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Michel PETIT

CIHEAM-IAM Montpellier
France

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INTRODUCTION

In order to assess the “impacts of agricultural trade liberalization between the EU and Mediterranean countries”, which is the overall objective of the EU-MED AGPOL Project, it is necessary to take into account the evolving international context, in which the Euro/Med process is taking place. Two major sets of developments must be particularly considered: changing world markets and ongoing trade negotiations. The purpose of this report, corresponding to WP7, is to analyze how changes in these two dimensions of the international context may affect the impact of Euro-Med liberalization of agricultural trade.

Obviously, market changes and trade negotiations are closely interrelated since the very purpose of trade negotiations is to ‘improve’ international trade. But for analytical purposes, it is useful to distinguish the two sets of changes in order to identify clearly the economic and political forces at play, which again are interrelated but distinct. Regarding the market changes to be considered in this report, attention will be given to the main agricultural commodities being traded in the region, namely fruits and vegetables on the one hand, and cereals on the other.

International trade negotiations to be considered include of course the currently suspended Doha Round of multilateral negotiations at the WTO, regional South-South negotiations such as the free trade Arab Zone, and bilateral arrangements between the United States and several Mediterranean countries, notably Israel and Morocco for the purpose of this report.

1 WORLD MARKETS

1.1 FRUITS, VEGETABLES AND OLIVE OIL

Even though fruits and vegetables are important commodities for the Mediterranean countries considered in this study, both in terms of the contributions made by these products to the total value of domestic agricultural production and to exports, these countries account for only a small share of total world imports and even of total imports from EU countries: for fruits and vegetables taken as a whole, Mediterranean countries supplied 4.5% of total world imports in 2003 and 5.76% of European imports. The fruit and vegetable sector is very heterogeneous. And that heterogeneity must be taken into account if one does not want to risk making big analytical mistakes leading to misdirected policy recommendations.

The geographic distribution of international trade-flows varies much from product to product. For fruits taken as a whole, the USA, Turkey and South Africa were at the top of the list of exporters to the EU, while for vegetables the top three countries were Thailand, Canada and China. In each case a variety of different products was involved. In addition to Turkey, only Morocco, Israel, Egypt and Tunisia (for olive oil) among the Mediterranean countries studied here appear in the list of the twenty top exporters to the EU 15 in 2000. Morocco ranked fourth for vegetables, mainly because of tomatoes, Egypt ranked 11th (because of potatoes and a few other products). For fruits, Israel ranked 11th and Morocco 16th, the former because of diversified portfolio of mainly exotic fruits and Morocco mainly because of oranges. Accordingly, in order to assess the potential impact of trade liberalization on regional trade flows, it is necessary to carry the analysis at a more disaggregated level in terms of product categories. Two products of interest to the region will be examined here for the purpose of illustration: tomatoes and citrus¹.

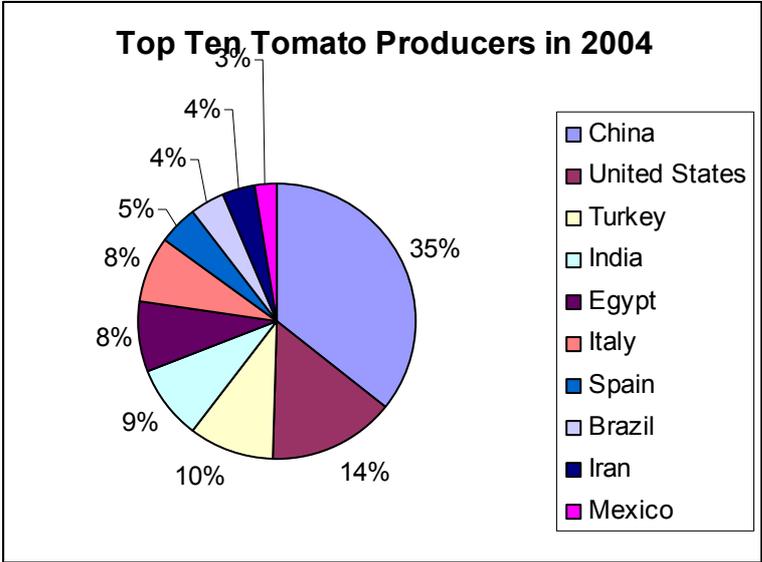
Tomatoes themselves are not homogeneous. They are produced either for the fresh or the processed market in most countries significantly involved in international trade. Usually, tomato varieties are bred specifically to serve the requirements of either one market or the other, processing requiring varieties that contain a higher percentage of soluble solids.

