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Abstract:

The liberalisation of Euro-Mediterranean trade in agricultural goods has been in progress since 2005. The process is also accompanied by the European Neighbourhood Policy (ENP) that aims at going beyond the abolition of customs tariffs to support internal reforms (political and economic) in the MPCs in order to achieve broader opening of their markets. Euro-Mediterranean relations are also part of the general movement of liberalisation of trade and policies, determined to a considerable degree by the multilateral negotiations at the World Trade Organisation (WTO) and are also one of the main lines of EU policy with regard to its MPCs. Finally, the ongoing reform of the Common Agricultural Policy (CAP) may also have effects on Euro-Mediterranean policy.

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Euro-Mediterranean policy and other ongoing processes and their main impact on Mediterranean Partner Countries

Relations between the European Union (EU) and Mediterranean Partner Countries (MPCs) lie within the framework of the Euro-Mediterranean partnership (or Barcelona process) launched at the initiative of the EU in 1995¹. Although the vocation of this policy is regional, the bilateral agreements signed between the EU and each MPC form the core instrument of the Barcelona process. The economic part of these agreements, considered as the foundation of Euro-Mediterranean relations, is aimed at greater freedom of trade to achieve a Euro-Mediterranean free trade zone. The creation of this free trade zone is not an end in itself but an essential means of ensuring socio-economic convergences between MPCs and the EU. The liberalisation of Euro-Mediterranean trade in agricultural goods has been in progress since 2005. The process is also accompanied by the European Neighbourhood Policy (ENP) that aims at going beyond the abolition of customs tariffs to support internal reforms (political and economic) in the MPCs in order to achieve broader opening of their markets. Euro-Mediterranean relations are also part of the general movement of liberalisation of trade and policies, determined to a considerable degree by the multilateral negotiations at the World Trade Organisation (WTO) and are also one of the main lines of EU policy with regard to its MPCs. Finally, the ongoing reform of the Common Agricultural Policy (CAP) may also have effects on Euro-Mediterranean policy.

¹ At the European Summit in Essen in December 1994, heads of state and government defined the EU's new strategy with regard to the Mediterranean. The Euro-Mediterranean partnership launched at the meeting of Euro-Mediterranean ministers of foreign affairs held on 27 and 28 November 1995 in Barcelona grouped the 15 EU countries and 12 Mediterranean partner countries: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey. Cyprus and Malta became EU members when the EU was enlarged on 1 May 2004.

1. The agricultural part of the EuroMed Association Agreements: increased agricultural liberalisation in progress

The Association Agreements that have marked the history of EU Mediterranean policy since the 1970s form the basic instrument of this policy.

Since its origins in the first agreements with Morocco and Tunisia in the 1960s, EU Mediterranean policy has changed from being a predominantly commercial approach, including a technical and financial aspect in the 1970s, to becoming a more overall approach, the 'renovated Mediterranean policy' of the 1980s, in which political questions (peace, security, human rights, democracy) have become central and where commercial and economic partnership is presented as a means at the service of political objectives.

The same overall ambition, together with determination to achieve it with a less bilateral and more regional approach, marked the political direction taken in the 1990s, with the landmark of the 1995 Barcelona conference that formed the founding act of the new Euro-Mediterranean partnership. The new Euro-Mediterranean policy seeks three complementary objectives: the defining of a joint area of peace and stability through the strengthening of political discussion and security, the setting up of an economic and financial partnership and the gradual setting up of a free trade zone for 2010, closer relations between peoples and discussions between civil societies. These objectives formed part of a political desire to establish "... an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity ...". (Barcelona Declaration)

Following the Barcelona Conference, the EU signed (from 1998 to 2004) bilateral agreements with MPCs² that replaced the first generation agreements (cooperation agreements signed in the 1970s). These economic agreements form part of an ambitious political approach, illustrated by the selection of three major objectives:

- the defining of a joint area of peace and stability via the strengthening of political discussion and security;
- the setting up of an economic and financial partnership and the gradual establishment of a free trade zone for horizon 2010;
- closer contacts between peoples and discussions between civil societies;

² Tunisia (1995), Israel (1995), Morocco (1996), Jordan (1997), Palestinian Authority (1997), Algeria (2001), Lebanon (2002)

- Liberalisation negotiations were conducted within the framework of these agreements on the basis of the principle of reciprocity (required by the WTO). Finally, they set a framework for economic, social and cultural cooperation between the EU and each partner country. In this regard they are much more than simple free trade agreements.

When the Barcelona process was launched, the expectations of MPCs were very high in terms of economic and social development. After 10 years of implementation of the process, the progress made in economics has been the subject of numerous analyses.

Several publications³ have shown that the effects on the economies of the countries in the south and east of the Mediterranean (SEM countries) did not match their needs or their expectations.

This research also highlighted the fact that this inadequacy could be harmful not only for the economic and political stability of the region but also for the economic development of the EU. One of the reasons put forward in the analyses is that in spite of its socioeconomic importance for the MPCs, the agricultural sector has been kept out of negotiations on liberalisation. Agriculture has always been considered as a delicate sector and has thus always been handled case by case (logic of exception) within the framework of the bilateral negotiations of association agreements. It can also be seen that economic growth in Mediterranean countries was small during the period, mainly for reasons that were internal to these countries (Dell'Aquila, Kuiper, 2003). Other blockage factors are also highlighted: insufficient direct investment and weak mobilisation of financial aid from the EU⁴.

As a result, there was no trans-Mediterranean economic convergence, in particular because of the comparatively weak accumulation of capital and insufficient growth of productivity in southern Mediterranean. Furthermore, to judge by human development indicators, the macroeconomic adjustments performed by these countries were not accompanied by an improvement of social well-being.

Finally, the functioning of the partnership has also been the target of various criticisms: EU financial support was considered to be insufficient in comparison with the financial aid awarded to Eastern European countries (see below), lack of political determination, of

³ See in particular the work of FEMISE, Reiffers and Radwan, 2005

⁴ Only 40% of MEDA funds had been disbursed at the end of 2003. For a detailed analysis see: Court of Auditors: Special report No 05/2006 concerning the MEDA Programme. The report can be consulted at: <http://eca.europa.eu/portal/pls/portal/docs/1/173673>.

dominant safety issues, no institutional balance (process designed in the North and North-South type unbalanced relations) and bureaucracy making the decisions taken remote from the reality of societies and the needs of populations.

The European Commission (EC) also drew up a balance that led to the adoption of a 5-year work programme⁵. This programme defined a set of actions for the future with the emphasis on three priority objectives: make progress in human rights and democracy, support job creation and sustainable economic growth by means of the liberalisation of trade and sub-regional integration and improve teaching and professional training. In the agricultural sector more specifically, the EC decided to speed up agricultural liberalisation in order to "re-launch" the Euro-Mediterranean partnership. **For this, it adopted a Euro-Mediterranean roadmap for agriculture (the 'Rabat roadmap') at the Barcelona conference in November 2005. This outlined the principles of liberalisation:**

- a high level of liberalisation should be sought for agricultural and food products;
- a limited number of products considered as being 'sensitive' could be excluded from liberalisation in the form of a 'negative' list;
- progress in stages in the process of removing MPC tariffs. The asymmetry noted by the EU is caused by a more rapid opening on the European side than by the Mediterranean partners.⁶

Furthermore, the roadmap stresses the issue of rural development, the promotion of quality products, the sale of typically Mediterranean products and the strengthening of private investment in the agricultural sector.

1.1. Reciprocal trade preferences

The agricultural and agrifood products concerned by these liberalisation negotiations reflect the agricultural specialisations of the two zones to a considerable degree. In the EU they concern mainly staples (cereals, meat, dairy products, etc.) and fresh fruit and vegetables in the MPCs. Although negotiation methods are similar, the reciprocal concessions applied in these agreements are very different from one MPC to another. Likewise, the rate of tariff dismantling is very variable, in particular according to the degree of 'sensitivity' of products for each country, and the asymmetry principle is seen to apply to the MPCs. Liberalisation

⁵ Communication from the Commission to the Council and the European Parliament of 12 April 2005 - Tenth Anniversary of the Euro-Mediterranean Partnership: A work programme to meet the challenges of the next five years [[COM\(2005\) 139](#) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0139>]; FIN:EN:PDF

⁶ See the speech by Marian Fischer Boel, Strasbourg 28 September 2006. (SPEECH/06/548)

negotiations are progressive: this means that a revision clause (3 years after the entry into force of the agreement) that consists of evaluating the progress made in the implementation of trade liberalisation and using these results as the basis for the awarding of new concessions.

Trade preferences are in the form of reductions or removals of customs dues for quotas or for unlimited quantities. This approach improves access to the market while monitoring the liberalisation process. In some cases, countries may benefit from other preferences awarded within the framework of other preferential agreements (in particular the Generalised System of Preferences). Outside this common framework, fairly broad diversity in the form of preferences can be observed from one country to another. Indeed, procedures for the negotiation and awarding of preferences vary considerably from one product to another, from one month to another and from one country to another. These preferences also differ according to product 'sensitivity'. The differentiation of preferences affects not only situations of competition between MPCs and EU countries but also between the MPCs themselves.

The greater part of EU fresh fruit and vegetable imports from Mediterranean countries currently benefits from preferences within the framework of the Euro-Mediterranean agreements. The table below shows by value the proportion of imports that benefit from preferences in relation to the total value of European fruit and vegetable imports from MPCs. In 2004, 87.8% of imports benefited from these preferences and this is the case for practically all imports from Turkey. However, it should be noted that more than a third of Israeli sales on the European market do not benefit from any preference whatsoever (Chevassus et al. 2005)

Table 1 : Distribution of EU fruit and vegetable imports from Mediterranean countries according to the applicable tariff regime

	MFN	EU-MED	SPG	Total
DZ	0.1%	67.4%	32.6%	100.0%
EG	8.4%	72.7%	18.9%	100.0%
IL	32.4%	67.6%	0.0%	100.0%
JO	8.6%	81.8%	9.6%	100.0%
LB	1.6%	94.6%	3.8%	100.0%
LY	11.1%	0.0%	88.9%	100.0%
MA	1.1%	90.5%	8.4%	100.0%
PS	7.9%	92.1%	0.0%	100.0%
SY	5.5%	65.1%	29.4%	100.0%
TN	0.7%	89.1%	10.2%	100.0%
TR	2.7%	97.3%	0.0%	100.0%
Total	8.0%	87.8%	4.3%	100.0%

Source: Calculated by the authors using TARIC and COMEXT, EU-MED Agpol report Chevassus et al 2005

1.2. The regulation of trade with third countries: the case of fruit and vegetables

In comparison with other European agricultural sectors, the fruit and vegetable sector receives little support (4.5% of EAGGF expenditure); this is why market regulation and price support are addressed mainly by protection at frontiers. The regulation of access to the European market is a key component of the common organisation of the fruit and vegetable market (Council Regulation (EC) n°2200/96). This tariff and non-tariff regulation aims first and foremost at protecting European producers from imports from third countries in a sensitive sector that features strongly unstable markets (perishable produce and seasonal production).

This protection system set up by the EU was redefined after the WTO agreements signed in 1994 in Marrakesh. To achieve conformity with the undertakings that it had made at the WTO, the EU abolished the variable levy system at the frontier of its market and replaced it by ad valorem taxes and specific duties. A specific entry price system was set up for certain

products considered to be sensitive⁷, which makes the level of protection applied by the EU dependent on the import price on the EU market. The system makes it possible to guarantee a certain price level while limiting the arrival of fluctuations from the world market. Protection at the frontiers consists of protecting European production during very precise periods, establishing close links between protection and season. The main instrument is the entry price system applicable to all third countries; this functions as a minimum import price to limit the importing of cheap products whose quality is too low. Within the framework of the agreements of association, the entry price can be the subject of case by case preferences (preferential entry price). Analysis of the functioning of the entry price and its impact on Euro-Mediterranean trade has been studied (Emlinger, Chevassus, Jacquet. 2005 and Alvarez Coque. 2003). These studies show that the system is very complex and forms comparatively effective protection.

The quality standards in force on the EU market also play a role in market regulation. The common market organisation (CMO) of fruit and vegetables sets out precise standardisation of the quality of the produce sold and a detailed definition of labelling standards (Articles 2 to 7 of Regulation EC 2200/96). Third countries must conform to European standards or to standards judged to be equivalent. In addition to the rules strictly related to the application of the CMO of fruit and vegetables, imported produce must respect the sanitary and phytosanitary rules in force in the EU member states. These selling standards are part of the framework of the EU 'standardisation' policy set up for the functioning of the single market. Food safety and consumer health remain the priority of European food policy. Thus, in addition to these sales regulations, other regulations concerning safety, etc. must be applied in transactions involving fruit and vegetables. However, these are not specific to CMO fruit and vegetables but apply to all foodstuffs. Although the protection of consumers remains the central issue in food policies, environmental considerations are becoming important for the EU and MPCs, who must respect certain environmental standards in order to export their produce.

'Private' standards, generally set up by large retail companies, exist alongside these obligatory rules. The most widespread private standards in the fruit and vegetable sector are 'Global-GAP', 'BRC' and 'Nature's Choice'. Although they are voluntary standards and there is no legal obligation to apply them, they are in fact essential for exporting MPCs.

⁷ The entry price system is applied to the following kinds of produce: tomatoes, cucumbers, artichokes, courgettes, lemons, table grapes, apples, apricots, cherries, peaches, plums and grape juice. These 12 items are important for the European horticultural sector. In 2004, they formed 22.3% of European imports from the rest of the world and 40.9% of intra-European trade in fruit and vegetables.

Taking into account the impacts of all these regulations seems important in an examination of the conditions of access to the European market. Indeed, the capacity of MPCs (investment capacity and technical, managerial and organisational competences) to respond to these standards requirements has become a central issue in their access to the market.

State of negotiations of agreements since 2005: the case of Jordan, Egypt, Israel and Morocco

Since 2005, four agreements have been concluded on the basis of the 'Euro-Mediterranean roadmap for agriculture': Jordan (2005), Egypt and Israel (2008) and Morocco (2010)⁸.

These agreements plan new measures for trade liberalisation. In fact, the negotiations correspond to the application of undertakings to set up greater agricultural liberalisation that formed part of the association agreements signed between the EU and the Mediterranean countries from 1995 to 2005. The protocols set out in these new agreements specifying reciprocal preferential trade concessions have been redefined. In addition, specific measures also cover new areas such as sanitary and phytosanitary measures and technical obstacles to trade, the matching of technical standards and the protection of geographic indications⁹.

