

## EU-MED AGPOL LIBERALIZATION SCENARIOS

At our Istanbul meeting, we agreed to have the following liberalization scenarios:

- S<sub>0</sub> – the current situation with all changes already agreed included
- S<sub>1</sub> – partial EU-Med liberalization
- S<sub>2</sub> – partial EU-Med liberalization with WTO liberalization
- S<sub>3</sub> – total EU-Med liberalization with WTO liberalization

So this requires us to define the partial EU-Med liberalization and the WTO liberalization scenarios. The total EU-Med scenario is clear. At the Brussels meeting with EU Commission staff, they agreed we should try to use one of the WTO scenarios from the CEP-II-GTAP-World Bank work, but asked us to await finalization of the WTO scenario until the December ministers meeting. We also agreed there that the WTO scenario would be coordinated with the EU-MERCOSUR project (Wolfgang is on both projects). So we are pretty much agreed on how to proceed on the WTO scenario.

The partial liberalization scenarios have proved difficult to define. Several important points have emerged:

- The partial liberalization scenarios must be specific to each country and product.
- The products to be studied will vary from one country to another.
- The degree of liberalization will vary from country to country.

Most of you have supplied product lists containing 4-8 products that are the most important for your country. We have prepared draft tables for your country that contain the products, the current EU protection applied for your country, and possible partial liberalization scenarios.

When you examine the table, you will see that the partial liberalization scenarios are to some extent arbitrary. That is almost by definition. EU protection can take the form of import windows, quotas, minimum import prices, and tariffs, and commonly some combination of these instruments. We have tried to follow some general principles, but even those principles can be deemed arbitrary. **There is no right or wrong partial liberalization scenario.** They can be whatever we want them to be. However, in an attempt to achieve some measure of consistency, we used these principles:

- When the major instrument is a quota, we checked to see if actual country exports were greater than or less than double the quota. If actual exports are more than double the quota, the partial liberalization scenario for that country and commodity became something close to the current level of

- exports. If the actual exports are less than double the quota, we used double the quota as the liberalization scenario.
- If it appears that the binding export constraint was the length of the import window, we added one month to either side of the import window for the partial liberalization scenario for that country and product.
  - If it appeared that the most important barrier is the minimum import price, we lowered the minimum import price by 25 percent for that product and country.
  - If the major export impediment appeared to be a tariff or a tariff in certain periods, we either eliminated the tariff or reduced it 50 percent, whichever seemed more reasonable for that product and country.

We encourage you to consider carefully these partial liberalization scenarios and modify them as you deem appropriate for each product for your country. If you make changes though, please do inform us of those changes.

We are also sending this draft to the EC staff for their comments and suggestions, so we may have additional suggestions to pass on to you based on their feedback.