The top ten tomato producers in the world are China, the US, Turkey, India, Egypt, Italy, Spain, Brazil, Iran and Mexico. Figure 1 shows the percentage of total tomato production among these countries in 2004. It is interesting to note that while other EU member states do not appear in the list of the top ten producers, adding them to the production of Spain and Italy makes the EU the second largest producer of tomatoes after China. About 15 million

¹ A significant share of the material presented in the following paragraphs comes from an unpublished background paper prepared for the CALMED Consortium by Lee Ann Patterson and Timothy E. Josling entitled "Mediterranean Agriculture in the Global Marketplace: A Project Comparing Policy Approaches in California and the Southern EU States. Report on Stage 1", April 2005.

tons of tomatoes are produced in the EU each year making tomatoes the most produced vegetable in the EU.²

Figure 1: Top Ten Tomato Producers in 2004



Source: FAOSTAT

The EU countries taken together constitute the dominant exporter of tomatoes, if one takes intra-Eu trade into account. Thus, in 2003, Spain was the world’s leading fresh tomato exporter and the EU’s 15 member countries accounted for approximately 14% and 30% of the world’s canned tomato and tomato paste exports by volume respectively.³ Italy, Greece, Portugal and Spain are the main EU producers of tomato paste. Paste is sold as a final consumer product and as an input into other tomato products such as sauces and ketchup. Italy and Spain are the dominant exporters of canned tomatoes and in 2002 accounted for 80% of the world’s canned tomato exports⁴. Northern European countries such as Germany, the UK, and the Netherlands are major consumers of southern European processed tomato products. Other key global suppliers of processed tomatoes included the United States, China, Turkey, and Chile. However, these suppliers each accounted for less than 15% of the world’s processed tomato exports, with the exception of China which supplied 25% of the world’s tomato paste exports in 2003.

China’s processed tomato exports have increased exponentially over the past decade and its export share is expected to increase significantly over the next several years as well. Chile is also a major producer of processed tomatoes including canned tomatoes and tomato paste.⁵

² http://europa.eu.int/comm/agriculture/publi/fact/horti/2003_en.pdf. Accessed 1/12/05.

³ FAS/USDA. “World Horticultural Trade & US Export Opportunities.” June 2004.

⁴ FAS/USDA. World Horticulture trade & US Export Opportunities, “Tomato and Tomato products situation”, March 2004.

⁵ FAS/USDA. “World Horticultural Trade & US Export Opportunities.” June 2004.

In North America the growth of the trade among the USA, Canada and Mexico for tomatoes and tomato products has been significant, following the implementation of bilateral and regional trade agreements, particularly CUSTA and NAFTA, illustrating the impact of these agreements. About ½ of the US ketchup and sauce exports in 2001 went to Canada. The primary exports to Mexico were ketchup and sauces (due to the growing fast food industry in Mexico), and paste and puree. Conversely, The US is a net importer of fresh tomatoes and Mexico is the main source for US fresh tomato imports. Canada has become the second largest supplier. In 1989, the US imported 2.9 million dollars worth of fresh tomatoes from Canada. By 2002 imports from Canada were valued at 172.6 million, the Canadians having captured the niche market for greenhouse and hydroponic tomatoes in the US, in a way somewhat similar to the role played by the Netherlands in Europe.⁶