Jordan: given the fairly small volume of trade between Jordan and the EU and the small risk of competition, negotiations were concluded rapidly. The agreement plans total liberalisation of imports from Jordan with the exception of two product categories for which Jordan obtained improved access to the EU via the extension of preferences. The two categories are as follows:

- cut flowers, potatoes, citrus, garlic, virgin olive oil. These are the subject of progressive liberalisation within the framework of customs zero-rated preferential quotas and that were gradually increased until 2010 (Table 2);
- a list of six 'sensitive' types of produce: tomatoes, cucumbers, artichokes, courgettes, oranges and clementines that are customs zero-rated with no quantity ceiling and a preferential entry price (in comparison with the WTO entry price) but only for certain periods of the year (Table 3).

⁸ The European Commission drew up a draft decision concerning agrifood and fisheries sectors bilateral trade agreement between Morocco and the EU. The draft agreement was approved after the signing of minutes by the Moroccan and European negotiators on 17 December 2009 after 4 years of negotiations. Proposal of a decision to sign the agreement was delivered to the EU Council <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/1138&format=HTML&aged=0&language=EN&guiLanguage=en> contains all the details covered by the agreement together with their regimes as applicable to imports to the EU and Morocco. Voting of the agreement should have been included in the June 2011 Parliament session agenda. However, the procedure is running late and it is planned that the agreement should come into force in 2012.

⁹ These features were incorporated in the negotiations following the conclusions of the Euro-Mediterranean ministerial conference on agriculture in Venice on 27 November 2003.

Table 2: Tariff quotas applicable to EU imports of fruits and vegetables from Jordan

CN code	Description	Reduction of MFN Customs duty (%)	Tariff quota volume (tonnes net weight)	Reduction of MFN customs duty beyond the quota (%)
060310	Cut flowers, fresh	100	2006: 2000 2007: 4500 2008: 7000 2009: 9500 From 2010 on: 12000	60
07019050	New potatoes, fresh or chilled	100	2006: 1000 2007: 2350	50
07019090	Other potatoes, fresh or chilled		2008: 3700 2009: 5000	
07032000	Garlic, fresh or chilled	100	1000	0
070700	Cucumbers and gherkins, fresh or chilled	100	2006: 2000 2007: 3000 2008: 4000 2009: 5000	0
0805	Citrus fruits, fresh or dried	100	2006: 1000 2007: 3350 2008: 5700 2009: 8000	0
08101000	Strawberries, fresh	100	2006: 500 2007: 1000 2008: 1500 2009: 2000	40
150910	Virgin oil	100	2006: 2000 2007: 4500 2008: 7000 2009: 2950 From 2010 on: 12 000	-

Source: Commission of the European Communities, COM (2005) 560 final, 2005/0222(ACC)

Table 3: Agreed entry price applicable to EU imports of fruits and vegetables from Jordan

CN code	Description	Period	Agreed entry price (euros)
07020000	Tomatoes fresh or chilled	from 1.10 - 31.05	43.6
07070005	Cucumbers fresh or chilled	from 1.11 - 31.05	44.9
07091000	Globe artichokes, fresh or chilled	from 1.11 - 31.12	57.1
07099070	Courgettes fresh or chilled	from 1.10 - 31.01	42.4
		from 1.04 - 20.04	
08051020	fresh oranges	from 1.12 - 31.05	26.4
Ex 08052010	fresh clementines	from 1.11 - end February	48.4

Source: Commission of the European Communities, COM (2005) 560 final, 2005/0222(ACC)

When this agreement was signed, EU concessions with regard to entry prices worried some European fruit and vegetable producing countries who considered that the entry price concessions should be made within the framework of quotas (as in the case of the agreement with Morocco). These countries did not want the case of Jordan to form a precedent for future negotiations with the other MPCs. The EC remains very cautious on this point and the case of Jordan (currently a very small exporter to the EU) cannot be extended to other countries. The EU's position both at the WTO and in bilateral negotiations is rather that of not including entry prices in liberalisation negotiations.

In return, practically all the customs dues applied by Jordan to imports of agricultural and processed products from the EU have been abolished or progressively reduced following a schedule and lists allowing for the degree of sensitivity of produce/products. Jordan has abolished 92.5% in value of duty on imports of agricultural produce from the EU and 88.7% in value of imports of processed agricultural products¹⁰. Jordan drew up four lists of produce/products: (1) total liberalisation over a 3-year period (2) total liberalisation over a 7-year period, (3) partial liberalisation over a 5-year period (50% reduction of customs dues) and (4) produce/products not subject to liberalisation.

Egypt: the agreement signed in 2008 plans free access to the Egyptian market for nearly 90% of imports from the EU. Total liberalisation concerns all produce/products with a limited number of exceptions (tobacco, wines and spirits and meat of swine (pork)) for which the

¹⁰ After OMC, EC-JORDAN (GOODS) Summary Fact Sheet, April 2007: <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>

existing agreements remain in force. Products for mass consumption, such as powdered milk and cereals, benefit from total liberalisation. The EU negotiated preferential access (customs dues reduced by half with no quantity limits) for sugar confectionery, poultry meat, chocolate, pasta and bakery products.

In return, the EU market has been liberalised for all this produce/products with the exception of certain fruits and vegetables (tomatoes, cucumbers, artichokes, courgettes, table grapes, garlic, and strawberries), rice, sugar, processed products with a high sugar content, processed tuna and sardines. The provisions of the previous agreement are maintained for the latter products. As regards the fruits and vegetables mentioned above, the concessions are applied within the framework of quotas that have been increased but always within 'export windows' (Table 4).

Table 4: Tariff quotas applicable to EU imports of fruits and vegetables from Egypt

CN code	Description	Tariff Quota period	Quota volume (in tonnes net weight)	Quota duty
0703 20 00	Garlic, fresh or chilled	From 1.6 to 30.6.2010	727	Exemption
		From 15.1.2011 to 30.6.2011 and for each period thereafter from 15.1 to 30.6	4 000 (1)	
0707 00 05	Cucumbers, fresh or chilled	From 15.11.2010 to 15.5.2011 and for each period thereafter from 15.11 to 15.5	3 000 (2)	Exemption (3)
0805 10 20	Sweet oranges, fresh	From 1.12.2010 to 31.5. 2011	36 300 (4)	Exemption (5)
0810 10 00	Strawberries, fresh	From 1.10.2010 to 30.4.2011	10 000	Exemption
		From 1.10.2011 to 30.4.2012	10 300	
		From 1.10.2012 to 30.4.2013	10 609	
		From 1.10.2013 to 30.4.2014	10 927	
		From 1.10.2014 to 30.4.2015	11 255	
		From 1.10.2015 to 30.4.2016 and for each period thereafter from 1.10 to 30.4	11 593	

Source: EUR-Lex, Official Journal of the EU: Commission Regulation n°449/2010, 25 May 2010

(1) From 15 January 2011, this tariff quota volume shall be annually increased by 3% of the volume of the previous year. The first increase shall take place on the volume of 4 000 tonnes net weight.

(2) From 15 November 2011, this tariff quota volume shall be annually increased by 3% of the volume of the previous year. The first increase shall take place on the volume of 3 000 tonnes net weight.

(3) The exemption applies only to the ad valorem duty.

(4) Within this tariff quota, the specific duty provided in the Union's list of concessions to the WTO is reduced to zero, if the entry price is not less than EUR 264/tonne, being the entry price agreed between the European Union and Egypt. If the entry price for a consignment is 2, 4, 6 or 8% lower than the agreed entry price, the specific customs quota duty shall be equal respectively to

2, 4, 6 or 8% of this agreed entry price. If the entry price of a consignment is less than 92% of the agreed entry price, the specific customs duty bound within the WTO shall apply.

(5) Also exemption of the ad valorem duty, in the framework of this tariff quota.

It is seen that there are no concessions on the WTO entry price in contrast with the agreement with Jordan. This shows that the preferences awarded by the EU may differ from one MPC to another and may also differ for the same produce/product. However, examination of concessions by product shows that Egypt has obtained a significant improvement, especially for potatoes and onion for which its production and export potential is large. Indeed, the tariff quotas of 250,000 tonnes and 15,000 tonnes respectively have been abolished.

Overall, the Egyptian authorities consider that the agreement provides new opportunities for Egyptian exporters and that fruit and vegetable exports could double in a few years. This idea can be supported by the fact that EU imports from Egypt increased considerably in a decade: from 247 512 tonnes in 1998 to 481 439 tonnes in 2008. Egypt is now the EU's third largest vegetable supplier after Morocco and Israel. Nevertheless, sanitary and phytosanitary standards form a serious barrier to entry for exporters. As a result, the gains expected from increased liberalisation will depend on Egypt's capacity to meet these requirements.

Israel: the agreement plans complete trade liberalisation for 95% of produce/products shipped by each party. Complementary preferences in the form of an increase in zero-rated tariff quotas and a decrease in duty have been awarded by both parties for sensitive products not allowed full liberalisation (5% of the value of trade). The EU obtained the creation of new preferential tariff quotas in its favour for yogurt, sheep meat, lemons, oranges, mandarins, grapes, melons, kiwis, apricots, cherries, peaches, olives, preserved strawberries and soya oil.

Morocco¹¹: the new agreement made in 2009 after four years of negotiation is an important stage in bilateral trade relations between Morocco and the EU. Specialised in fruit and vegetable exports, Morocco is strongly integrated in the EU market. In liberalisation negotiations Morocco thus has a very strong 'attacking' interest that is to say in terms of conquering markets, in comparison with other MPCs. This is WHY European producers are very worried as they fear increased competition in case of liberalisation.

¹¹ The EC has agreed on a draft decision dated 16/09/2010 for a bilateral trade agreement between the EU and Morocco. Voting of the agreement should have been on the European Parliament agenda for the June 2011 session but the procedure is running late.

As regards access to the European market, 55% of imports from Morocco will be liberalised. The products not to be liberalised immediately but whose preferential access has been improved include, as in the agreements with Egypt and Jordan, a list of 'sensitive' produce: tomatoes, strawberries, courgettes, cucumbers, garlic and clementines. In contrast with Egypt and Israel, Morocco has negotiated a reduction in the WTO entry price (preferential entry price) for some of these products. However, this reduction is only applicable in certain seasons and within the limits of quotas. But the quotas were increased significantly (Table 6).

Tomato imports, the subject of a recurrent trade conflict, are subject to a specific provision aimed at maintaining the traditional volumes of exports from Morocco to the EU and avoid disturbances on the EU markets. The agreement goes further for this very sensitive produce by setting up joint market management (surveillance mechanisms and a framework for discussion). The agreement requires that "the two parties shall hold consultations at least once a year, or at any time if one of the parties so requests". These discussions cover the exchange of information (trade flows, season prospects, production and export prices).

Table 5: Agreed entry price applicable to the importation into the Community of fruits and vegetables originating in Morocco

CN Code	Product	Period	Agreed entry price (€/100 kg)
0702 00 00	Tomatoes, fresh or chilled	01/10 - 31/05	46,1
0707 00 05	Cucumbers, fresh or chilled	01/11 - 31/05	44,9
0709 90 70	Courgettes, fresh or chilled	01/10 - 31/01	42,4
		01/02 - 31/03	41,3
		01/04 - 20/04	42,4
0709 90 80	Artichokes, fresh or chilled	01/11 - 31/12	57,1
0805 10 20	Sweet oranges, fresh	01/12 - 31/05	26,4
0805 20 10	Clementines, fresh	01/11 - end of February	48,4
0806 10 10	Table grapes, fresh	21/07 - 20/11	35,8
0809 10 00	Apricots, fresh	01/06 - 31/07	64,5
0809 30	Peaches, including nectarines, fresh	11/06 - 30/09	49,1

Source: European Commission, Proposal for a council decision, COM (2010) 483 final on the signature of the agreement in the form of exchange of letters between the EU and the Kingdom of Morocco

Table 6: Produce whose quotas have increased

	tomatoes	courgettes	cucumbers	clementines	garlic	strawberries
At the coming into force of the agreement	+ 20 000 t	+ 30 000 t	+ 8 800 t	+ 31 300 t	+ 500 t	+ 4 600 t
	+ 22%	+ 150%	+ 140%	+ 22%	+ 50%	+3500 %
In 4 years	+ 32 000 t	+ 36 000 t	+ 10 600 t	+ 31 300 t	+ 500 t	+ 4 600 t
	+ 40%	+ 170%	+ 170%	+ 22%	+ 50%	+ 3500%

Source : calculated by the authors

As regards negotiations concerning entry prices (Table 5), the preferential entry price is the same as in the previous agreement for some produce (oranges and artichokes), reduced by 30% in relation to the WTO entry price for others (table grapes, apricots, peaches and nectarines) and, finally, for another list of products for which the EU has not awarded preferences and the WTO entry price is applied (apples, pears, cherries, lemons). An entry price is applied to about 10% of Moroccan exports by value.

Starting from a limited level of liberalisation, Morocco has taken a large step towards greater opening of its market through the total liberalisation of 45% of imports by value from the EU, which will reach 70% in 2020¹². The opening procedures (immediate, progressive, the exclusion of certain produce) are set out in the lists of produce as follows:

- 1. Produce subject to quota-free liberalisation:** a distinction is made in this list between the produce to be liberalised as soon as the agreement comes into force and that to be liberalised in 2, 5 or 10 years. Liberalisation is performed on the basis of annual linear abolition of tariffs.
- 2. Produce subjected to liberalisation with quotas:** reduction of customs duty awarded within the framework of quotas. Total liberalisation (abolition of customs duty and quotas) is scheduled within 5 to 10 years according to the produce concerned.
- 3. Produce/products not subject to liberalisation :** The produce/products on this list will not be fully liberalised, that is to say no abolition of tariffs has been planned in the agreement. However, the EU can benefit from preferential access (reduction of MFN

¹² Negotiations between the EU and Morocco in the agri-food and fisheries sector: signature of agreed minutes, Europa Press releases, IP/09/1952, Brussels 17 December 2009 <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1952&f>

customs duty) within a quota framework. These goods considered as 'sensitive' include certain meats, durum wheat (50% reduction of customs duty, 50 000-tonne quota from August to May), soft wheat and derivatives, liquid milk and whole cream milk powder, sweet almonds and tomato concentrate, olive oil (virgin and extra-virgin) and pasta. No further concession was negotiated for soft wheat although the European negotiators requested alignment with the free trade agreement signed in 2004 between Morocco and the United States.

