

Agriculture and the Euro-Mediterranean space

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Nobody seems to doubt, at least officially, the many economic, social and environmental functions performed by agriculture in many parts of the countries that border the Mediterranean basin. The progressive elimination of barriers to agricultural trade is usually mentioned as an essential part of the Barcelona Process, which seeks to consolidate an economic space of shared prosperity in the region. However, much still remains to be done before a common approach is attained in the perception of agriculture as a factor for development in the Mediterranean region.

It is undeniable that the Mediterranean agricultural systems are clearly interdependent and their development is influenced by economic and political decisions that go far beyond the tariff reductions provided in the 1995 Declaration of Barcelona. The Mediterranean can be presented as a clear example of the variable geometry of international negotiations that influence agricultural trade, as shown by some of the events of the last year. The Mediterranean is a perfect illustration of what can happen when one of the parts influences the whole and vice-versa. But what have been the most important events from the agricultural viewpoint? First of all, there are the goals proposed by the Euro-Mediterranean Partnership, which, while not relinquished, continue to face serious obstacles, at least with regard to agricultural trade. Of the signatory countries of the De-

claration of Barcelona, on 1st May 2004 Cyprus and Malta will become full members of the EU, with all the benefits and obligations entailed by the application of the Common Agricultural Policy (CAP). Turkey, another EU candidate, has been excluded from the next accession process, although it was agreed to examine its EU membership application towards the end of 2004. Of the other Third Mediterranean Countries (TMC), by mid 2003 it only remained to complete negotiations with Syria for the signature of a Partnership Agreement. In 2002, negotiations were completed with Lebanon and Algeria and the agreement with Jordan became effective.

However, the agricultural negotiations do not end with the signature of partnership agreements. In July 2003, Israel and the EU completed a review of the mutual agricultural concessions, within the spirit of progressive trade liberalisation expressed in the Process of Barcelona. On the other hand, the conversations with Morocco to broaden the agricultural concessions, which were begun in 2002, reached a deadlock in mid 2003, stuck between Morocco's desire to increase its export quotas to the EU, particularly in tomatoes, and the EU's desire to increase European export quotas of basic commodities to Morocco.

Consequently, agricultural negotiations can be viewed as a recurrent, and we could even say normal, event in the region's integration process. Full inclusion of agriculture in the Euro-Mediterranean free trade area still seems a long way off but perhaps the time is approaching when the common agricultural space will be viewed as an opportunity by economic and

social agents on both shores of the Mediterranean.

However, the Mediterranean countries agricultural systems have been influenced by other political and economic events. The problems arise from these processes impacts, which are usually asymmetrical in the region's countries, particularly because of the enormous difference in the levels of development between the northern and southern shores of the Mediterranean.

One major event, considered historic by some, is the reform of the CAP approved in June 2003, after a year of tough bargaining. It is the so-called *Mid-Term Review*, although in practice it goes beyond a mere adjustment. The key terms of the reform have been «decoupling», «modulation» and «rural development». Decoupling and modulation were defined as the methods chosen to transfer CAP aid from the so-called «first pillar» policies (supporting farmers' income) to «second pillar» (rural development). The reform that was approved in the end was less audacious than was expected after the proposal submitted by Commissioner Fischler in July 2002. It should be viewed, therefore, as one more step along a long road to achieve compatibility between support for agriculture and a greater degree of EU openness to international markets, thereby preparing the ground for an agreement in the multilateral negotiations on the reform of agricultural trade, within the framework of the World Trade Organisation. The optimists will see the CAP as moving towards a European agriculture based on quality and sustainable development, as demanded by a broad sector of society. The pessimists (and the odd realist), however, will view the

reform as a consecration of the inequalities in the levels of support given to agriculture that not only exist between farms and rural territories within the EU, but also between the EU and the TMCs.