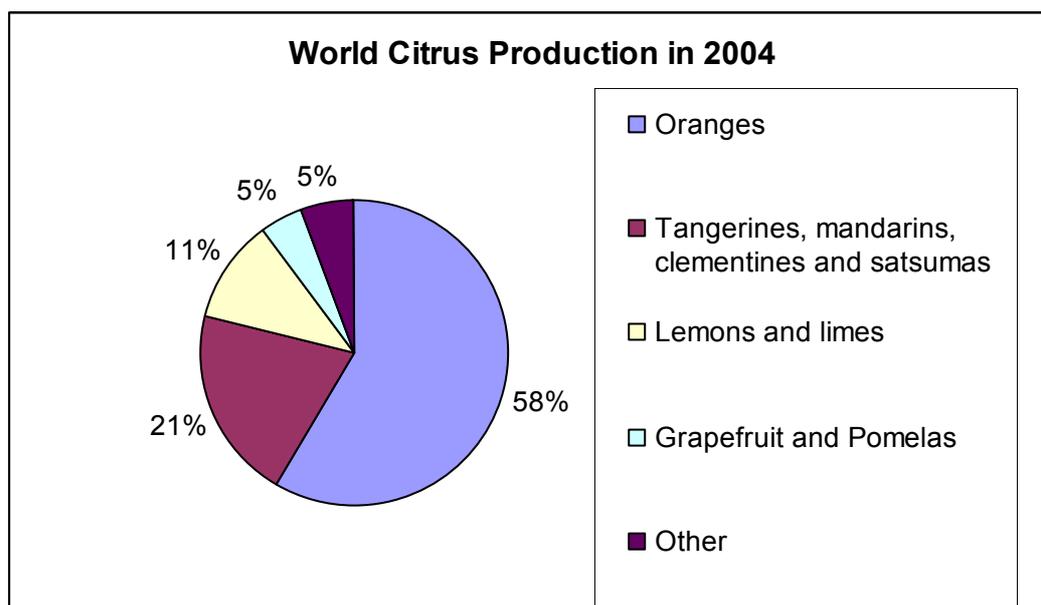
To summarize, in addition to the rapid growth of Chinese exports of processed tomato products, two main forces contributed to the dynamics of the world tomato market : first, the growth in demand for both processed products, in developed as well as in middle-income countries -as mentioned above in the case of Mexico, and for fresh tomatoes in many countries, and secondly the development of hydroponic production in hothouses. The major advantage of hydroponic production compared to field grown produce is the isolation of the crop from the soil, which often has problems of diseases, pests, salinity, poor structure and/or drainage, making this production well suited for large niche markets, off-season in rich countries. The principal disadvantages are the high costs of capital and energy inputs, and the high degree of management skills required for successful production.

It is worth noting that none of the southern or eastern Mediterranean countries appears in the list of major exporters, even though we know that tomatoes are important for Morocco and even for Turkey. Today, the two major import markets are the EU and North America. Because of complex protection measures on both sides of the Atlantic, detailed in WP 3 for the EU, and of complex and sophisticated logistical considerations for fresh tomatoes, the world market remains broadly segmented in two main components. As a result, the main issues of concern for Mediterranean countries are related to the conditions of their access to the European market.

Citrus fruits rank first in international fruit trade in terms of value. World citrus production in selected major producing countries in 2003/2004 is estimated at 73.1 million metric tons. This represents an increase of 6% over 2002/03 levels. Citrus fruits are produced in many countries throughout the world and can be divided into 4 main categories: 1) oranges, 2) tangerines, mandarins, clementines, and satsumas -- sometimes referred to as small citrus), 3) lemons and limes, and 4) grapefruit and pomelos. Figure 2 shows the percentage of world production in each of these categories. Orange production outweighs the other categories by far, as shown on figure 2.

⁶ Brunke, Henrich and Min Chang, "Commodity profile: tomatoes fresh" Agricultural Issues Center University of California" prepared Nov. 2003.

Figure 2: World Citrus Production by Type of Fruit



The five top orange producing countries are in order Brazil, the USA, Mexico, India and Spain. The volume of production in these countries has been increasing quite rapidly in recent years. Regarding other types of citrus fruits, Spain is a major producer of small citrus including tangerines, clementines, mandarins and satsumas and of lemons and limes. The other Mediterranean countries appearing in the list of top producers are Italy, Turkey and Egypt for small citrus and Israel for grapefruits and pomelos.