Table 6 : Tariff quotas applicable to EU imports of fruits and vegetables from Morocco

Code NC	Description	Reduction of the MFN customs duty applicable to the quota (%)	Tariff quota - annual or for the period indicated (tonnes net weight)	Reduction of the MFN customs duty beyond the current tariff quotas (%)
0702 00 00	Tomatoes, fresh or chilled, from 1 October to 31 May	100	See article 3	60%
0702 00 00	Tomatoes, fresh or chilled, from 1 June to 30 September	60	unlimited	
0703 20 00	Garlic, fresh or chilled	100	1 500	-
0707 00 05	Cucumbers, fresh or chilled, from 1 November to 31 May	100	15 000	-
0707 00 05	Cucumbers, fresh or chilled, from 1 June to 31 October	100	unlimited	
0709 90 70	Courgettes, fresh or chilled, from 1 October to 20 April	100	50 000	-
0709 90 70	Courgettes, fresh or chilled, from 21 April to 31 May	60	unlimited	
0805 20 10	Fresh clementines, from 1 November to the end of February	100	175 000	80%
0805 20 10	Fresh clementines, from 1 March to 31 October	100	unlimited	
0810 10 00	Fresh strawberries, from 1 November to 31 March	100	unlimited	
0810 10 00	Fresh strawberries, from 1 April to 30 April	100	3 600	-
0810 10 00	Fresh strawberries, from 1 May to 31 May	50	1 000	-
0810 10 00	Fresh strawberries, from 1 June to 31 October	0	-	-

Source : European Commission, Proposal for a council decision, COM (2010) 483 final on the signature of the agreement in the form of exchange of letters between the EU and the Kingdom of Morocco

Progress in the liberalisation negotiations for **Algeria** are difficult as a result of discussions on agriculture. The consultation process started in October 2010 with the industrial and agricultural segments. Since the end of 2010, Algeria has requested the postponement of calendar of tariff removal until 2020 for certain industrial products (steel, textiles, automobile industry) and the revision of certain agricultural quotas (sugar, barley and cheese) to allow Algerian companies to prepare to face competition. Discussions were held in June 2011 at the 6th association committee session. Following this meeting, Algeria and the EU agreed to

revise the tariff dismantling calendar but without setting a date. A new liberalisation agreement should be signed at the end of 2011.

Finally, negotiations are continuing with **Lebanon** and **Tunisia**¹³. The present political transition in the latter country could speed up the signing of a new agreement.

Turkey signed a Customs Union agreement with the EU in the prolongation of the association agreement signed in 1963. The customs union concerns all industrial products, including the industrial part of processed produce. However, the agreement does not cover agricultural produce and services. Tariff preferences are awarded to these. Turkey is also a special case insofar as it is a candidate for EU membership.

Conclusion

In conclusion, and although the agreements are comparatively recent, a few conclusions can be drawn:

- the EU has significantly improved access to its market by means of substantial concessions to the MPCs. Nevertheless, the liberalisation process is still very gradual for 'sensitive' items. The latter consist mainly of fruit and vegetables and the entry price system, the main instrument for protection at frontiers, has been maintained. It is subject to negotiation (reduction) on a case-by-case basis only;
- the MPCs have launched the process of opening their markets that will take varying lengths of time and differs considerably from one country to another. Thus in Egypt, we observe practically immediate liberalisation for numerous items in which the EU has an 'attacking' interest (cereals, dairy products, meats, processed products) and few items considered to be sensitive are excluded. In contrast, in Morocco, where protection levels are high, opening is more complex, especially for 'sensitive' items. Some of these items will be liberalised according to a schedule and others will not be liberalised but nonetheless will be subjected to tariff quotas (soft wheat, apples, olive oil, tomato concentrate). The items most concerned by these preferences from the EU's standpoint are cereals and dairy products, but many other items are listed.
- the liberalisation of trade with the EU is asymmetric, with the community market open to the greater part of MPC exports while the opening of the latter's markets is staggered over a period of 5 to 10 years. Tariff dismantling of items for which

¹³ Tunisia was the first partner in the region to enter the free trade zone for industrial products on 1 January 2008, two years ahead of the 2010 date originally planned.

this is deferred, the rate and period of dismantling can be adjusted: 3, 5 or 7 years for 'sensitive' produce and 10 to 15 years for 'very sensitive' produce. The situation is explained by the fact that certain MPCs—especially the Maghreb countries—apply very high levels of protection.

Liberalisation is effective for 80% of imported agricultural produce/products that enter the EU duty-free or at preferential rates. Reciprocally, a third of European exports of agricultural produce/products benefit from tariff preferences in the Mediterranean countries¹⁴.

There is doubtless evolution of agricultural liberalisation in the Mediterranean region within the framework of the association agreements. Today, the main questions are the speed and method of the process. This opening up is necessarily accompanied by risks and serious fears on both sides of the Mediterranean.

In the next section we describe the issues and risks of liberalisation on the basis of work conducted by CIHEAM¹⁵.

2. Discussions and issues related to the liberalisation of Euro-Mediterranean agricultural trade¹⁶

The greatest risk for the MPCs in the liberalisation process resides in the consequences of the opening of markets to imports of staple foodstuffs (cereals, milk and milk) especially for farmers who currently earn a living from these.

Cereals and animal products (meats and milk) are currently protected by high frontier protection (MFN tariffs) in most MPCs and the preferences awarded to the EU within the framework of the association agreements are almost always in the form of tariff quotas, but such quotas are comparatively small.

It is commonly accepted for the export sectors that agricultural liberalisation would be favourable for MPCs because of comparative advantages in the production of certain agricultural produce (especially fruit, vegetables and olive oil) and hence better access for these on the European market could contribute to the economic development of countries

¹⁴ Bilan des relations commerciales entre l'Union européenne et les pays méditerranéens, note d'information parlement européen direction des politiques externes de l'UE 22/09/2009 http://www.europarl.europa.eu/meetdocs/2009_2014/documents/inta/dv/bilanrelationscommerciales_ue-med/_bilanrelationscommerciales_ue-med_fr.pdf

¹⁵ See in particular the work of the EUMED-AGPOL research collective

¹⁶ The results of much research conducted by CIHEAM and in particular the EUMED-AGPOL project are presented in this section

that export them. Competition from MPC exports is seen as a major menace by European producers. They mention trade distortions resulting in particular from low labour costs and the failure to respect sanitary and phytosanitary standards that they themselves are obliged to respect.

An overall examination of the positive and negative issues of the liberalisation of agricultural trade shows that several points are subjects of controversy. The two most sensitive sectors in the negotiations are fruit and vegetables and cereals.

As regards cereals, the main question is the fragility of the sector in the MPCs and the negative effects that could be caused by a decrease in current protection. Indeed, the largest part of the cultivated area in most MPCs is used for cereals; they are the basis of both farming and food in these countries and the survival of a large proportion of the rural populations depends on these crops¹⁷. Sudden liberalisation of trade in this sector would certainly endanger a large part of the population in these regions and a host of very small family farms which produce mainly for on-farm consumption. Most of the studies in which simulation models were used conclude that the partial liberalisation of agricultural trade in the Mediterranean countries would have positive impacts for consumers and negative impacts for producers, mainly because of the decrease in prices that would result. The poorest producers would not necessarily be those most affected as they are often net purchasers of cereals, but rather the large and medium-sized cereal farms or livestock farmers in extensive zones¹⁸.

Fruit and vegetables are the main exports of MPCs where they play an important role in terms of jobs and the creation of wealth. The EU is the main export destination. The complementarity of production, the geographic proximity that is essential for perishable goods and the preferences awarded within the framework of the EU-Mediterranean agreements account for the concentration of export flows to the EU market. But this sector is also of major importance for EU Mediterranean countries. It concerns about 1 million farms and accounts for 25% of the value of agricultural production in Greece, Spain, Italy, Portugal, Cyprus and Malta. It can thus be feared that increased opening of EU frontiers to imports from the MPCs might have a negative impact on production regions in these countries. The sector is already considered to be strongly liberalised, especially in bilateral agreements, insofar as the MPCs benefit from substantial preferences (Emlinger,2010). Furthermore, fruit and vegetables need special attention because the protection mechanism at the frontiers is complex and pressure from competition is more difficult to measure because this produce is

¹⁷ See theme report 4 of the study 'La question céréalière en méditerranée', B. Hervieu, R. Capone, S. Abis, . May 2006

¹⁸ F. Jacquet 'Agriculture, Politiques agricoles et Perspectives de Libéralisation: le cas de quatre pays méditerranéens' in *Agriculture et Alimentation en Méditerranée: les défis de la mondialisation*, Ghersi G., Bachta M.S., eds., Karthala, Collection Economie et Développement Paris, pp 32-104.

seasonal (production calendars and export windows). This explains the 'sensitivity' of produce, that is to say the potential vulnerability should tariff protection be decreased as part of liberalisation negotiations.

Several features make it possible to deepen reflection in these discussions:

- overall, the EU trade protection regime in the fruit and vegetable sector is a serious barrier to access to the European market;
- production potential in the SEM countries is not unlimited. Water resources are a constraint in all the countries except for Turkey. In addition, the internal brakes resulting from the organisation of the sectors and the adoption of production standards making it possible to export to the European market are currently the two factors that most limit the development of exports. However, an increase in direct foreign investment has been observed in recent years (in Turkey and Morocco), indicating that changes are to be expected;
- the potential for the increase of European imports from the SEM countries in the case of total liberalisation represents a small proportion of total EU imports and are even smaller in comparison with total EU production. It is seen that with the exception of a few fruits (cherries, clementines and strawberries), the volumes that would be exported by the MPCs would be the equivalent of less than 10% of the production of the five Mediterranean EU countries¹⁹;
- factors other than trade liberalisation, such as the process of development of quality standards and private and public sanitary standards, the internal dynamics of the development of agricultural production and the prospect—even far off—of Turkish membership of the EU, are factors that probably have more weight in the evolution of trade and agricultures in the region than the trade liberalisation process;
- overall, the liberalisation of trade with the MPCs would have limited negative effects. However, the damage could be significant for certain produce in certain production regions. It can be deduced that European losers in an agricultural trade liberalisation movement would be concentrated in a small number of regions and, within these regions, would concern a limited number of businesses. These different scales of possible impacts thus lead negotiators working on an overall basis to underestimate local impacts and, conversely, local defenders to

¹⁹ These results are drawn from the EUMed-Agpol project (http://eumed-agpol.iamm.fr/html/publications/prj_report/d15.pdf) and in particular the surveys of professionals and experts based on the Delphi method.

overestimate the importance of the protection of their interests in comparison with the overall issue of neighbourhood relations with the SEM countries. Reflection on compensatory measures (community or national) should take this asymmetry into account.

In conclusion, several features lead to concluding that the liberalisation of Euro-Med agricultural trade could have potentially more serious negative consequences for agricultures in the Mediterranean countries than for those of the EU countries:

- trade asymmetry: the EU is the main partner of the MPCs with 30% of imports and more than 50% of exports whereas trade with the MPCs is less than 10% of EU trade. The SEM countries are not a homogeneous bloc as regards agricultural trade. They are all clear importers and so SEM imports from the EU are distributed among most of these countries (with some being more strongly weighted: Algeria, Egypt and Turkey) according to the level of their deficit, the size of their population and the trade preferences awarded to the EU. However, the same does not apply to exports. Four countries (Turkey, Morocco, Israel and Tunisia) account for 95% of exports to the EU from all the SEM countries because of their export-oriented agricultures and EU preferences;
- the asymmetry of present protection at frontiers. The European market is now more open, especially for produce/products from the Mediterranean countries than the MPC markets;
- the reciprocity sought in present liberalisation negotiations. It is true that there is mention of asymmetry here too, insofar as the staggering of tariff dismantling is applied for the MPCs to allow adjustments in sector competitiveness and the setting up of accompanying policies. However, as the aim is that of finally achieving greater liberalisation (except for the 'sensitive' items that are not included in liberalisation), there will necessarily be stronger social impacts in the MPCs (increased poverty, massive rural exodus, loss of jobs) than in the EU;
- the growth potential of EU agricultural exports to the MPC markets is probably significant. Indeed, it can be observed that the EU exports are already over-quota for many categories for which there are preferential tariff quotas in the agreements of association (meat of bovine animals and poultry, dairy products), in spite of very high customs duties.

3. The impact of the liberalisation of Euro-Mediterranean agricultural trade: a review of the literature

The impact that total or partial liberation of Euro-Mediterranean trade would have on the MPCs has been analysed in several publications. They concern mainly the effects of association agreements on trade and growth, the aims being the evaluation of the potential gains in economic development resulting from free trade and identification of the various obstacles to the increase of these gains. Our review of the literature shows that few impact studies have been devoted solely to questions of agriculture and food. Most concern a sector or a group of sectors and generally address a particular country.

The tools used are drawn mainly from the theory of international trade. There are two main categories of methods: ex-ante analyses based on simulations performed using a general computable equilibrium model (GCEM) and ex-post analyses generally based on a gravity model.

In general, these studies are focused on analysis of the effects of Euro-Mediterranean liberalisation on macroeconomic balances and measure the sectoral growth induced by free trade. Depending on the approach, the most significant works measure the impacts on the economy as a whole, thus considering agricultural trade as one component of liberalisation among others.

Numerous applications have been used for the MPCs. These studies used general computable equilibrium models to measure the effects of the liberalisation of trade in the Euro-Med zone. The studies were aimed at measuring the possible gains resulting from the Euro-Mediterranean association agreement; the parameters used generally concern the level of protection provided by tariff barriers and all forms of facilitation of trade.

On the subject of Morocco, Tunisia and Turkey, mention can be made of the work of Bayar et al. (2001), Augier and Gasiorek (2003), Bouet (2006) and Philippidis and Sanjuan (2006); the most significant studies on Egypt are those of Dessus and Eisenmann (1998), Konan and Maskus (1997) and FEMISE (2001). Impacts at the macroeconomic and sectoral levels have also been assessed for the Mediterranean countries of the Near East. Lucke (2001), Chemingui and Dessus (2004) and Gaitan and Lucke (2007) simulated potential post-liberalisation growth of trade in Syria and Augier and Gasiorek (2003) and Feraboli (2010) examined the case of Jordan.

