

# Is the Euro-Mediterranean Partnership Interested in the Common Agricultural Policy?

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Within the European area, the Common Agricultural Policy (CAP) has long been accepted as a formidable machine to distribute public assistance, and a way of supporting unlimited productivity. From the outside it has always been seen as a fearsome fortress of protectionism, lined with an arsenal of subsidies and refunds with which to ply European exporters with unfair advantages, and to hinder their competitors on a global level, with truly unfair competition.

From within the European Union (EU), the CAP reform has been motivated first of all by the costly production surpluses that it has engendered, and the financial constraints which have ensued as a result of these, something which has come increasingly under the spotlight with the EU's enlargement programme from 2004 onwards. From the outside, reform has been mainly seen as a new questioning of an «impregnable fortress» that has become less compatible with the canon of the World Trade Organisation (WTO).

Has the «misunderstanding» that places the EU in opposition to the majority of its trading partners come about through the differences in approach? Through some kind of dual perspective? The dual perspective of some who have perhaps benefited too much, compared with others who have suffered too much? If we are referring to the EU's neighbouring partners who have embarked on the generous Barcelona Process, which promises a region of shared prosperity, the misunderstand-

ing is of course felt even more acutely. Because how might such a gap between the rhetoric and the reality on the ground be explained? How can these «global partnership» still be making no progress in the face of the barriers complied of the quotas, timetables and other prices of agricultural entry?

Such restrictive practices are nothing new. They are based upon the same pillars as those of the CAP (common organisation of markets, community preferences, and financial solidarity), and the strenuous way in which the EU opposes any changes in such practices when dealing with various Southern and Eastern Mediterranean countries (SEMC) goes back at least as far as the seventies. But we ought to point out that the problems became increasingly more acute after the southern enlargement, notably when Spain and Portugal joined the EU, in 1986. From the beginning, Spain, which was already a major producer and exporter of goods exported by the SEMC, was introduced as a new member country capable of controlling parts of the market which had previously been held by the other SEMC. Above all, Spain was determined to take full advantage of its rights as a member of the EU in order to achieve its own particular goals. Rightly or wrongly, Spain has given its southern Mediterranean partners the impression that its principal aim was less concerned with a coexistence with them on a friendly level, than replacing them in those markets where it believed it had enough of a comparative advantage to keep up with, if not overtake them.

Although refund premiums allow for the artificial boosting of community export competitiveness with outside markets, as far as imports are concerned they

represent obstacles, primarily non-tariff obstacles, which have been multiplying and toughening over the years, making it increasingly difficult for other SEMC exporters to gain access to the EU market, with the limited quotas, which are sometimes even on a monthly basis (on produce such as tomatoes or courgettes), shortened timetables, elevated entry prices, import certificates and protective clauses, and so forth.

Faced with such a situation, we can understand why the SEMC have, since the beginning of the nineties, begun to place their hopes in the arena of multilateral negotiations that were to succeed in 1994 with the completion of the Uruguay Round of the GATT, and the signing of the Marrakech agreements. These hopes were sustained by the fact that one of the golden rules of these agreements is none other than the suppression of all non-tariff protectionist measures – the precise measures which are so disruptive to SEMC exports – and their conversion into tariff equivalents, where applicable. But, in fact, when the SEMC learnt of the «European offer to the GATT», specifically of the tariff system for fruit and vegetables that Europe had managed to secure, the disappointment felt by these countries was palpable. Basically the system maintained, if not reinforced, its previous protectionist mechanism, particularly for the goods known as «sensitive» goods, which are the ones that actually make up a large proportion of the SEMC's agricultural exports.

It is true that the partnership agreements that were signed after 1995 with the majority of countries in question, did try, in places, to mitigate some of the «tougher» aspects of the mechanism, as ratified by the Agreement that

the newly formed WTO was to manage henceforth. But in general these mitigations only marginally affected the negotiations, and negotiations for reaching agreements on the liberalisation of trade on the basis of the «principle of reciprocity» are generally put off until a later date.

In fact, to state the obvious, even if further negotiations begin at a later date, the countries in question will only ever be limited to simple improvements of the existing system. They have to be extremely cautious not to challenge the very core of the community's non-tariff protectionist system. The most recent example of this is the Euro-Moroccan negotiations on the agricultural aspects of the Partnership's agreement. These negotiations lasted almost two years, and whilst the Moroccan side has obtained an improvement on the tomato quota, the European side has obtained a new, scaled quota on soft wheat, and as for the all other products (in other words, truly liberalised trade), the two parties have once again agreed to establish a new round of negotiations beginning in around 2007.