Most citrus fruits are consumed in developed countries although per capita consumption is increasing in developing countries as income levels rise. UNCTAD reports that exports of fresh citrus fruits represent roughly 10% of total citrus fruit production.⁷ The major exporters of oranges in 2003 were Spain and the US while the major exporters of small citrus were Spain, South Africa, and the United States. The major exporters of lemons and limes were Spain, Argentina, and Mexico and the major exporters of grapefruits and pomelos were the US, South Africa, Israel and Turkey. In 2002, oranges and grapefruits represented the sixth and seventh largest horticulture exports by value in the US after almonds, wine, table grapes, apples, and frozen potato fries.⁸

In addition to fresh fruits, citrus processing accounts for approximately one third of total citrus fruit production. There are only two main world players in the production of orange juice: Brazil and the state of Florida in the USA. Together they cover 85% of the world market. The major difference between them is that Brazil exports 99% of its production while 90% of Florida's production is consumed domestically. The European Union is the largest importer of orange juice, accounting for 80% of world orange juice imports. Most EU imports come from

⁷ Citrus Fruit: Market, <http://r.unctad.org/infocomm/anglais/orange/market.htm> Accessed 1/24/05.

⁸ Foreign Agriculture Service. "An Economic Overview of Horticulture Products in the U.S." [http://www.fas.usda.gov/hp/Presentations/2004/An%20Economic%20Overview%20of%20HTP%20-%20\(08-04\).pdf](http://www.fas.usda.gov/hp/Presentations/2004/An%20Economic%20Overview%20of%20HTP%20-%20(08-04).pdf). Accessed 1/26/05.

Brazil. The US and Canada consume most of the orange juice produced in Florida with a small quantity of imports coming from Brazil.⁹

In summary, the world citrus market appears also as very segmented. On the production side, most of the citrus production in California and Spain for instance is for fresh consumption while Florida and Brazil are the leading producers of processed products. Regarding consumption and trade, most of the US production is consumed domestically with some exports going mainly to Japan, Canada, and Southeast Asian countries, whereas the major destination of Mediterranean grown fresh citrus crops is the European Union. Consequently, there is not much overlap in the markets.

These considerations lead to the conclusion that, for tomatoes and citrus at least, world markets are quite segmented. As a result for producers in Mediterranean countries regional developments are the most important determinants of their access to markets. This conclusion enhances the relevance of the research undertaken in this project. But obviously, however important they may be, tomatoes and citrus are not the only fruits and vegetables of interest to Mediterranean countries. Actually the product portfolio in this sector of many of these countries is often quite diversified and that diversification has indeed been increasing rapidly in recent years. Would consideration of the many other fruits and vegetables of interest to Mediterranean countries change the conclusion reached in the case of tomatoes and citrus? Probably not fundamentally: each product is a specific case, involving specific actors in the value chain. As a result, there is not really a unified world market for these products even though anecdotal evidence on specific products suggests that new actors in distant corners of the world may become significant. This is the case, for instance, of frozen strawberries. Our surveys of professional actors revealed that China had become a very strong competitor for Morocco on the European market. This point illustrates once more a major analytical difficulty in this sector due to its heterogeneity: generalizations are dangerous, what may be true for a specific fruit or vegetable in a given country may not be true for all fruits and vegetables everywhere in the region.

In this respect, interesting lessons can be drawn from a research project related to ours (the Eu-Med AgPol project which this report is a part of), conducted by C. EMLINGER. She has estimated the impact of various parameters on the imports of fruits and vegetables by the European Union, using a 'gravity model' based on annual data for the year 2002 at a disaggregated product level (using FAO nomenclature for 55 products). The model includes both trade between the EU and all its trading partners and intra-EU trade, which permits her to position the regional trade flows in the set of all trade flows for the same products in the same markets. Her "estimations reveal that transport costs and their impact on trade differ with the degree of product perishability". This result illustrates the advantage of working at a disaggregated product level. It also suggests an advantage of Mediterranean countries on the European market due to their proximity and the sophisticated level of the existing logistical arrangements along the marketing channels used by fruits and vegetables imported from Mediterranean countries. It is also worth noting here that Balkan countries could in time benefit from a similar proximity to some of the European markets, notably in central Europe. The model results also indicate a great heterogeneity in terms of competitive advantage among Mediterranean countries. Israel seems to have a "better non-price competitive advantage on the EU market than the EU countries themselves", perhaps because of logistics and organizational competitiveness. Finally she also estimated tariff elasticities for the various Mediterranean countries. With high tariff elasticity and currently relatively high tariffs, Israel and Egypt seem to be poised to gain the most from a potential trade liberalization in fruits and vegetables, whereas Turkey and Morocco, which currently have the highest trade preferences and have tariff elasticities in the medium range would also benefit but to a lesser extent.