All these studies concur to say that free trade has a positive effect on trade growth in all the sectors examined. The results of simulations indicate different rates of trade growth in the different countries and an increase in GDP ranging from 6% in Jordan (Lucke, 2001) to more than 12% in Morocco (Philippidis and Sanjuan, 2006). The results of these 'ex-ante' studies support the idea that the reduction or removal of tariff barriers is beneficial for trade growth.

Ex-post analyses simulate the effects on trade growth of agreements that have already been signed. Cieřlik and Hagemeyer (2009) performed an empirical evaluation of the effects of Euro-Mediterranean association agreements on the movement of trade flows by country using a gravity model. They found that increased imports by MPCs of products from the EU did not result in very significant positive impacts on export growth. According to Bouet (2006), the tariff protection levels applied to certain products by the EU are strongly criticised and he considers that this protection is not favourable for the development of Euro-Mediterranean trade. To illustrate this, he developed a variant of the general equilibrium model used to model the optimum tariff level that should be set by the EU to increase exports and facilitate market access for the MPCs, thus developing Euro-Mediterranean trade in an effective manner.

Indeed, compared to the protection levels truly applied by the EU, the results of this ex-ante, model reveals the limited effects on the growth of exports from the southern Mediterranean area.

A large proportion of these quantitative analyses based on models measure the impact on the economy as a whole, with all sectors combined. Little study has been made of the agricultural sector, given its complexity that is difficult to insert in the models. We have seen that the liberalisation of agriculture receives specific treatment in the association agreements. It has been seen that the liberalisation process for agricultural trade is distinctly slower than for industrial products, customs duties are still high in the MPCs, the EU protection system at frontiers is complex (entry price system) and trade preferences differ considerably from one MPC to another.

Some authors have wondered about the coherence of preferential treatment with the agricultural situation in the Mediterranean countries (Dell'Aquila, Kuiper, 2003). This analysis identified the economic and political obstacles to the total liberalisation of agricultural trade. The authors stress that on the one hand the specific treatment of agricultural trade falls short of liberalisation objectives and that on the other there are contradictions between these objectives and the instruments of Euro-Mediterranean policy. In addition, the prospect for the

MPCs of the opening of their markets is accompanied by serious risks such as a fall in tariff revenue, international competition for poorly competitive local producers and the need for an in-depth reform of their agricultural policy. Given these risks, domestic reform policies do not appear to be sufficiently effective for preparing agriculture in the MPCs for a yet more liberal process. Thus the success of the Euro-Mediterranean liberalisation movement will depend on national accompaniment policies to mitigate the possible negative effects of this process (Bunte, 2005). It should also be noted that the opening of markets has different impacts on the agricultural sector in the short and long term. This is the main conclusion of the work of Bayar, Diao et al. 2000; after simulating potential gains in the agricultural sector, these authors agreed that in the long term there would be an increasingly marked agricultural trade deficit, whence the crucial role of the financing of the agricultural trade deficit to ensure the development of the sector in the long term.

With a more overall view, the report by the International Food Policy Research Institute (2007) reviews the situation in the MPC agricultural sector, domestic agricultural policies and the progress of the liberalisation process. Particular attention is paid to small local producers in the report: the liberalisation of agricultural trade tends to have a negative effect on the fraction of the population that, without effective accompanying policies, is unable to adapt to a liberalised trade environment. These farmers suffer two main effects of a change in trade policy: the external competition effect indicating producers' gains or losses on international markets and especially on the EU market after liberalisation and the domestic competitiveness effect consisting of domestic gains or losses following liberalisation. Furthermore, agricultural liberalisation contributes to increasing MPC trade but causes no significant increase in the competitiveness of the agricultural sector as a whole (export and local production).

In addition to the publications mentioned above, assessments of the impacts of agricultural liberalisation address other aspects or examine specific sectors (fruit and vegetables in particular). For example, Garcia-Alvarez-Coque (2002, 2003) uses a forecasting approach to analyse the impact of the total liberalisation of agricultural trade and present and future obstacles to this. He lists the first pathways to be developed to attain greater convergence in positions in future negotiations and agreements and also calls into question the PAC provisions that he considers do not reflect the principle of the fair sharing of the gains induced by liberalisation. He also suggests greater cooperation in bringing the MPC agricultural sector up to standard by means of greater financial support from the EU.

Other publications are focused on the interactions between Euro-Mediterranean liberalisation and multilateral agricultural negotiations (WTO). Some consider that these interactions have a direct effect on the growth of Euro-Mediterranean agricultural trade (Chahed, Drogué, 2003). Negotiation of the lowering of MFN tariffs causes a reduction in preferences for MPC agricultural exports to the EU market (erosion of preferences) in comparison with the other exporting countries. They also show that the preferences awarded to the MPCs by the EU have not created true trade opportunities as the MFN rights (applicable to all the countries in the world) are comparatively very small, implying reduced preferential margins on the main goods exported by the MPCs (fruit and vegetable, seafood). The research also shows that the best relative preferences awarded to the MPCs by the EU generally apply to goods for which the MPCs are not competitive. Emlinger et al. (2008) also analysed the conditions of preferential access to the EU market for MPC fruit and vegetable exports. They showed that firstly preferences are already substantial and secondly that they are not fully used for certain goods (for example, use of preferential tariff quotas is small). This leads to concluding that a broadening of preferences within the framework of negotiations of agreements of association could have a limited effect on the increase in EU imports of fruit and vegetables from the MPCs and that factors other than trade liberalisation are considerable obstacles to trade, and especially logistic costs and quality standards.

On the last point, authors such as Michalek (2005) highlight non-tariff barriers as discriminatory measures for exports to the EU. Kee et al. (2009) made the same observation and showed that the level of non-tariff protection is still significantly high, forming a major obstacle to access to the EU market. Rules concerning origin have also been simulated in Euro-Mediterranean trade; Breton and Manchin (2003) and Pomfret (2003) found that these measures are restrictive and consider them to be a strong constraint with regard to Euro-Mediterranean free trade.

Other work address questions further downstream in the market opening process. They highlight the impact of Euro-Mediterranean agreements on the most vulnerable populations. These studies of impact on the agricultural sector are generally associated with questions of poverty.

Mold (2002) examines the question of whether the integration of regional markets can have a positive impact on poverty. He reviews the results of general equilibrium models applied to the MPCs. He considers that the increase in income resulting from trade can help to fight

poverty and so if trade liberalisation has effects on sectoral growth and income, the level of poverty will be affected directly. The work of the FEMISE (program 2008-2009)²⁰ indicated that trade opening could have direct and indirect effects on poverty. The effect is direct if opening favours the poorest section of the population. The indirect effect operates via the impact of opening on economic growth that might have an effect for the poor. The report concludes by affirming that as a rule domestic policy in the MPCs is showing encouraging signs, and this has been the case in particular for the past decade. The level of inequality caused by the liberalisation movements is still fairly low. The report also includes an exhaustive review of the literature on relations between liberalisation, growth and poverty.

In contrast, Zaafrane and Mahjoub (2000) take a more pessimistic view and affirm that the Euro-Mediterranean liberalisation process tends to exclude the poorest populations even if targets for increasing agricultural growth are attained. The idea that the liberalisation of agricultural trade has a negative impact on poor populations, especially in rural zones, is also put forward in the work of Löfgren, El Saïd et al. (1999) on Morocco. Accompanying measures should therefore be set up to mitigate these effects (Martin, 2004).

Interest in the effects of the liberalisation of agricultural trade on poverty in developing countries increased tremendously in the 1990s. The question became even more crucial after food prices rocketed in 2006-2007, involving the liberalisation process as a factor aggravating the degree of poverty of the most vulnerable populations. As poverty is closely linked with the growth of economic sectors, little research awards a central position to the analysis of rural populations and households.

In response to this empirical deficit, mention can be made in particular of the work of Minot, Chemingui et al. (2010) who examined the impact of trade liberalisation on poverty in North African and Middle Eastern countries. Problems of agriculture and food are strongly highlighted in the study. The authors describe the links between agriculture, trade and the fight against poverty, using a general equilibrium model to measure the impact of liberalisation on the incomes of the poorest populations. It is concluded that the poorest rural households living mainly on agricultural activities will be the main losers as a result of liberalisation.

²⁰ Refer to the full text program 2008-2009
http://www.europarl.europa.eu/meetdocs/2009_2014/documents/dmag/dv/dmag20100603_06_/dmag20100603_06_en.pdf

Although the Euro-Mediterranean process dominates discussion of agricultural liberalisation in the region, it should not be forgotten that it is accompanied by two other parallel movements²¹:

- bilateral or subregional agreements in which the Mediterranean countries are involved on the one hand with each other and on the other with partners other than the EU,
- the ongoing multilateral liberalisation process at the WTO.

4. The other ongoing processes

4.1. Bilateral and regional agreements between the MPCs and partners other than the EU

In parallel with the strengthening of the integration of the MPCs in the EU market, regional economic integration between the MPCs is also a clear necessity for setting up a Euro-Mediterranean free trade zone. It may also make up for the narrowness of the domestic markets in Mediterranean countries by favouring foreign investment by creating economies of scale.

In spite of the existence of regional agreements, some of which are fairly old, and bilateral trade agreements between the Mediterranean countries, it is noted that progress in South-South trade integration is slow and this is a serious brake to the construction of a Euro-Mediterranean free trade zone. Intra-regional trade currently forms less than 15% of all trade in the region, the smallest proportion in the world for a region of such size. Numerous factors at different levels explain this situation: little complementarity of economies, weak convergence of regulation frameworks, infrastructure unsuitable for intra-regional trade, political conflicts, absence of harmonisation of exchange rate regimes, non-tariff barriers and the maintaining of numerous agricultural exceptions in agreements.

The following are examples of regional agreements between Mediterranean countries:

²¹ Emlinger C., Jacquet F., Petit M. 'Les enjeux de la libéralisation agricole dans la zone Méditerranéenne', Régions et Développement, (2006).

- *The Arab Maghreb Union (AMU), 17 February 1989* (Algeria, Libya, Mauritania, Morocco and Tunisia). This initiative for regional integration in North Africa failed very soon as its implementation was substantially 'blocked' by the dispute between Morocco and Algeria concerning the Western Sahara. Trade between the partner countries is small, forming only 3% of total trade in the region. Several studies have attempted to quantify the potential benefit of integration between the Maghreb countries. According to the World Bank, the potential for exports from Morocco to Algeria is one billion dollars, that is to say 2% of its GDP. Today, Algeria is only Morocco's 30th trade partner. In another study²², the cost of non-Maghreb, that is to say the cost of trade restrictions within the Arab Maghreb Union, was evaluated at 2% of growth per year and 150 000 jobs.

- *The Greater Arab Free Trade Area (GAFTA):* on 17 February 1981, several member countries of the Arab League (Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates, Yemen and Algeria) signed an agreement facilitating the development of trade with the aim of setting up an Arab common market by means of a GAFTA. The agreement mainly concerns the lifting of trade barriers to the movement of goods. It consists of implementing gradual liberalisation measures by tariff dismantling over a 10-year period at 10% per year from 1 January 1998. However, the tariff dismantling programme is not an overall operation:

- each member country can draw up a negative list of products excluded from liberalisation in order to allow local industry to start a prior restructuring process needed to improve its competitiveness;
- the liberalisation of agricultural produce/products is limited by a calendar and the drawing up of lists of goods excluded.

Furthermore, no negotiations have yet been started by the GAFTA countries to remove non-tariff barriers (customs procedures, import licences, limits to quantities, technical standards, sanitary standards, etc.) that significantly hinder the development of intra-regional trade. However, the agreement has set out rules of origin that stipulate that the local added value of a product must be at least 40% to qualify for preferential access.

Overall, as in the case of the AMU, trade between these countries is still very small (about 5% of total trade in the region) and involves mainly hydrocarbons. Furthermore, agricultural and agrifood produce/products are generally excluded from liberalisation measures and there

²² See in particular: Ministère de l'économie et des finances du Maroc, direction des études: Le coût du non Maghreb: October 2008

are still difficulties in the application and respect of the agreement. For example, Algeria, which only applied the agreement on 1 January 2009, has complained of fraud with regard to the origin of food products imported from partner countries and in 2010 drew up unilaterally (without going through the Arab League's Economic and Social Council) a negative list of products excluded from the tariff preference awarded within the framework of GAFTA. The main argument put forward is the failure to respect the 40% rule (for example, Chinese honey processed and packaged in Saudi Arabia and then exported to Algeria).

More recently, in February 2004, Egypt, Jordan, Morocco and Tunisia signed the Agadir Agreement aimed at setting up a free trade zone between the Arab countries around the Mediterranean. These signatory countries are those most advanced in liberalisation agreements with the EU and have signed bilateral free trade agreements with each other. The Agadir agreement is also different from the other regional agreements insofar as it is fully part of the Euro-Mediterranean partnership. Considered as a major stage in the setting up of the Euro-Mediterranean free trade zone, it received political and financial support from the EC²³. Indeed, the EU is trying to establish a 'bearing point' for anchoring the Euro-Mediterranean partnership in a more marked regional approach, with the aim being the activation of complementarity between the horizontal integration process (South-South integration) and vertical integration (EU-MPC integration).

In principle, the Agadir agreement is open to future membership of other Arab Mediterranean countries with association agreements with the EU (Algeria, Mauritania, Syria, Lebanon, Libya and Palestine). Lebanon has initiated consultations with a view to joining but until now Algeria has refused all approaches by the EU or its neighbours in the Maghreb, preferring—officially—economic integration under the aegis of AMU.

The main provisions of the agreement are as follows:

- industrial products: total immediate exoneration as soon as the agreement comes into force;
- agricultural produce and agrifood products: tariff dismantling is organised according to the sensitivity and nature of the produce/products and in conformity with the programme of application of the Arab League's Agreement to Facilitate and Develop Trade Among Arab Countries;

²³ A 4 million euro programme for 2004-2008 was financed as a European Neighbourhood and Partnership Instrument (ENPI). The EU decided to renew this aid with the same sum for the period 2009-2013.

