

The Application of the CAP Reform and its Repercussions in the Mediterranean Region

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In 2004, through various regulations, the reform of the Common Agricultural Policy (CAP), agreed by the Agriculture and Fisheries Council on 26th June 2003, was formalised. This reform has created a new model of support for agricultural production, which will come into force between 2005 and 2006. Above all, however, 2004 was the year which saw the enlargement eastwards of the European Union. In preparation for this and to avoid any major financial problems for the Union, the European Council held in October 2002 decided to adopt a principle of budgetary stability and discipline. This involved an agreement to freeze agricultural expenditure for the EU-25 for the period 2007-2013 at the 2006 level, which would mean a gradual reduction in agricultural aid in real terms for the EU-15.

Meanwhile, in February 2004 the Commission presented a communication to the Council and to the European Parliament on the EU's financial perspectives for the period 2007-2013. This proposal reflects the fear of the net contributing countries (Germany, the Netherlands, the United Kingdom and the Nordic countries) of the economic cost of the enlarged Union. Agriculture (with its two pillars: market policy and rural development policy) is included in a chapter entitled *Sustainable Management and Protection of Natural Resources*, alongside environmental and fisheries policy. Furthermore, this ends with the current differentiation of rural development measures between EAGGF-Guarantee and EAGGF-Guidance. This step was consolidated

with the Commission's proposal of 15th July 2004 concerning the creation of a single European Rural Development Fund.

The aim of the CAP reform, which is currently under way, is to continue along the road opened up by the previous reforms in 1992 and 1999. The tendency is thus to replace a policy based on guarantee prices with an alternative one operated mainly through direct grants, complemented by other measures to support rural development. This new agricultural market policy includes three elements: decoupling, conditionality and modulation. The first refers to breaking the connection (in whole or in part) between levels of assistance to production levels, gradually converting these into a single operational payment. Conditionality refers to entitlement to aid based on compliance with certain extra-operational requirements. Finally, modulation means that grants will be reduced from the threshold of 5,000 euros, with the aim of strengthening the CAP's rural development pillar.

The Agriculture and Fisheries Council held on 22nd April 2004, approved the reform of the Common Market Organisations for certain Mediterranean products (olive oil, cotton, tobacco and hops), applying the new instruments referred to above. It was thus decided to decouple production grants up to the year 2010 as follows: by a minimum of 60% in the case of olive oil; by 65% in the case of cotton; by 40% in the case of tobacco; and by 100% in the case of hops. This represented a further step forward for the reform, which had already been implemented with other CMOs, such as herbaceous crops and cattle. Meanwhile, 2005 will see the implementation of the reform of the fruit and

vegetable, sugar and wine CMOs. In light of the above, it would seem doubtful that the CAP could be readjusted in favour of a greater volume of assistance for Mediterranean agriculture. Under the current CAP, there are two main sources of support for the fruit and vegetable sector: 1) grants for the processing of citrus and other fruits, and vegetables; and 2) operational programmes applied to producers' organisations. The former type of aid also represents a mechanism for controlling quality (as the best quality fruit is destined for the fresh produce market), while the latter type of aid aims to promote the grouping of producers (an essential element of the fruit and fresh vegetable CMOs). It remains to be seen how both types of aid will be remodelled in the near future, or if other alternatives will be considered in this area. What is certain is that this is a sector undergoing readjustment and therefore in need of considerable support. The leaders of the Federation of Fruit and Vegetable Producers and Exporters therefore consider that a plan to improve production and trade structures in the sector should be implemented with urgency; essentially this means a plan to improve its competitive position within European Union markets as a whole (including that of Spain).

The implementation of the CAP reform has improved the EU's position in negotiations concerning a possible opening up of agricultural markets, both at a multilateral level (within the context of the Doha Round) and at bilateral level (within the context of the Euro-Mediterranean Partnership). In the first case, the Geneva Agreement agreed in June 2004 freed up the stalemate which had existed in negotiations since the failure of

VENICE 2003: FIRST EURO-MEDITERRANEAN CONFERENCE OF AGRICULTURE MINISTERS

Due to the economic weight of agriculture in Mediterranean Partner Countries (MPC), the Italian Presidency of the EU saw the first Euro-Mediterranean Ministerial Conference on Agriculture on 27th November 2003, having as an aim the strengthening of cooperation on agricultural matters on both sides of the Mediterranean.

At the conference a programme was proposed for work initiated by the European Union in collaboration with MPCs, which would be implemented by organisations already present in the region and which could receive funding through MEDA. The programme's three main objectives would be:

1. Rural Development through:

- the launch of a platform for Euro-Mediterranean dialogue on rural development.
- stock-taking of the existing rural development programmes and the assessment of possible inter-institutional cooperation, within the framework of the EU "Leader" initiative. Diversification of agricultural activities would be promoted as well as the implementation of alternative activities.
- development of a study on climate change and water management. Aspects such as soil erosion, desertification and the loss of biodiversity in the natural ecosystems of the region would be assessed and activities encouraging a more rational use of water would be emphasised. In addition, the Euro-Mediterranean Water Network would be involved.
- adoption of participative approximations and the promotion of women's role.

2. Quality agricultural products through:

- improving knowledge about legislation on both shores of the Mediterranean in terms of rules of origin and geographical indicators, and the promotion of compliance with the TRIPS agreements.

- drawing up an action plan to jointly investigate matters such as labelling, logos and packaging.
- the marketing, regulation and use of logos to identify and promote high quality Mediterranean products placing a greater emphasis on food safety and consumer protection.
- associative initiatives, to link entrepreneurs on both shores of the Mediterranean in order to ensure that they complement each other.