⁹ Citrus Fruit: Market, <http://r.unctad.org/infocomm/anglais/orange/market.htm> Accessed 1/24/05

1.2 CEREALS

The very rapid growth in the volume of cereal imports by Southern and Eastern Mediterranean countries over the last forty years has been spectacular. From 1962 to 2004 imports by these countries increased from 6.2 to 53 million tons, i.e. an average annual rate of growth of more than 18% over more than four decades! Obviously very dynamic forces have been at play in this evolution. Most of these forces are of a domestic nature, regarding both the demand and supply of cereals in each country. For the purpose of this report, the main question to be asked is: what characteristics of the world market contributed to this very rapid growth? In particular, who were the main foreign suppliers? Did they change through time and why? Answers to these questions should then help to assess the impact of a possible Euro-Med liberalization, the ultimate objective of this overall research project.

Wheat, particularly soft wheat, is the main cereal imported by Mediterranean countries, accounting for 55% of total cereal imports. Maize and barley are the other two major cereals being imported, representing respectively 31.5% and 9.5%. While wheat is mainly for direct human consumption, maize and barley are mainly used for animal feed. We shall focus mainly on wheat. The total volume of wheat traded on international markets has been relatively stagnant over several decades. Imports by 'PSEM' represent a significant and growing share of this world market. Thus, it is not surprising that all major wheat exporting countries, which turn out to be in small number, have been present on this market. Several signs indicate that the few exporting countries are in fact competing fiercely for that market and their fortunes in this respect seem to have varied greatly from country to country and from year to year. To explain these variations one must first justify carrying the analysis at the country level. After all, most of the trade is done by private economic agents and only to a minor extent by government agencies. Yet, reasoning at the country level is warranted because the dynamics of both domestic demand and domestic supply have been quite specific to each country. In addition, in many of the countries involved, whether net importers or net exporters, public authorities have played and continue to play a crucial role in determining trade flows.

The major wheat exporting countries in the world during the last forty years have been, by order of importance: the countries of the European Union taken together, the USA, Canada, Australia and Argentina. In more recent years new actors have emerged and begun to play a significant role in the Mediterranean region: the Ukraine, Russia, Syria and Turkey. What is striking however is the variability through time of the total volumes exported by these countries.

The EU countries have been exporting about 20% of their total production recently but the total volume has grown from 2 million tons in 1962 to 32 million tons in 1992. After that date, probably because of the CAP reform, the volume of exports has stabilized around 30 million tons. The major destinations have been first other countries within the Union (40 to 80% of total exports depending on the year), Mediterranean countries and sub-Saharan Africa.

Exports from the USA have also been very variable over time. They increased from 8 to 32 million tons between 1960 and 1981, then remained stagnant until 1992 and then declined to 11 million tons in 2003, to rebound slightly in 2004 (15 million tons). Year-to-year variations in the volume of exports follow variations in the volume of domestic production, with a one year lag, but the former are much less variable than the latter, suggesting a desire by US exporters to maintain commercial relations with their clients and resulting in greater volatility

in the volumes of carry-over stock from one crop year to the next.. The main destinations of US wheat exports have been Asia and the Mediterranean region.

Canada's production, by contrast to European countries and the US, is mainly for exports (only about 30% of its production is for domestic consumption). The country is the world's largest exporter of durum wheat (3.3 million tons in recent years making up about 22% of total Canadian exports of wheat). The volume of production increased from 15 to 32 million tons between 1963 and 1990 and declined afterwards to around 20 million tons in recent years. Variations in the volume of exports followed of course a parallel pattern. The main destination has been Asia and to a lesser extent the Mediterranean region, which grew in importance to reach about 15% of Canadian exports in recent years from nothing in 1962.