- services: the liberalisation of services will be conducted in conformity with the WTO agreement;
- an undertaking by the countries in the zone to remove all non-tariff measures;
- rules of origin: the agreement also allows member countries to benefit from the pan-Euro-Mediterranean system of cumulated origins²⁴ and the application of the EuroMed certificate. These provisions concerning produce/product origins are aimed at facilitating trade between the partners.

In addition to these provisions concerning trade in goods, the agreement also concerns other fields and especially the harmonisation of trade rules, taxation, services, customs, etc..

The effective application of this agreement dates back to only 2007 and it has not had significant effects on trade or increased direct foreign investment. Studies²⁵ show that on the one hand tariff dismantling will not alone ensure trade liberalisation and on the other that other restrictions to trade play a crucial role in the evolution of trade between the signatory countries. The main restrictions mentioned are the non-tariff obstacles and logistic constraints that form a major handicap. Here, the practically total lack of direct land or maritime routes generates extra costs and undoubtedly limits the price competitiveness of the goods traded.

In parallel with these regional agreements, numerous bilateral free trade agreements were signed between MPCs, for example between Israel and Jordan (2004), Morocco and Tunisia (1999), Morocco and Egypt (1998) and Morocco and Jordan (1999). Their scope is still limited because of the restrictive rules concerning origin and the exclusion of agriculture. Furthermore, application of the tariff preferences planned in these agreements depends on conformity with the restrictive origin rules (local value-added must be at least 40%). Turkey signed bilateral agreements with Israel (1995), Tunisia, Morocco (2006), Syria (2007) and Egypt (2007).

The MPCs are also involved in agreements with partners that do not belong to the EU. One of the most noteworthy events of recent years was doubtless the signing of a free trade agreement between the United States and Morocco (2004) following similar agreements

²⁴ To enhance trade, the EU proposed to its partners a pan-Euro-Mediterranean system of cumulated origin so that a product made in several countries can continue to benefit from preferential access to the EU. This was adopted at the Palermo conference in 2003.

²⁵ Project for the creation of a free trade zone among the Arab Mediterranean countries. Document de travail n°74, Mars 2002, Royaume du Maroc, Ministère de l'économie, des finances, de la privatisation et du tourisme, Direction de la Politique économique générale
http://www.finances.gov.ma/depf/publications/en_catalogue/doctravail/doc_texte_integral/dt74.pdf

signed with Israel and then Jordan. The short term impacts of the agreement will probably be limited but the long term effects could be more substantial, especially as regards the growing share of the United States in the importing of Moroccan cereals. It is also considered that the great opening of the US market to fruit, vegetables and olive oil from Morocco could enhance the attractiveness of foreign investment in this sector.

In conclusion, for the moment the involvement of MPCs in agreements other than association agreements with the EU have a limited effect on intra-zone trade. The fact that the MPC markets are still strongly compartmentalised hinders the creation of economies of scale, a necessary condition for attracting the foreign investment that is recognised as being essential for the economic development of the zone. Furthermore, the proliferation of these agreements in recent years leads to considerable confusion, especially as regards their content and the compatibility between them. This question of compatibility also arises with the agreements negotiated within the framework of the Barcelona process and at the WTO.

4.2. The WTO Multilateral Process of Liberalization

Most countries of the region, as members of WTO, have been involved in the Doha Round of multilateral trade negotiations launched in 2001, a process which was very ambitious with significant potential implications for all concerned. Even those countries which are not members of WTO, notably Algeria which is still involved in a protracted process of admission, were also concerned, as they would have been affected by a potentially significant set of changes in international trade rules. But now, it appears more and more clearly that this liberalization process is stalled and even that it will most probably fail. Hence, the direct impact on trade flows of this multilateral process could probably be ignored. But there will be other impacts of a Doha Round failure. A complete failure would influence the policy debates at the national level in most countries of the region. And it would also influence the context of Euro-Mediterranean discussions and negotiations. Although indirect, these impacts could be very significant, which justifies discussing them here. We will first review the Doha Round paralysis, focussing on why it is failing. Then we will draw the implications for Mediterranean countries and the Mediterranean region.

Paralysis of the Doha Round

The paralysis is obvious if one recalls that the last major effort at finding an agreement was the failed Geneva Ministerial conference in July 2008 and that practically no progress has

been made since then. In 2011, the focus has shifted to reaching an agreement 'ad minimum', granting free market access (no quota, no custom duty) to the 48 'Least Developed Countries', And it is not at all sure at the time of writing (September 2011) that even this limited objective will be reached. The immediate cause of the failure to reach an agreement at the 2008 Geneva conference was a conflict between the United States and India on the threshold to be applied in a safeguard clause designed to reduce the risks associated with a rapid surge of agricultural imports. There were many other reasons for the failure but this 'last straw which broke the camel's back' is emblematic of the difficulties to reach an agreement. Subsequently, various observers have allocated most of the blames for the failure of the Round to four countries: the USA for their domestic support to agriculture and their insistent demand for more concessions by emerging countries on market access for industrial goods, India for its rigidity on the agricultural safeguard clause, China for its systematic refusal of any tighter discipline, in whatever area of negotiation, and Brazil for its refusal to improve its offer on industrial goods. Note that the European Union is seldom blamed, perhaps reflecting the fact that European negotiators made many concessions during the negotiations!

Whatever the distribution of responsibilities, the failure to reach an agreement in the Round reflects an erosion of a broad and long-lasting international consensus on the desirability of trade liberalization. That consensus was formed among economic policy leaders at the end of World War two, as part of a general intellectual repentance for the lack of international vision guiding economic policy-making during the 1930s. Then national governments reacted to the economic crisis by taking unilateral measures, in the areas of trade and of finance in particular: increased border protection and competitive devaluations of their national currencies, which made sense from a purely domestic perspective but which ignored the reactions of other governments, taking similar measures, the overall result being very inimical to economic growth. In the area of trade, this perception led to the creation of GATT, an international institution designed to enforce collective disciplines, agreed by member countries, restricting protectionist measures and leading progressively to trade liberalization. It is this consensus that permitted reaching an agreement at the end of each one of the successive Rounds of trade negotiation, culminating with the Marrakech agreement in 1994, which concluded the Uruguay Round and, for the first time, involved significantly the agricultural sector in the liberalization process.

But now the consensus has eroded. Admittedly, policy makers at the highest level continue to pay lip service to the need to conclude the Doha Round, as mentioned for example in all final declarations of the G8 and G20 summits in recent years. But this is not translated into

greater flexibility in the positions taken by trade negotiators of the same countries in Geneva. No country seems able or willing to make the decisive concession that would break the logjam. This may have dramatic implications for the future of WTO, which remains however the keeper of the existing international trade rules resulting from past Rounds of trade negotiations. But, for our purpose here, the implications for the Mediterranean region are more topical.

Implications for Mediterranean Countries and the Mediterranean Region

The direct trade implications for Southern and Eastern Mediterranean countries of a Doha Round agreement would have been limited in any case. This explains probably the limited role and 'presence' of these countries in the negotiations. Actually, they have even chosen to join different informal groups or coalitions of developing countries seeking to influence the final outcome, reflecting the absence of a common perspective and the general perception that those multilateral trade negotiations are not critical for them.. The main result of a likely outcome of the Doha Round affecting these Mediterranean countries would have been the erosion of trade preferences benefiting some of them, such as Morocco, for instance, which benefits from strong preferences for its access to the European tomato market.

But, as already indicated, the indirect impacts of a failure of the Doha Round could be very significant. For more than twenty years now, liberalization of both international trade and domestic policies has been a major orientation and, also, a lightning rod in the public policy debate. Admittedly, the liberalization process on both fronts has been very incomplete and it has varied tremendously among countries and among products. For instance, most 'basic' food commodities, often labelled 'strategic products' in the region, remain highly protected. But it is clear that significant policy reforms have been achieved in the last twenty or thirty years, leading to less government interventions and greater freedom for markets to operate, i.e. a general move towards greater liberalization. This is true on the domestic front and also in the domain of international trade, albeit to a lesser extent. These policy reforms were often presented as forced responses to outside pressures, notably from the Bretton Woods institutions inspired by the (in) famous Washington consensus. In that consensus, trade liberalization has been one of the cornerstones of the standard policy package being advocated. In this context, a failure of the Doha Round would undoubtedly weaken the ideological pressure pushing for liberalization. Whether or not this would lead to a reduced impetus for domestic policy changes and for trade liberalization in Southern and Eastern Mediterranean countries remains to be seen however, as there are often good domestic reasons to undertake policy reforms.

The Euro-Mediterranean process has also been influenced by the same ideology, as illustrated by the fact that one major objective agreed in Barcelona in 1995 was the establishment of a free trade area in the entire region by 2010. Retrospectively, such an objective was totally unrealistic, notably because of the existence of many obstacles – economic, social, political- to South-South trade. But what is striking is the importance given to trade liberalization during all those years and still today in the discussions and negotiations between the European Union and the Southern and Eastern Mediterranean countries. Time may have come perhaps to re-examine critically the importance of these ideologically-based positions.

4.3. The CAP, a historical construction

The CAP was not born of sudden wisdom on the part of the European nations during the period of post-war euphoria. It is neither a bureaucratic aberration decided by irresponsible technocrats nor an idealistic utopia dreamed up by politicians remote from reality. It is a strategic response to a situation of international crisis by politicians who remembered the past: the pain of shortage during the wars, the collapse of agricultural prices after the 1929 slump.' (Lucien Bourgeois, 2008).

Since 1956 and the signing of the Treaty of Rome, over fifty years of construction of an agricultural policy has enabled European agriculture to become one of the most powerful and efficient in the world²⁶. There have been two main stages in the process: CAP 1 was created in the 1980s and featured a virtuous circle of technical progress with considerable development of production but that gradually reached its limits, and CAP 2, from the end of the 1980s until today, featuring a fight against surpluses, gradual adaptation to the rules of the World Trade Organisation and then the taking into account of the production of public goods by agriculture (Bourgeois et al., 2002; Delorme H., 2004).

This model is the result of long evolution and the use of considerable budget resources. Furthermore, the change has taken place in a macroeconomic environment that was also changing: industrialisation and a tertiary sector that creates jobs are far from being at the same stage South and East of the Mediterranean (SEM countries). The agricultural policies of the European Union and the SEM countries are confronted more with the harmonisation of present situations than with a process of imitation, even if this were to be accelerated.

²⁶ It is estimated that an agricultural population of only 4% of the total population of the most advanced countries can feed the entire population and even export substantial quantities of goods.

4.3.1. CAP 1: the virtuous circle of quantitative growth

4.3.1.1 The principles of the CAP

When it was created, the Common Agricultural Policy had four main objectives: (1) **Balance** between availability and needs that is to say between supply and demand on the markets. This balance could be sought by adjusting supply, for example via regional specialisation or storage, efforts to increase productivity through the implementation of technical progress and the organisation of labour or by working on demand, e.g. by improving the quality of produce. (2) **A fair standard of living** for the farming population through the improvement of farm structures and landholding and through training and development. (3) **The stabilisation of markets** should allow a stabilisation of farm income by protecting it from the market fluctuations that are a feature of agricultural supply and by protection from the international market while using it as an adjustment variable. These three objectives seem to favour agriculture alone at the expense of the downstream part of the chain and it was completed by a fourth objective: (4) **protection of the interests of consumers**, trade and processing industries by the setting of reasonable prices, guaranteeing supply for the trade and processing industries and providing a contractual economy.

This stability pact gave agriculture a fully-fledged position in the national economy, enabled investment in technical progress and the feeding of the entire population at a reasonable cost.

Once these four objectives had been set, the CAP respected three major principles: (1) free trade and community preference by eliminating brakes to intra-European trade, that is to say customs duties and tariff quotas, while protecting the entire European market by customs tariffs and a system of levies and refunds at the frontiers. The image of a lock on a canal has often been used. (2) A set of product and sector specific **market organisations** using direct and indirect intervention measures, protection measures at frontiers and aid measures. (3) Common financial responsibility through the setting up in 1962 of the European Agricultural Guidance and Guarantee Fund (EAGGF) financed by member states in proportion to their national wealth.

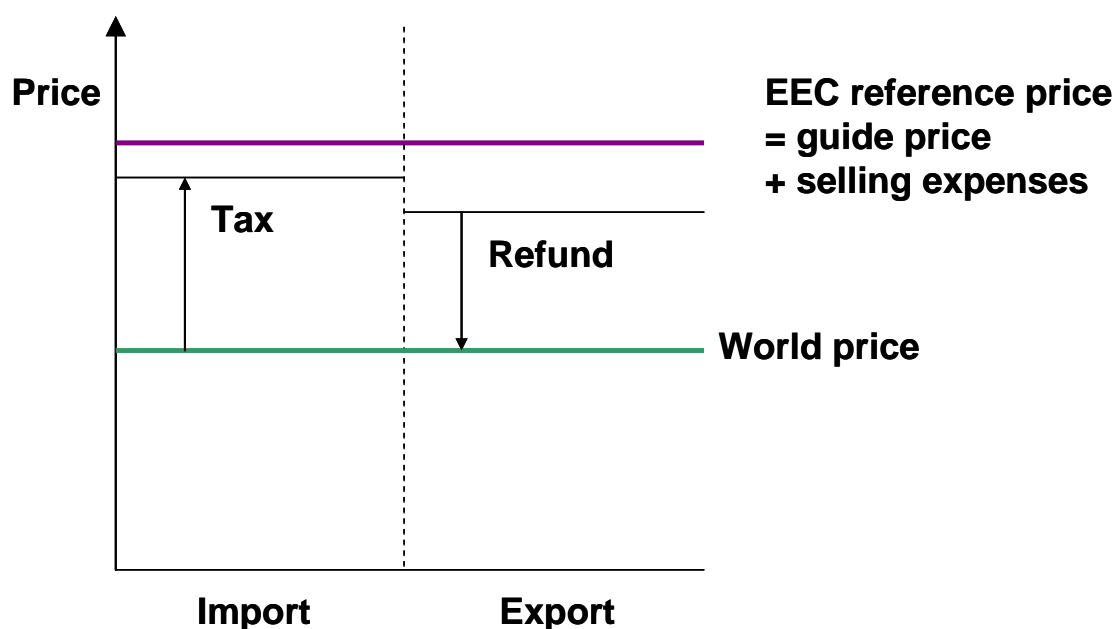
Finally, the CAP was organised along four lines: (1) common market policy and prices (a single market, balance between supply and demand and fair remuneration), (2) a common foreign trade policy (liberalisation of intra-community trade, levy, returns and common

customs tariff), (3) a common policy with regard to structures (guiding surplus farmers to non-agricultural jobs, avoiding the sub-division of farms, developing agricultural equipment, financing via the EAGGF, creating producer groups) and (4) a common social policy (employment, working conditions and wages).