A second process underway is the enlargement of the EU, which also means an enlargement of the geographical scope of application of the CAP, with all the social and budgetary problems this entails. The ten Central and East European Countries (CEEC) are inhabited by 9.5 million farmers, which must be added to the seven million farmers in the present EU. Enlargement of the EU may offer opportunities to the TMCs, in that their exports may benefit from a larger European market. In addition, the TMCs benefit from a wage differential with respect to the CEECs, which should give them a favourable competitive position in agriculture, food and textiles. However, the TMCs will have to compete with the CEECs in attracting direct investment and it is obvious that the new EU member States will be optimally positioned to enjoy the benefits of the expanded market. The trade liberalisation process in Euro-Mediterranean exchanges must advance at a faster pace if the TMCs are to share in the benefits of the Enlargement. The asymmetry becomes very clear when we introduce the amounts allocated by the EU to the two integration processes into the analysis. The MEDA programme allocates 5.36 billion Euros for the period 2000 to 2006, but the increase in Structural and Cohesion Funds as a result of the Enlargement is estimated at twenty-three billion Euros for the period 2004 to 2006. Therefore, while the European concept of integration plus cohesion is extended to the new members, the TMCs face the challenge of modernising their economies from a situation of clear disadvantage.

A third process, with a by no means insignificant impact on agricultural markets, concerns the regional integration movements that affect the TMCs themselves. Some of these movements are

south-south processes, such as the Agadir Process, which will promote the creation of a free trade area between Jordan, Tunisia, Morocco and Egypt, including the elimination of tariffs that restrict industrial and agricultural exchanges. However, although the south-south integration is vital for preventing the verticalisation of the relationship between the TMCs and the EU, some countries in the region have taken major steps towards a greater level of trade integration with other trading powers. For example, at the end of 2001, an agreement was signed between the United States and Jordan to create a free trade area, and in 2002 negotiations were initiated with a view to liberalising trade between the US and Morocco. In mid 2003, negotiations had progressed and will no doubt include agricultural exchanges. The agreement with the United States will be an important step towards diversifying the TMCs' trade relations, although it raises a problem that is similar to that of the Euro-Mediterranean partnership, namely the demand for open trade between countries with very different agricultural policies and a clear imbalance in the support instruments available to the sector.

Nobody can object if the regional integration strategy is offered as an alternative to liberalisation of multilateral exchanges. Until now, the experience in trade reform accrued since the completion of the Uruguay Round has been nothing but disappointing. Faced with the resistance of the EU and the United States to reform their agricultural policies, the developing countries see no alternative but to play for the trade preferences that can be obtained within the scope of the free trade areas. The reform of the CAP in June 2003 and the increased protectionism of US agricultural policy since the 2001 Farm Bill will contribute to a «decaffeinated» reform of the WTO's Agriculture Agreement. It would be desirable that the Cancun Conference, held in September 2003, could redress the balance between the industrialised

countries and the developing world in agricultural protectionism. However, it is unlikely that any agreement on agricultural reform in the WTO will be reached before the end of 2004, and even if it is reached, it will continue to be a long way from the objective of the developing countries. It is possible that in the future the developed countries will continue to heavily subsidise their agriculture (although with a closer watch on trade imbalances), while the developing countries will only have a greater level of flexibility in the implementation of multilateral tariff reduction undertakings. In this context, the regional integration agreements will continue to set the pace in liberalisation and will have a greater impact on the agricultural systems of the Mediterranean region than the multilateral agreements.

The EU and the TMCs have occasionally discussed the agricultural dossier within the framework of conferences at Parliamentary and Agriculture Minister level. However, the top level Euro-Mediterranean Conference is scheduled for the near future, and at this Conference agriculture will finally be given the profile it deserves within the Barcelona Process. This will require a spirit of cooperation and the resolve among the political leaders to put aside the fears that are still raised by the prospect of agricultural trade integration in the region. It must be understood that the agricultural system is a source of opportunities for both shores of the Mediterranean. The evolution towards a more open environment is also accompanied by territorially localised costs, but the new approach in the EU's CAP should facilitate structural adaptation by the rural territories that will be most affected by the liberalisation. This may require a more searching reflection on the role of agricultural policy in convergence processes, along the lines suggested by the Sapir report, published in July 2003, or by other options that will lead to the creation of an agricultural policy that is more focused on people and territories.