Whereas the former Soviet Union was a major importer of cereals, Russia and the Ukraine emerged as significant wheat exporters after 2000. This caused major disturbances on the world market as this wheat, coming through the 'Black Sea', was sold at lower prices than the level reflected in the usual world reference price until then (Chicago or US gulf ports). This growth in Russian and Ukrainian exports resulted from the internal evolution of agriculture in these countries: dissolution of the former state and collective farms leading to very extensive production units, of essentially a capitalist nature having marginalized the former agricultural workers and thus having very low production costs. The question for the future is whether or not economic growth in these countries, particularly Russia, will lead to a rapid growth in the demand for animal products and, as a consequence, in the derived demand for cereals as animal feed.

Syria and Turkey have become net exporters of wheat during the 90s, following parallel evolutions. In Syria, production increased from 1 to 4 million tons between 1965 and 1998, thanks to an increase in the area planted to wheat, particularly in irrigated areas which have been expanding. As a result, Syria has become a net exporter of wheat since 1995, selling mainly to neighboring countries in the Mediterranean region and, to a lesser extent, the Arab Gulf countries. Turkey's wheat production also increased, from 7.5 to 21 million tons between 1960 and 2004, thanks mainly to an increase in irrigated areas and a steady growth of yields. But domestic consumption increased also because of demographic growth and an increase in seed and feed use. These forces, together with the working of domestic price support policies, have led to some substitutions among cereals. As a result, the net trade balance for cereals and for wheat in particular has been very variable depending on the weather. One must also note that wheat exports have required the granting of export subsidies to compensate for the difference between the generally higher domestic price and world price levels. Export destinations have been somewhat diversified including neighboring countries in the Mediterranean region, Europe, the Gulf states and even Asia.

The market shares of these various exporters in **Mediterranean countries** has varied much through time and among countries. These variations reflect changes on both the supply and demand sides. Thus, it is not surprising that the shares of European countries or the USA, for instance, generally changed on these regional markets in parallel with their world market share, declining on the whole as indicated above. The same is true for other exporters as well as it is obviously for countries like the Ukraine, Russia and Syria which have only recently become significant exporters of wheat. On the demand side, specific considerations for each Mediterranean country contribute to explain the great variations observed from one country to another; but identifying exactly the causes of the variations among countries is not always feasible.

Thus, the market shares of the various exporting countries in **Morocco**, which imported about 250 000 tons of wheat in the 1960s, 2 million tons in the early 1980s and almost 3 million tons between 2001 and 2004, have been very variable: in the 1960s, the USA had dominant share, always more than half of the market and sometimes 100%. The only other supplier was the EU. Then the US lost market shares to the benefit of the EU and later of Argentina (market share 33% in 1977), Canada (27% in 1977 also) and other Mediterranean

. countries. But in 1980, the EU market share is again very high (60%) whereas the US are down to 20%. In the early 1990s, the US are back in force, reaching a share of 75% leaving only 25% to the EU and nothing to the others. Subsequently imports of Black Sea wheat increase significantly. Interpreting such wide variations seems very challenging.

The case of **Algeria** does not appear straightforward either. Total imports of wheat increased also very much, from about 360 000 tons per year in the early 1960s to 4.8 million tons in the period 2001-2004. At first, the USA were the dominant supplier with the EU (essentially France) a distant second, but the US progressively lost market shares, so much so that in 1981 Canada supplied 52% of total imports. But in 1986 the US share is high again, at 74%, while the EU share falls to 10% and Canada's to 15%. But this distribution changed rapidly again; and in 2004 the market shares are: Canada 54%, EU 15%, USA 8%, the balance being provided by the newcomers: Black Sea and Mediterranean countries.

Egypt is yet another case. Total wheat imports increased rapidly between the early 60s and the early 80s, from about 900 000 to 4.2 million tons per year, and subsequently stabilized to reach an average of close to 4.7 million tons in the 2001-2004 period. This stabilization results from the great strides made by Egypt in increasing the volume of its domestic production (from 1.4 million tons in the early 60s to 1.9 million tons in the early 80s and 6.7 million tons in the beginning 2000s). But variations in the distribution of its foreign suppliers were very wide throughout the same period. Between 1965 and 1974, Egypt imported almost everything from the same supplier each year but with sudden changes in that dominant supplier from year to year: USA in 1966, USSR in 1968, EU in 1970, Australia in 1972. This dominance of a single country ends in 1974 when the market is roughly divided equally between the US, the EU and Australia. Subsequently, the US market share increases, however with great year-to-year variations, to reach almost 70% in the early 2000s, whereas the EU share falls to less than 10%.