4.3.1.2 The virtuous circle of increased productivity

The 'virtuous' aspect of this economic policy consists of the use of technical progress and the obtaining of considerable gains in productivity. It is reminded that the CAP was constructed in the follow-up to World War 2 and its shortages. Everyone still remembered ration tickets. Many agricultural products were still short when the Treaty of Rome was signed²⁷.

Guaranteed incomes and stable, profitable prices enabled European agriculture to implement the 'scientific and technical revolutions' developed upstream by the research sector and industry. Mechanisation made possible an enormous increase in labour productivity, genetics led to breeding high-performance plant varieties and animal breeding, crop protection and pharmaceuticals reduced losses and diseases while fertilisers and soil amendments improved soil productivity. These operations were supported by investment aids.



²⁷ See for example De Castro Paolo, 2010, p. 76, TABLE 5: Livello di auto-provvigionamento comunitario dei principali prodotti dell'agricoltura (1956-2002)

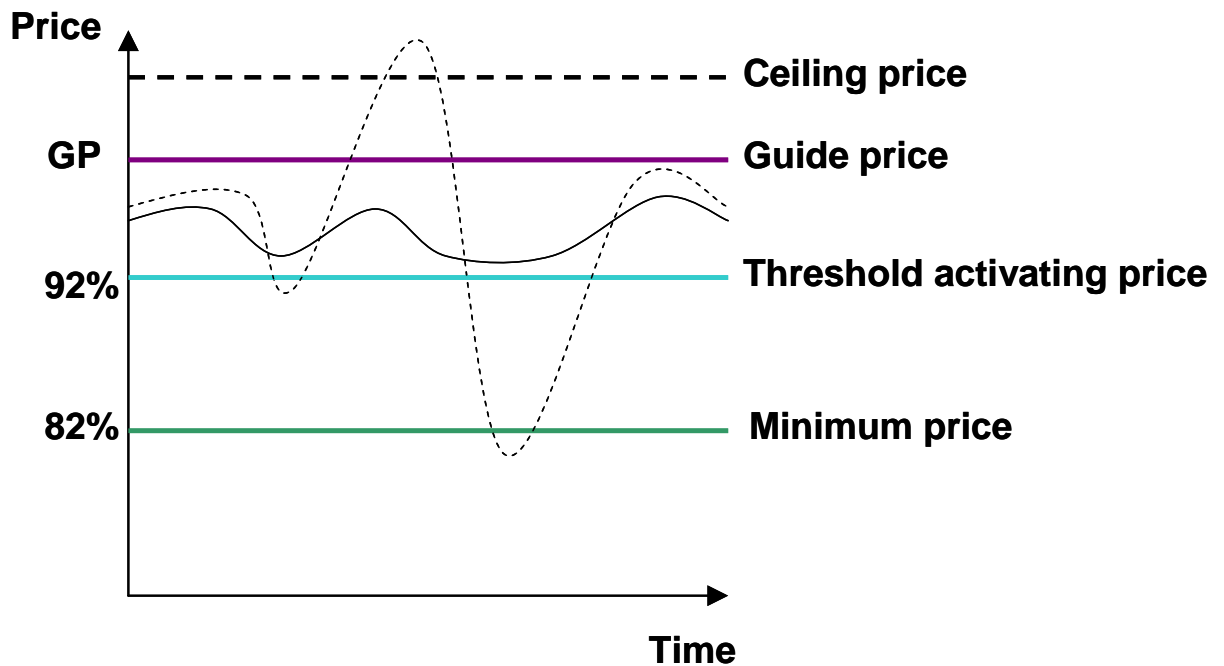
Market support was taken the form of guaranteed sale —initially seemingly unlimited— and profitable prices higher than world prices and, above all, stable and hence very favourable for funding investment. Protection at frontiers, with the exception of US soy and a few other cattle feeds, were effective. Each common market organisation (CMO) by product defined a price policy (target price, floor and ceiling prices) and intervention mechanisms that guaranteed stability, secure incomes and the profitability of investment in modernisation.

In addition, this apparently corporatist policy that might have favoured one social category at the expense of others benefited in fact the whole of society via the price scissors mechanism. The limited increase in agricultural prices combined with the increase of the cost of factors of production and social charges enabled society to recover with one hand what it had given with the other. This was simply the classic mechanism of the redistribution of gains in productivity in the economy. However, this effective mechanism limited the benefits of the agricultural policy to the most efficient segment of agriculture alone.

Social policy completed this virtuous circle. The structures policy became essential. The deployment of mechanisation required to increase the size of holdings. It was necessary to accompany agricultural exodus. On the one hand aid encouraged farmers to retire (retirement annuities) and on the other the transfer of land was organised by a collective organisation (in France: SAFER, société d'aménagement foncier et d'établissement rural) and subsidies to help young farmers to set up (DJA, dotation jeunes agriculteurs). All this was completed by professional training. The reference model became the family farm with two labour units.

Some authors (Kroll J.-C., 1987) have criticised this inherently unequal (but extremely effective) mechanism of the permanent elimination of a proportion of farmers and the maintaining of a fraction at the limit of profitability. The status of sole operator then encouraged overwork or a form of self-exploitation often not taken into account (farmers' wives).

However, this policy gave exceptional results in supply effectiveness. All the CMOs were gradually confronted with production surpluses.



4.3.1.3 The limits of CAP 1

The Common Agricultural policy gradually became a victim of its own success. It reached its limits and was gradually confronted with new issues. Surpluses were associated with the budgetary cost and inequality in the distribution of aid. Criticisms were expressed at the GATT and then the WTO. Environmentalists pointed fingers at intensification and enlargement of the EU changed the perspective of the problem.

Surpluses

The success of the policy implemented resulted in the gradual saturation of the European markets. Large stocks of grain, sugar and powdered milk accumulated. People referred to the 'butter mountain' and the 'wine lake'.

Budgetary cost and inequalities

To address the surpluses, increasing use was made of intervention (storage, distillation) and subsidised export aid, resulting in an increasing budgetary cost that certain new members of the European community not longer wished to cover (the United Kingdom). The support budget increased threefold from 1979 to 1991 (Bureau J.-C., 2007).

This high cost was accompanied by criticism of the unequal distribution of beneficiaries. Indeed, the price support mechanism mainly favoured the largest, most productive farmers.

Furthermore, only a few staples were subsidised. Mediterranean crops were at the least at a distinct disadvantage (Tracy M., 1997; Montaigne E., 1997).

Criticisms of the GATT and the WTO

Criticisms of the GATT, subsequently to become the WTO (World Trade Organization), were supported by two categories of stakeholder: developing countries on the one hand and exporters in temperate zones (Brazil, Argentina, Australia, New-Zealand, South Africa) on the other.

They mainly concerned the question of European export subsidies and inadequate access to the European markets (Kroll Jean-Christophe, 1987; Lacombe Philippe, 2002). In fact their effect on the decrease of world prices (dumping effect) was raised. In return, the developing countries wanted access for their goods to the European market in return for opening their domestic markets to European goods and services.

Agri-food industries also criticised this system for its unsuitability to respond to demand for differentiated products.

The excesses of intensification

The excesses of agricultural intensification were also criticised. First, environmentalists denounced pollution by agriculture. Intensive agriculture became the main factor in the pollution of ground water and watercourses by nitrates and pesticides. The emblematic situation of Brittany with its high concentration of pig farms and the abusive spreading of slurry led to the first refusals to pay water bills for reasons of non-respect of public health standards. Mention was also made of the desertification of areas, rural exodus and loss of biodiversity.

Sanitary problems continued to erode the confidence of consumers or citizens in their agriculture: the BSV crisis, foot and mouth disease and chickens containing dioxin led many consumers to support organic farming.

Finally, intensification failed in the management of animal and human health and in the quality of foodstuffs.

Enlargement

Although the European Union's political undertaking to grow by gradually integrating new countries displayed undoubted geopolitical coherence, it put those responsible for budgets face to face with challenges that European citizens were not ready to accept. The EU

increased steadily from 6 members to 9 and then 15, 25 and 27—with the integration in the last stages of the countries of Eastern Europe and then Central and Eastern Europe. Some of these countries (Poland, Romania) still had a substantial rural population on very small holdings of about 1 hectare (*minifundia*). These coexisted with large estates derived from sovkhoses, kolkhozes, IACE and these *minifundia*. It became clear that it would be impossible to award the same financial support as that received by the first European farmers. The implementation of economic transition with land redistribution, the privatisation of businesses and the global economic collapse generated work on a hitherto unseen scale (Mahé Louis-Pascal, Orlato-Magné François, 2001).

4.3.2. CAP 2: complex reform

The common agricultural policy has managed a continuous reform process since 1992. It is therefore possible to see the cumulated effects of the various reforms over a long period. Discussion of the issues and prospects of the CAP are still on the agenda today.

4.3.2.1 The MacSharry reform

The first noteworthy reform was the 'MacSharry reform' of 1992. The aims were to improve the competitiveness of European agriculture, stabilise the markets and income and expenditure as well, to diversify production and protect the environment.

The measures taken involved a reduction of prices, obligatory fallows, total compensation for loss of revenue and accompanying measures such as agri-environmental programmes, reforestation, early retirement and diversification.

The main objectives were to reduce surplus production, limit expenditure, maintain the rural populations and to allow for demands of society such as sanitary safety, the environment and animal well-being.

4.3.2.2 Agenda 2000

The second reform was that of 'Agenda 2000'. The objectives were still those of improving competitiveness but this was completed by a rural development policy (modulation) and preparations for enlargement.

The measures taken consisted of an accentuation of prices decreases (a 20% decrease for beef and 15% for cereals), the setting up of partial compensation for loss of income, a detailed research and development policy and a ceiling for expenditure on agriculture. It also set up modulation in a variable manner according to the country, modulation being the gradual switching of part of expenditure on market support to a rural development policy.

The impact of this reform was fairly small in terms of income and the refocusing of activity, but farmers became aware of the shifting of part of their incomes to agri-environmental programmes at the expense of the market for produce.

4.3.2.3 The 2003 reform

The third reform was in 2003, but this was followed by sectoral reforms from 2004 to 2008. The aims were to consolidate the CAP within the framework of strict financial limits, achieve better balance for support, strengthen environmental standards, food safety and animal well-being, improve the transfer and efficiency of direct payments and finally strengthen the orientation towards the market and the entrepreneurial function of farmers.

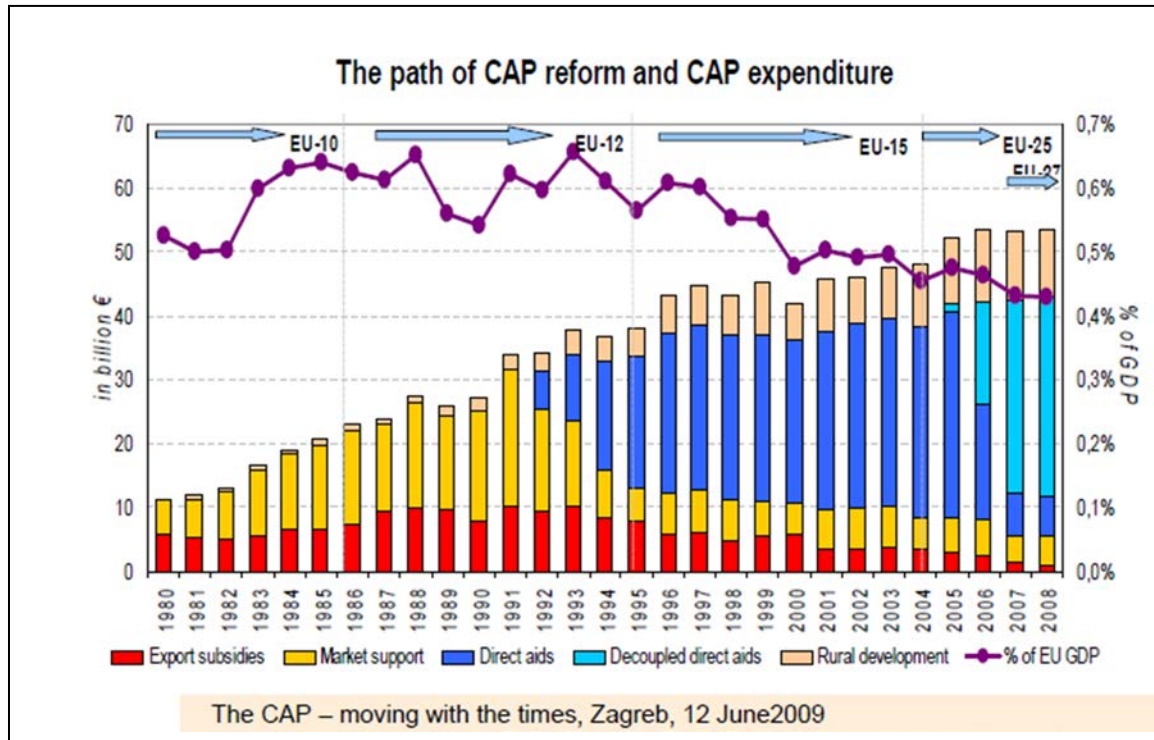
The measures taken thus concerned the adjustment of intervention levels, the decoupling of direct payments, environmental conditionality, strengthening of the second pillar, degression and modulation.

Similar reforms of the CMO for cotton, hops, tobacco and olive oil followed in 2004 and for sugar in 2005, with a 36% decrease in the price of white sugar in four years and partial compensation by direct decoupled payments.

In 2007 it was the turn of fruit and vegetables to join the single payment entitlement system with, in addition, a broadened range of tools for crisis management available for producers' organisations, such as the promotion of consumption. The reform of CMO wine was decided in the same year, with a gradual reduction of costly market intervention measures (distillation) and a shifting of the budget towards more effective measures for improving the competitiveness of European wines.