It is also of interest to note that the Mediterranean partners of the EU are adopting an attitude that is more conciliatory than restrictive towards negotiations at the WTO. Not only have no complaints been made to the body regarding these differences, but even as the current negotiations within the Doha round are being held, the majority of the SEMC are finding it almost as difficult to support the EU, as they are to join forces with the group of countries that are hostile to the Union. The reasons which first spring to mind behind such ambiguity lie in the following dilemma: on one hand, the EU represents a strategic partnership for the SEMC. They cannot be seen to be demanding such a partnership on a bilateral or regional level, whilst at the same time be arguing against it on a multilateral level. But on the other hand, the same EU has not been able to offer its Mediterranean partners a common basis for negotiation with which they might be able to come up with some sort of

common interests, and hence a justification for Euro-Mediterranean solidarity, within the framework of negotiations on an international level. Faced with this situation, the SEMC are divided: too disillusioned to offer any real support to the EU, yet too vulnerable to openly come out against it.

There is however, another less subjective reason, which seems to us to be at least of equal importance, but which nevertheless is rarely mentioned. And that is that it should be recognised that the majority of SEMC are, from an agribusiness point of view, both net importers, usually of basic foodstuffs (such as cereals, oils, sugar, meat and dairy products) as well as exporters, (more often than not of fresh or processed fruit and vegetables). In fact, while it is true to say that they might suffer as a result of the unfair competition that EU refund premiums provide to their own exporters of fruit and vegetables to non-EU markets, it is also true to say that as importers, they benefit from the same system of export subsidies, as it is these subsidies which allow them to acquire such foodstuffs at a relatively low cost. If we disregard the effects that such a system might produce in the agricultural economy of the countries<sup>1</sup> in question, the «balance» of the «importing beneficiaries of subsidy», and the exporting «victims of premium», comes down clearly in favour of the former. Objectively speaking, these countries have an interest in maintaining such a system, which might also explain their reticent attitude concerning this subject during the debates undertaken within the WTO.

But it is also true that the American system, based as it is on direct support, should be of more interest to the SEMC, because it tends to lower the prices of mass crops (such as cereals and oils) without the American farmers really suffering the consequences, which means that they can be maintained without any major political obstacles. Moreover, we know that, regarding the criteria accepted at the WTO, it is the American system of direct assistance which is supposed to produce

the least distorting effect on the markets, and for that reason it has the advantage over the Community's system, which is largely based upon price mechanisms.

In reality, the implications of this are becoming increasingly less important, precisely because the successive CAP reforms since 1992 have been marked by the concern to evolve towards a system of direct assistance, unrelated to production, and particularly to prices. Moreover, the latest reforms, which were completed in Luxembourg on 26th June 2003, fully subscribe to this tendency, as can be observed with the decoupling of direct assistance through the fusion of many «premiums» into a «one-off payment» from January 2005 onwards, with overall maximum subsidies for member states, partial decoupling for cereals, beef and dairy products, the progressive reorientation of direct assistance in favour of rural development projects a «one-off payment» paid under the condition that certain environmental, food safety and animal welfare standards, as well as good cultivation conditions, are maintained.

Despite the fact that the EU is progressing as hoped regarding cereal export subsidies, it must be stated that there is still much to be done regarding subsidies on most other foodstuffs, such as beef, poultry, sugar, and above all on certain fruit and vegetables which directly affect Mediterranean non-member countries as well as the exporters. Therefore, for the SEMC, the reforms of the CAP still appear to be a long way away from their main concerns, particularly those for which the EU is directly responsible. In markets outside the EU, the refund premiums continue to provide the SEMC with a source of unfair competition, and the various non-tariff protectionist mechanisms continue to hinder their chances of trading with the community markets themselves.

So where might the solution lie? Is the EU really conscious of the devastating impact that this situation is having on the Euro-Mediterranean programme? How might a dilution of the Euro-Medi-

<sup>1</sup> We believe that these effects are not, therefore, as simple as certain hasty judgements might have us believe. In any case their supposed unfavourable impact on the local agriculture of countries such as those of the eastern and southern Mediterranean has not been proved, and the true nature of the agricultural problems of these countries goes well beyond the rather superficial framework of subsidies.

terranean group be avoided among the global nebula deployed by the WTO? In the meantime, a certain and rather irritating wait-and-see attitude seems to prevail. Faced with a Europe that wishes neither to accept the effects of its policy nor to form a policy out of these effects, most of its Mediterranean partners are still dubious. Deep down, especially at the WTO, the attitude towards the EU is one that we might adopt towards a friend whose beha-

viour is not exemplary, but who compared with «other people», we should still treat with respect, because after all we are dealing with a friend. It just remains to be seen whether such an attitude can be kept up over the long term.

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#### THE EU'S COMMON AGRICULTURAL POLICY (CAP) REFORM

On 26 June 2003, the Council of Ministers of Agriculture reached an agreement on the text of the CAP reform. The various elements of the reform are due to come into force during 2004 and 2005. The single farm payment scheme will apply as of 2005; however, if any member State requires more time due to its specific agricultural conditions, this measure can be brought into force in 2007 at the latest. According to the compromise of the Presidency of the Council, the main elements of the new policy are as follows: a single farm payment, linked to the observation of certain regulations; a reinforced rural development policy; lower direct

payments; a financial discipline mechanism; and reviews of the CAP market policy.

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