally, from the reduction in subsidies to orient foreign EU investments towards the TMC.

Therefore, one should recognize that trade liberalization of agricultural products, in some cases excessively overemphasized, is not the only development component of the Euro-Mediterranean partnership. The Mediterranean problem should not be seen only from the sector and trade point of view, but in all the components of the agri-food system: from the production structures to labour qualification, to improvement of infrastructures, to the support of territorial diversification and the integration of network processes, through the use of common regional and territory-based cooperation tools.

In addition, the adopted policies cannot exhaustively and sharply respond to the specific problems of the Mediterranean basin. Sometimes, private initiative is more effective and capable of anticipating any political decision. This is the case of the activities already started by some entrepreneurs through trade alliances, joint ventures, and forms of partnerships for implementing production and trade policies addressed to an increasingly competitive and global market.

Assuming integration and collaboration between enterprises of the two banks, benefits or potentialities for development are mutual and consist - for the northern bank countries - in the trade expansion and increase of their competitive capacity in the global market, in completing the range of production and increasing their own production capacity; whereas the south-eastern bank countries would be induced to acquire more tools and knowledge on production techniques, to qualify production and to upgrade their own professionalism.

In such a context, it is then desirable, for all those involved, that the level of integration and development of the region increases; but for this to occur, the institutional contribution is required and policies aimed at coordinating initiatives, vocational upgrading of human resources and sharing of political objectives need to be adopted.