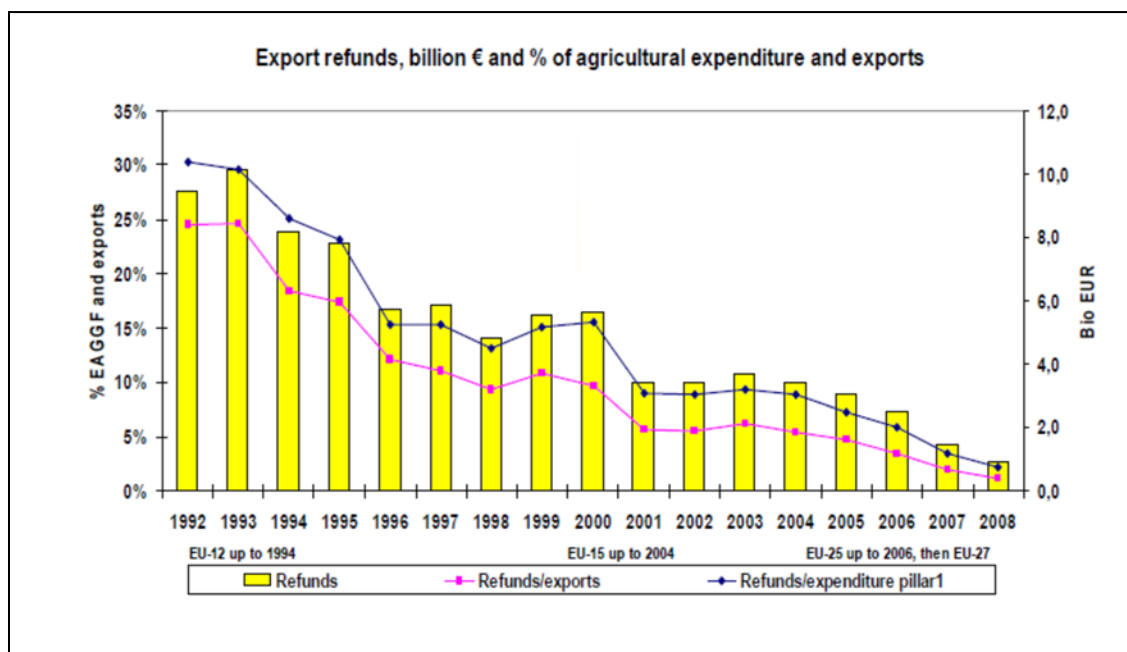
Finally, these reforms continued the orientations addressed gradually since 1992, that is to say competitiveness on the world market but with increasing respect for sanitary safety standards, the environment and animal well-being within the framework for sustainable development dynamics. Although these reforms continue the policy of support for agriculture,

they do this with respect for the expectations of consumers and taxpayers while reducing distortion caused by competition.



Source : Source: Schiessel Werner, 2009

This has given results. Today, 80% of expenditure is paid directly to farmers, distortion caused by competition has been almost totally eliminated (see graphs), farmers grow crops in response to market incitation and no longer in response to support; they receive sanctions if they do not respect standards and the second pillar is being strengthened to the benefit of rural zones.



4.3.2.4 The state of the CAP in 2008 and prospects

The CAP bill of health drawn up in 2008 does not finally change the main trends. After testing and setting up the mechanisms, the CAP is continuing its reform process by becoming more simple, by improving its objective of the generalisation of direct payments, further increasing its orientation towards the market, that is to say its liberal options, while strengthening rural development (European Commission, 2007).

A look at the CAP after 2013 leaves the traces of the food crisis and the major global questions. This is why although it is agreed that orientation towards the market should be as complete as possible, the question of a safety net for farmers is raised once again: market instability has become a major preoccupation for the Commission. With globalised competitiveness, investment must be strengthened and hence aided so that modernisation can continue. Obviously the supplying of public goods—environment and landscapes—has not been forgotten and global warming also concerns agriculture, with the production or recycling (CO₂) of greenhouse gases (methane), biofuels and pollution (nitrates and pesticides).

As regards the improvement of direct payments, is payment per hectare efficient and effective? Should distribution among member states be re-examined? Should the provisions of Article 68 be maintained? What rural development policy should be set up? What arguments should be used to main a rural development policy within the CAP?

First project in mid-2010 and financial proposals in mid-2011.

4.3.2.5 Conclusion

After the setting up of an effective policy for increased supply with a bearable social cost, the first stages of CAP 2 sought solutions to the question of surpluses to gradually achieve a 'WTO-compatible' CAP that stabilises agricultural expenditure and liberalises markets while continuing a permanent effort to be competitive and introducing the remuneration of functions of production of public goods thanks to direct aid and decoupling, thus recognising the multifunctionality of agricultural activities.

In fact, two models of agriculture are supported: large, high-performance competitive farms fighting with world prices and on the other hand smaller holdings in zones with great natural value: 'landscape wardens' and 'gardeners of nature'. Finally, rural development was added

to agricultural support to respond to the objectives of the maintenance of nature and maintaining a population in order to prevent rural desertification.

CAP 2 merits discussion as it might be trompe l'œil liberalisation, a social accompaniment of market liberalisation or a true transformation of farming systems tending towards multifunctionality.

Finally, why is this policy not reproducible south of the Mediterranean? There are three main reasons:

- First of all protecting and supporting by closing frontiers is no longer possible.
- Neither Europe, the international community or the countries themselves can generate such a large budget over so long a period, even if opening to the East does not receive the same sums.
- The virtuous circle is not applicable as such: lack of means, increasing rural population, inadequate creation of non-agricultural jobs to support rural exodus, inadequate natural resources in the form of fertile land and water.

5. The European Neighbourhood Policy

The EU's European Neighbourhood Policy (ENP) has completed the Euro-Mediterranean partnership since 2004. It is focused on a varied set of countries that will not become EU members (the newly independent states that were formerly part of the Soviet Union and Mediterranean partner countries that are members of the Barcelona process²⁸). The aim is that of reducing the risks of marginalisation for neighbouring countries that did not participate in the historic 2004 enlargement. Although it is a single policy encompassing numerous very varied countries, relations between these and the EU are essentially established on a bilateral basis, with a differentiated approach by country according to the political situation of each one, the level of its ambitions with regard to the EU, its reform calendar and achievements and its level of socioeconomic development²⁹.

It aims at going beyond trade liberalisation (tariff dismantling) with the proposing of deeper integration between the EU and its neighbours, without a prospect of membership. More

²⁸ Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Morocco, Moldova, Syria, Occupied Palestinian Territory, Tunisia and Ukraine. The ENP was initially aimed only at the Eastern countries and Mediterranean countries were included at the request of France at the Copenhagen European Council in December 2002. Among the Mediterranean countries addressed by the ENP, Algeria has not stated any interest. Libya and Syria have still not undertaken a formal negotiation process.

²⁹ Communication from the Commission: 'A Strong European Neighbourhood Policy', COM (2007) 774 final.

specifically, it should provide the prospect of participation in the domestic market and continued integration and liberalisation in order to promote the free movement of persons, goods and services and capital³⁰. As Romano Prodi said, it offers a status that is 'everything except institutions' in return for the implementation of political and institutional reforms by the countries concerned.

5.1. The main instruments

The implementation of the ENP is based on a central instrument, the action plan negotiated jointly by the EC and each partner country. Drawn up on the basis of the major strategic orientations defined in strategy documents by country, the action plan defines on the one hand a calendar of political and economic reforms and on the other short and medium-term actions (3-5 years) and the funding mode (community aid, loans, joint financing arrangements). These actions concern the following areas in particular: discussion and political reform, cooperation and socioeconomic development, trade, reforms of the market and regulations, cooperation in justice and domestic politics, sectors such as transport, energy, the information society, the environment, research and development and also the human dimension: civil society, education and public health. Priorities are also defined in conformity with national policies and strategies in order to create synergy between the provisions of the ENP and the objectives of domestic reforms, with the principle being the coherence of policies at the service of development.

The European Neighbourhood Policy Instrument (ENPI), a new financing instrument for this neighbourhood approach, was created and has replaced TACIS and MEDA funds since 2007. In principle, the main new features are the improvement of the procedures and funding of actions on the basis of targeted programmes addressing complementary aspects of trade liberalisation (harmonisation of regulations and reform of institutions). If they are really used, these programmes can lead to particularly important actions for the development of the countries concerned. The approximation of legislation covering standards, technical regulations and evaluation of conformity is a major objective of the ENP³¹.

The ENP approach is based on two fundamental principles: differentiation and conditionality. The first concerns each country and addresses the priorities of the action plans, its economic

³⁰ European Commission, Communication from the Commission to the Council and the European Parliament: 'Wider Europe — Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours'. COM(2003) 104 Final

³¹ Communication from the European Commission to the Council and the European Parliament on strengthening the European neighbourhood policy, Sectoral Progress Report COM(2006) 726 final http://ec.europa.eu/world/enp/pdf/sec06_1512-2_en.pdf

and political situation, the progress of liberalisation negotiations and the state of progress of domestic reforms. The second principle is aimed at proposing returns according to the progress of the reforms and the respect of common values (democracy, the principle of the rule of law and human rights). Financial support, technical assistance and participation in community programmes are set out as the main returns that the countries can benefit from. This 'integration model' borrows heavily from the instruments used for new EU members, in particular as regards the convergence of regulations, with the help of the TAIEX (Technical Assistance and Information Exchange Instrument) and twinning. Action plans are subjected to annual appraisal in the form of country reports, a communication from the EC and a sectoral monitoring report. This approach can be summarised by the 'more for more' principle according to which the country that makes substantial progress in reforms can benefit from more substantial support.

Although these principles may seem to be effective incentive mechanisms, they do have risks for the coherence and credibility of the ENP as a whole and for regional synergies. The risk is increased by the positions of the member states who have often engaged bilateral relations with the MPCs as part of their own foreign policies. In addition, the MPCs fear that the ENP involves a dilution of the Euro-Mediterranean approach in a policy that is aimed at a larger set of countries with very different interests as regards firm anchorage to the EU.

5.2. The ongoing revision of the European Neighbourhood Policy

In 2005, the EU undertook a deepening of its relations with a number of MPCs, in particular by awarding them 'advanced status'³². This notion that is part of the association agreements involves the strengthening of political cooperation and new prospects of economic and trade relations, gradual participation in the EU domestic market via the convergence of regulations and the strengthening of cooperation with certain European programmes and agencies.

In 2011, following recent and ongoing political events in the MPCs, the EC decided to accelerate the redefinition of its relations, in particular on the basis of 'advanced status'. **This renovation of the ENP was the subject of a first communication from the EC on 8 March 2011 entitled 'A partnership for democracy and shared prosperity with the**

³² Advanced status is awarded by the EC to the MPCs that make significant progress in the implementation of reforms; it was awarded to Morocco in 2008 and Jordan in 2010.

southern Mediterranean³³ and a second dated 25 May 2011: 'A new and ambitious European Neighbourhood Policy'.

In these two communications, the EC observed that EU support for the political reforms undertaken in the MPCs had given only limited results and that ' We believe that now is the time for a qualitative step forward in the relations between the EU and its Southern neighbours' and described the first features of a new partnership with the MPCs to support the political transition. The main lines of these new relations consist of revising and adapting the European neighbourhood policy, moving towards an advanced status in association agreements, strengthening political discussion and strengthening support for civil society. The EC also described the three main lines along which the EU intends to deepen its relations with its Mediterranean partners:

- democratic change and the strengthening of institutions, with stress being laid in particular on fundamental liberties, constitutional reform, reform of the legal system and the fight against corruption;
- strengthened partnership with populations, with emphasis above all on support for civil society and increasing the scope for inter-person discussion and relations, especially among young people;
- sustainable, all-encompassing growth and economic development, thanks in particular to support for small and medium-sized enterprises, professional and scholastic training, the improvement of health and teaching systems and the development of little-favoured regions.

The EC could support rural development by presenting a new initiative: a European Neighbourhood Programme for agricultural and rural development designed jointly with the FAO, the World Bank and possibly the European Investment Bank (EIB). This programme would be hinged on support measures for investment and for the strengthening of administrative capacity so as to facilitate the modernisation of agricultural production and the application of the quality and safety standards in force in the EU.

This new approach is aimed at responding to immediate, urgent needs and also to requirements in the medium and more long term. Today, with a view to containing present instability, the aim is to create jobs, especially for young people, to stimulate growth and to

³³ Joint communication, Brussels, 8.3.2011, COM(2011) 200 final
http://ec.europa.eu/europeaid/where/neighbourhood/documents/communication_conjointe_mars_2011_en.pdf

revitalise sectors hit by the recent crises (such as tourism). Proposals were made in the communication of 25 April 2011. The aim in the economic field, is that of continuing to support sustainable economic and social development. The actions defined concern the trade aspect and sectoral cooperation. The following main actions are proposed:

- encourage direct investments made by small and medium-sized EU businesses;
- launch pilot programmes aimed at supporting agricultural and rural development in order to fight poverty and high unemployment;
- strengthen discussions concerning social policies and employment;
- negotiate the establishment of complete, in-depth free trade zones;
- continue to develop trade concessions, in particular in the sectors most likely to generate immediate stimulation of MPC economies;
- strengthen sectoral cooperation with particular emphasis on knowledge and innovation, climate change and the environment, energy, transport and technology;
- enter discussion on migration, mobility and security with Tunisia, Morocco and Egypt (the first step towards partnership for mobility);
- align the Union for the Mediterranean on concrete projects of clear interest for the populations of the Mediterranean region;
- enhance subregional cooperation.

The European Commission considers that the prospect of the implementation of a complete, in-depth free trade zone is the most important instrument for strengthening trade links. It plans not only the progressive dismantling of tariffs but also the convergence of regulations in fields that have an effect on trade, and in particular sanitary and phytosanitary rules, procedures at frontiers together with competition and public contracts. For the most advanced partners with strong institutional capacities, a complete in-depth free trade zone can lead to progressive economic integration in the EU domestic market. For countries that are not ready or that do not wish to engage negotiations concerning a complete in-depth free trade zone, the EC proposed actions on a more short-term basis such as the broadening of the trade concessions in existing agreements or in ongoing negotiations, especially in the sectors likely to have an immediate effect on the economies of these partners.

As regards the method, the EU will continue its differentiated approach according to the country and will strengthen the principle of the conditionality of financial aid.