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x x

In spite of the seemingly erratic nature of these variations, a few hypotheses can be suggested to explain them, at least in part. First, the domestic balance between supply and demand in both exporting and importing countries has clearly played the dominant role in explaining variations in national net trade positions. Regarding the variations in market shares among exporters within each importing countries, the situation is murky. Perhaps, one can assume that the strong public interventions in both the USA and the EU, as well as the bilateral geostrategic relationships between the importing country and these two major powers, give these two first choice so-to-speak. Other exporters, first Canada, Australia and Argentina, later joined by the Black sea and other Mediterranean countries, enter the market when there is an opening left by the 'big two'.

What would then be the impact of Euro-Med liberalization on these trade flows? What would in particular be the impact of the elimination of export subsidies after 2013, which will be a component part of a possible WTO Doha Round final agreement? Much will really depend on the modalities of that liberalization. The precedent of the US-Morocco bilateral trade agreement and the subsequent reaction of EU negotiators may provide an illustration: most observers believe that the bilateral negotiations of import quotas by both the USA and the EU could lead to a sharing of the Moroccan market between these two major economic powers.

2 INTERNATIONAL TRADE NEGOTIATIONS

In the Mediterranean region the trade policy debate is dominated by the regional trade negotiations between the European Union and so-called 'Mediterranean Partner Countries' (MPCs) within what is called the Barcelona process¹⁰. This regional dimension is closely associated with a bilateral one since the Barcelona process itself entails bilateral agreements between individual countries and the EU. Other bilateral agreements have been signed by Mediterranean countries among themselves and with countries from outside the region, notably the USA. The impact of these regional and bilateral negotiations will depend on their individual and collective contents but also on the future of the WTO multilateral process since most countries either are, or have applied to become, members of WTO. In this report, focussing on the international context of the Euro-Med liberalization process, we will first discuss the multilateral process of negotiations in WTO, we will then consider regional trade negotiations involving other actors than the European Union and its Mediterranean Partner Countries, namely the Arab Free Trade Area and bilateral agreements with the USA. In each case, the purpose is to assess what influence the aspect of the international context being considered could have on the impact of a Euro-Med liberalization.

Almost all Mediterranean countries are directly or indirectly involved in the multilateral trade negotiation process, either as members of WTO or as candidates to become members.¹¹ At the time of writing this paper, the outcome of the **current Doha Round of negotiations** and the date it may happen are uncertain. But the issues on the table are clear. And they could have significant impact on Euro-Mediterranean agricultural trade. Furthermore, even if the Round is not completed within a few months and lingers on for several more years, it is likely that the issues will continue to affect decisions taken by policymakers both domestically at the national level and in regional and bilateral trade negotiations. For instance to illustrate, it is very unlikely that the European Commission would propose future reforms of the CAP which would be in contradiction with positions taken by the European Union in WTO. Regarding agricultural trade issues of importance to the Euro-Med process, the three 'pillars' of the WTO agricultural negotiations are relevant as well as the debate on 'geographic indicators'. We briefly summarize the status of the negotiations on each of these points.

The potential impact of an agreement on *export competition* on regional trade could obviously be important. The elimination of export subsidies by 2013 could have a major impact on exports of several products, particularly cereals, from the EU since in the past these exports have been very much supported by European subsidies. The principle of such an elimination has been agreed at the Hong Kong Ministerial meeting in December 2005. It is however contingent on reaching a comprehensive agreement and the European Commission demanded that this major concession on its part be complemented by stronger disciplines on

¹⁰ The 12 MPCs participating in the first Barcelona Conference in 1995 were Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey. Now Cyprus and Malta have joined the EU and Turkey's case is treated separately as accession negotiations have started.

¹¹ The EU, Albania, Croatia, Egypt, Israel, Jordan, Morocco, Slovenia, Tunisia and Turkey are members. Algeria, Bosnia-Herzegovina, Lebanon, Libya, Serbia and Montenegro and Syria have applied for membership.

other practices also distorting export competition. These include disciplines on export credit guarantees, on food aid and on state trading monopolies. If a final agreement is reached on all these points, disciplines on export credit guarantees could have an impact on US exports but that impact would probably be modest. The regional impact of disciplines on food aid would be very small as no country in the region is a major recipient of food aid any more. But several Mediterranean countries could be affected by an obligation to eliminate state trading monopolies. Such a strong outcome is however unlikely, the focus of that negotiation in WTO having recently turned to the monopoly power of exporting state trading enterprises, such as the Canadian Wheat Board for instance.