3. Initiatives in ecological agriculture through:

- the organisation of a seminar on legislation at both sides of the Mediterranean to promote trade in these products.
- the encouragement of MPCs' participation in fairs for ecological products.

In parallel, the possibility of establishing a network of institutions and experts (including exchange programmes) to impart information, knowledge and experience would be studied. The recommendations made at this conference were taken on board by the Ministers of Foreign Affairs at the Euro-Mediterranean Conference held in Naples on 2nd and 3rd December 2003.

During the Euro-Mediterranean Conference of Ministers of Foreign Affairs held in Dublin on 5th and 6th May 2004, the conclusions of Venice 2003 were revised, with the aim of including non-commercial aspects (like rural development) in the drawing up of a roadmap for the liberalisation of agricultural products in the Euro-Mediterranean zone.

On 7th May 2004, following the recommendations of the Ministerial Conference on the Sustainable Development of Fisheries in the Mediterranean (Venice, 25th and 26th November 2003), the MEDISAMAK association was created to represent the interests of

Mediterranean fishery professionals and to contribute to the coordination of initiatives affecting fishing in the Mediterranean: the promotion of the profession, the preservation of resources, standardisation of regulations in force, etc. MEDISAMAK has members from 11 Mediterranean countries (Albania, Algeria, Egypt, Spain, France, Greece, Italy, Libya, Malta, Morocco and Tunisia) and the Technical Secretary has its seat in Tarragona.

For more information:

Euro-Mediterranean Ministerial Conference on Agriculture (Venice, 27th November 2003). Presidency Conclusions.

http://europa.eu.int/comm/external_relations/euromed/publication/euromed_report69_en.pdf

Euro-Mediterranean Conference of Foreign Ministers (Naples, 2nd and 3rd December 2003). Presidency Conclusions.

http://europa.eu.int/comm/external_relations/euromed/conf/naples/conclusions_en.pdf

Euro-Mediterranean Mid-term meeting of Ministers of Foreign Affairs (Dublin, 5th and 6th May 2004). Presidency Conclusions.

http://europa.eu.int/comm/external_relations/euromed/conf/dublin/concl.pdf

Fourth meeting of the Ministers of Agriculture from the International Centre of Advanced Mediterranean Agronomic Studies (CIHEAM) Member States. Beirut, 21st September 2002. Final declaration.

www.medobs.org/reunions/final_resolution_2002.htm

MEDISAMAK

www.medisamak.org

www.europeche.org/article.php3?id_article=175

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the Cancun Conference in September 2003 and smoothed the path ahead of the Ministerial Conference in Hong Kong in December 2005. Under the terms of this agreement, agricultural negotiations are to be based on the following pillars: the elimination of export grants, a substantial reduction in distorting measures of internal support and access to markets; meanwhile, consideration will also be given to the concerns of developing countries focusing on the reduction of

poverty, food safety and achieving sustainability in agriculture.

As for the repercussions of the CAP reform on the Euro-Mediterranean Association Agreement, it may be remarked that the reform could facilitate structural adaptation in those areas most affected by agricultural liberalisation, thereby providing greater support for the Barcelona Process. Without doubt, advances in multilateral liberalisation within the context of the Doha Round could to some

extent erode bilateral agricultural liberalisation agreements within the Euro-Mediterranean area, although a fair margin should still exist in order to derive reasonable benefits from such agreements. As stated earlier, we should in this regard drive forward the inclusion of the agricultural chapter within the Barcelona Process, given that, following the CAP reform greater use may be made of the rural development pillar, offsetting the undesirable effects created by a great

TABLE 13 Main Moroccan agricultural exports and EU tariff quotas

	Tariff quotas agreed 1986 (tn)	Exports to the (Tn) 2000-2002 Average	% of quota used	Tariff quotas agreed in 2003 (tn)	Increase in quotas (tn)
Potatoes	120,000	48,004	40	120,000	0
Tomatoes	168,727 186,828	162,890	97	200,000 220,000	31,243 51,243
Courgettes	5,600	13,427	240	20,000	14,400
Oranges	340,000	154,372	51	300,000	-40,000
Mandarins	168,000	85,600	57	No limit	-
Clementines	110,000	71,140	65	130,000	20,000
Apricots in syrup	No limit	11,868	-	10,000	-

ter opening up of European agricultural markets to Third Mediterranean Countries (TMCs).

The establishment of the planned free trade area between the EU and the TMCs on the horizon for 2010 will involve the gradual elimination of tariffs and quantitative barriers for industrial products, while for agricultural products, as is known, there exist certain reciprocal trade concessions which are gradually being extended in successive bilateral negotiations. In the case of Morocco, a new agricultural trade concession agreement was reached in December 2003. Through this, the EU managed to substantially increase the tariff quotas

for its exports to Morocco (cereals, vegetable oil, sugar, meat and dairy produce). Morocco won an improvement in its quota for tomato exports to the EU (see table 13).

The figures in table 13 demonstrate that we may allay the fears existing in certain areas of Europe (in particular, Spain) concerning the inclusion to a greater extent of agriculture in the liberalisation process of the Euro-Mediterranean Partnership. It may be seen that following the implementation of agricultural trade concessions granted by the EU to Morocco in 1996, the annual value of Moroccan agricultural exports to European markets increased by only

9.3%: the average figure of ECU 642.7 million for the period 1995-1997 and rose to € 693.7 million for the period 2000-2002. This thus considerably reduces any fear of an avalanche of Moroccan agricultural exports into the EU, since Morocco is still subject to considerable restrictions in terms of increasing its agricultural and food output. The truth of this situation is in fact that it presents great opportunities for cooperation (specifically European and Spanish) and for the implementation of joint business projects, within this sector of the economy in particular. Even more so, given the trade opportunities created by the recent enlargement of the EU.