Regarding *market access*, the second pillar of the WTO negotiations, improved access to the EU for fruits and vegetables could greatly benefit several MPCs. But on this point, the real impact is very uncertain for two main reasons: first, the consequences of the, yet unknown, future multilateral commitment of the EU on market access for the specific and very complex set of protection instruments in the fruit and vegetable sector are still very uncertain. Secondly, the outcome of the Round may entail some degree of preference erosion for those MPCs benefiting from significant trade preferences, such as Morocco for tomatoes for instance¹². And it is impossible to predict what the ultimate preference erosion will be.

Changes in *domestic support*, the third pillar of the WTO negotiations, do not seem to be likely to have a big impact on the Euro-Med process. Such changes would constrain domestic policies in developed countries and lead to more decoupled payments. But contrarily to the case of the US cotton policy, which would have to undergo profound reforms leading to significant international effects, notably in some sub-Saharan countries, it is difficult to imagine changes in US or European policies for products of interest to the Mediterranean region which would have such major impacts.

It is unlikely at this stage that an agreement on extending the recognition given to *geographic indicators* will be reached and become a component of a possible package of 'deals' coming out of the Doha Round, in spite of the valiant efforts of the European Commission. But the issue will remain alive. And there is growing evidence of genuine interests for, and budding experience in, local rural development based on typical products in several southern and eastern Mediterranean countries. As a result, the evolving international trade negotiations and disputes on the topic will continue to be of great interest, even growing interest, in the Mediterranean region.

Finally, one must stress the extreme differentiation of situations in the region. It is a major source of difficulty in assessing the impact of multilateral negotiations. This differentiation is reflected in the diversity of the positions taken by Mediterranean countries in the WTO negotiations.¹³ For instance, Egypt as a member of the G-20, seems to have been pressing more for the reduction of farm support in OECD countries, whereas Morocco, Turkey and Tunisia seemed to align themselves with developing countries resisting pressures to open their domestic markets for agricultural products, while Israel, as a member of the G-10, together with such developed countries as Japan, Switzerland and Norway, supported the maintenance of a high level of protection and support to agriculture. Assuming that each of these governments had good reasons to take the positions they took, one can only be struck by their diversity and infer that the objective situations of the agricultural sector vary greatly from country to country.

¹² See Chevassus et al., 2005.

¹³ For a recent comprehensive review of these questions see Alvarez-Coque, 2006.

Nine of the Mediterranean partner countries are involved in the **Arab Economic Union**, created by 18 of the 22 members of the Arab League in 1997. These countries decided to create a free trade area by 2008. Implementation has been slow however, which explains why four of the countries involved (Egypt, Jordan, Morocco and Tunisia) decided to accelerate the process among themselves through an agreement signed in Agadir in 2004. It is noteworthy however that in a recent comprehensive review paper of regional trade agreements in the world and of their potential impact on the WTO multilateral trade negotiations, the author does not mention these two initiatives (Bouët, 2006). Does this imply that they are not significant?

Among the many **bilateral agreements** signed by the MPCs with various countries,¹⁴ two stand out however: those signed by the USA with Jordan and with Morocco, given the economic and political size of the USA. Although very little has been published on the potential impact of these agreements¹⁵, direct informal contacts with experts having been close to the negotiation of the US/Morocco agreement indicate that the short term impact of the agreement will probably be small. However, the agreement includes long term commitments, which in time may become significant. For instance, the Moroccan commitments on access to their domestic market for cereals may in due time ensure that the USA will have a minimum share of the Moroccan import market. Conversely, the improved access to the US markets for some fresh and processed fruits and vegetables may prove attractive to foreign investments in these sectors in Morocco.

¹⁴ See a table listing these bilateral agreements in Emlinger et al., 2006.

¹⁵ See however Ait El Mekki A. & W. Tyner (2004):