The differentiated approach means that the partnership will evolve according to the needs of each country, its capacities and the reform objectives that it has set for itself. It is possible that some partners wish to go further in their integration efforts and this would assume a higher level of alignment with EU rules and policies, gradually opening the way to economic integration in the EU domestic market.

This differentiation principle is justified above all by the fact that the MPCs are not all at the same stage in their relations with the EU. Some countries (Tunisia, Morocco, Egypt and Jordan) are at a comparatively advanced stage, especially in liberalisation negotiations, whereas this is far from being the case for others (Syria, Algeria and Libya). The EU has entered into free trade agreements with all the countries in the region with the exception of Syria and Libya.

The countries going farthest and fastest in their reforms can benefit from greater support from the EU but with stricter application of the conditionality principle than in the past. The EC thus emphasises that aid can be renegotiated when countries do not follow the calendar for the implementation of reforms or if they reduce the scope of the latter. They will also depend on the progress made as regards the establishment and consolidation of democracy and respect of the rule of law.

Given the political and socioeconomic challenges that must be faced by the MPCs, financial aid from the EC could be increased, in the same way that massive financial support was awarded to the Eastern countries; this would respond to a recurrent request from the MPCs. Nevertheless, this significant increase in funds will be examined case by case in conformity with the principles of differentiation and conditionality. The following are planned in particular:

- taking into account the results achieved by the partners in comparison with their reform objectives during the period 2010-2012 (on the basis of annual monitoring reports) to determine the financial allocations by country for 2014 and beyond. The EU will re-examine and possibly reduce the amount of aid allocated to countries in which there have been no reforms;
- broadening the scope for loans from the EIB and the EBRD, in particular by extending the mandate of the latter to certain southern partners;
- setting up a European Fund for Democracy;
- setting up a support facility for civil society in order to strengthen the role of non-state stakeholders;
- promoting more flexible and simple procedures for awarding aid within the framework of the instrument that will replace the present ENPI after 2013;

- intensifying efforts on coordination between the EU, its member states and the international financial institutions and important bilateral donors;
- negotiating action plans with a limited number of short and medium-term priorities accompanied by more accurate indicators of progress and a clearer calendar of actions. The EU will adapt the priorities of its financial aid in the light of this.

5.3. Some features of the review of financial cooperation

The two main instruments developed by the EU for financing the development of partner countries are the MEDA I and MEDA II programmes and, since 2007, the European Neighbourhood and Partnership Instrument (ENPI).

Examination of the various action plans set up for three years (2007-2010) and the National Indicative Programme for 2011-2013, it is generally seen that commitment of aid is greater than the real financing of reforms defined for each country. However, this difference between the commitment of financial aid and effective payment remains very variable from one country to another. The budgets are distributed according to the priority axes defined jointly by the EU and each action plan partner country.

The tables below show the funding effectively remitted for the MEDA I and MEDA II programmes and within the framework of the ENPI for the periods 2007-2010 and 2011-2013.

Table 7. Financing of the MEDA I and MEDA II in millions of euros for the period 1995-2006.

Countries concerned by the association agreement	MEDA financing			
	MEDA I (1995-1999)	% per country	MEDA II (2000-2006)	% per country
Algeria	30	1%	114	4%
Egypt	406*	20%	594	21%
Israel	0 **	0%	0**	0%
Jordan	254	12%	309	11%
Lebanon	182	9%	235	8%
Morocco	660	32%	812	29%
Syria	97	5%	189	7%
Tunisia	428	21%	520	19%
Total MPC	2057	100%	2773	100%

Source: report on the activity of the EU in the European Neighbourhood Policy and action plans by country

* Including the funding for theme programmes that are not part of MEDA, for example the initiative for democracy and human rights.

** Israel has not received financial aid from the EU within the frameworks of the two MEDA programmes because of its high level of economic development. Israel has received and continues to receive substantial bilateral assistance from the United States

*** As medium term programmes are not possible within the political context of the Palestinian authority, no strategy document or indicative programme has been adopted within the framework of the Euro-Mediterranean Agreement.

Table 8. Financing of the ENPI I and ENPI II programmes in millions of euros for the period 2007-2013.

Countries concerned by the ENP	ENPI financing			
	2007-2010	%	2011-2013	%
Algeria	220	9%	172	9%
Egypt	558	24%	449	23%
Israel	8	0%	6	0%
Jordan	265	11%	223	11%
Lebanon	187	8%	150	8%
Morocco	654	28%	580	30%
Syria	130	6%	129	7%
Tunisia	300	13%	240	12%
Total MPC	2322	100%	1949	100%
Total Σ of partner countries	4116		4480	

Source: report on the activity of the EU in the European Neighbourhood Policy and action plans by country

N.B : As medium term programmes are not possible within the political context of the Palestinian authority, no strategy document or indicative programme has been adopted within the framework of the Euro-Mediterranean Agreement.

The MPCs represent more than 55% of total ENP financing during the period 2007-2010 and slightly less than 45% for the period 2011-2013. Egypt, Morocco and Tunisia are the largest beneficiaries with 65% of the total financial appropriation devoted to the MPCs. The budgets

allocated to these three countries are strongly influenced by the progress of previous MEDA I and MEDA II projects, the progress of trade negotiations, absorption capacity and the awarding of advanced status (Morocco and Jordan). Morocco has best achieved the objective expected by donors within the framework of the MEDA programme and has had 'advanced status' since 2008 is the leading beneficiary among the MPCs.

ENP objectives via its financing instrument are following the same main lines in all the Mediterranean countries. These are strategic priority axes: good governance and human rights, economic modernisation and social development, institutional support and protection of the environment. Some fields are covered more deeply in certain countries. Mention can be made for example of the rural and social development in Morocco, political reforms and governance in Egypt and the development of trade integration in the European market for Syria and Jordan.

However, social development and the fight against poverty remain the key axes of the EU development strategy as regards the MPCs. The development of rural zones, health and education receive special attention in order to reduce poverty and regional disparities. As an example, social programmes respond to an enormous lack, mainly in the following areas:

- access to education: the programmes are focused on reducing illiteracy, especially among rural populations and among women;
- access to employment by improving formal labour conditions and fighting informal work and especially child labour;
- access to health care is also a central issue of the social package, with development projects aimed mainly at reducing inequality in health care.

Institutional support and democratic reforms are also highlighted insofar as they contribute to ensuring an institutional framework that is favourable for the implementation of the various development programmes. Indeed, the EU considers that the reforms in these areas are strategic.

In addition to these priorities that are common to all the countries, differences are seen that result from national development strategies.

To give a few examples, Tunisia has emphasised support for the employment sector, improvement of the competitiveness of enterprises, sustainable development and protection of the environment. The following objectives for the agricultural sector are set out in the NIP for 2011-2013: improvement of the competitiveness of farms, allowing for the protection of

natural resources, promotion of the quality of agricultural produce/products for the domestic and international markets, the setting up of traceability systems and conformity with sanitary and phytosanitary standards.

In Morocco, whose action plan priorities were completed by an 'advanced-status roadmap' in 2008, questions of social development and the fight against poverty form a central area for cooperation with the EU. During the period 2007-2010, nearly 45% of ENP financing was allocated to 'social and human development'. In this field and in spite of the progress made within the framework of important reforms such as the INDH (Initiative Nationale de Développement Humain – National Human Development Initiative), Morocco still has structural problems that include illiteracy, poverty and access to health care. Poverty is seen particularly in rural areas where the rate was 14.5% in 2007 (in comparison with 4.8% in towns). Within the framework NIP 2011-2013, the EU plans the launching of an integrated development programme (training, sustainable improvement of incomes, conservation of natural resources) in the northern parts of Morocco that are among the most marginalised zones in the country.

In farming, the EU is supporting reform of the agricultural sector (Morocco Green Plan) adopted by the country in 2008 and aimed at the modernisation of the agricultural sector as a driving force for economic growth. It is based on two parts: first, the development of high value-added, productivist agriculture and secondly accompaniment of small farming to fight poverty in rural areas. It also includes transverse policies (landholding, water management and the reform of institutions). This long retarded reform is considered to be essential as regards the prospect of the liberalisation of agricultural trade with the EU. The EU gives priority support to the sector concerned by agriculture solidaire (solidarity agriculture), that is to say agriculture that is potentially the most vulnerable in the face of liberalisation, with a programme with a 70 million euro budget and plans to continue this effort in the programming for 2011-2013. The aims are: better access to markets (domestic and international) for small farmers, the setting up of support measures for protecting natural resources and adaptation to the impacts induced by external factors (climate change, fluctuations in international prices).

The main actions are: strengthening international capacities, support for partnership between Moroccan and European professional organisations, sector organisation and convergence with the EU of regulations in sanitary and phytosanitary standards.

For Egypt, development priorities are much the same but with a strengthening of reforms aimed at promoting democracy and human rights, the mode of governance and reform of the

legal system. These areas of cooperation are distinctly more important than for the other MPCs. The management of natural resources will also receive financial support during the period 2011-2013. This programme is aimed firstly at making the public authorities aware of environmental problems with the aim of the gradual inclusion of an environmental dimension in national development policies.

In addition to the social and economic part, Syria benefits from aid for the monitoring and accompaniment of political and administrative reforms to support the implementation of an association agreement with the EU. In Jordan, the action plan also includes programmes aimed at regulating financial markets with institutional support for the management of financial activities. Jordan also emphasises the favouring and strengthening of cooperation in education and training.

In conclusion, the ongoing revision of the ENPI may form true progress in Euro-Mediterranean relations as it aims at going beyond an economic approach based on trade liberalisation. Indeed, it aims at strengthening the gradual convergence in standards of the MPCs towards community acquis in order to eliminate obstacles to trade other than tariff questions. This objective is set as a condition for faster integration in the EU. Two instruments will be mobilised in the future: advanced status and the negotiation of complete, in-depth free trade agreements. In this new framework, most of the MPCs that do not seem to have alternatives at the moment are ready to various degrees to undertake standards convergence that should in time lead to true economic convergence. The MPCs that have a strong ambition for integration in the EU request in return considerable efforts to go further in relations with the EU. Indeed, beyond the question of the scale of financial undertakings within the framework of the ENPI with regard to the scale of domestic reform objectives, we note the emergence of demand from certain countries like Morocco for partial, gradual integration in EU policies in particular in a politically sensitive field, that is to say the CAP. We consider that the response to this type of demand will partially govern the success and full support of the MPCs for the integration model proposed by the EU and hence the rapid implementation of reforms.

6. Reform of the CAP and the potential impacts on the MPCs

6.1. Non-reproducibility of the enlargement relations in the East: the case of the CAP

An interesting idea seems to be circulating in certain circles preoccupied with the Mediterranean—that of applying the principles of the CAP to the Mediterranean rim. We think this seemingly attractive idea is not realistic for at least two reasons:

The first is that enlargement took place with a set of institutional constraints prior to integration and the second is that it was accompanied by the contribution of considerable funding (André René, 2006; European Commission, 2009 (1) et (2); Coturni Flavion, 2009):

- The membership criteria were defined in 1993 and concerned politics, the economy and community acquis. The first criterion concerned the existence of stable institutions that guaranteed democracy, the rule of law, human rights and the respect of minorities and their protection³⁴. The second, economic criterion required a viable market economy and capacity to face competition within the European Union. The criterion of community acquis³⁵ was the most difficult to achieve as it consisted of opting for the objectives of political, economic and monetary union. The membership of certain countries was postponed because of insufficient progress towards these acquis.

Preparation for membership by these countries was conducted within the framework of association agreements that addressed the political and economic relations of the candidate countries with the European Union. These agreements aimed at creating a free trade zone and were used to help the candidate countries to establish their national programmes for incorporating *acquis communautaire* into national law and to integrate community legal rules before they joined. A very long time could be necessary (14 years from 1993 to 2007 for Bulgaria, 32 years from 1972 to 2004 for Cyprus). Time therefore seems to be an essential factor in implementation dynamics.

³⁴ This criterion excluded Slovakia in the first wave for reasons of lack of democracy and of respect for minorities.

³⁵ The *acquis communautaire* includes community law and all the acts adopted within the framework of the 2nd and 3rd pillars. The EU set itself the target of maintaining and developing this *acquis*.

To join the Union, candidate countries must incorporate it into national law and apply all these rights and obligations.

Community law is a set of rules of law applicable within the European Union; these rules apply to the European institutions, member states and also to European citizens with the fields of competence of the EU.

The rules of law are aimed at setting up community legal order to make it possible to attain EU objectives.

The three pillars are: (1) the common market together with foreign trade policy and right of asylum, (2) legal police and penal cooperation, and (3) foreign policy and joint security

Of course the European Neighbourhood Policy described above is a similar approach. However, the absence of a prospect—even distant—of possible 'European integration' deeply changes the influence of this policy on evolutions of the 'acquis communautaires' type that are expected. One can even wonder about 'the distance to be travelled'. The recent events of the Arab Spring will probably be of much greater importance because of the new internal dynamics that has been created.

The policy has been accompanied by substantial resources that can be analysed in two periods: pre-joining policy and post-joining funds. Thus the funding for the PHARE programme for the period 1990-2008 totalled 21.4 billion euros of commitments and 16.4 billion euros of payments³⁶. The total amount of public funds remitted to declared final beneficiaries in all the SAPARD programmes at the end of 2008 was 3.4 billion euros, of which 2.6 billion was drawn from community funds. The Pre-Accession Instrument (IPA), new financial mechanism for the period 2007-2013 was adopted on 17 July 2006 with an allocation of 11.565 billion euros. We do not see how these two types of political and budgetary constraints would be applied to the SEM countries.

6.2. Heterogeneity of the region and of economic relations

The overall vision of the SEM countries considered as homogeneous and waiting mainly for just the opening of the European market is a subject of discussion from both the geopolitical and economic viewpoints. Europe is no longer the sole negotiating partner in a politically fragmented region.

From the geopolitical point of view, Jean-Sylvestre Montgrenier (2010) rightly emphasised that in contrast with the usual affirmations, the SEM countries form part of different or even conflicting geopolitics: 'In extended order, the Maghreb states look mainly towards Europe (the Arab Maghreb Union is not operational). The key country in the UfM, Egypt is focused on the Nile and the Arab Peninsula. In the Levant, the destinies of Lebanon and Syria are closely linked with those of Iran, a troublemaking country allied with Syria, the Hezbollah and the Hamas and the Gulf (see the role of Saudi Arabia and Qatar in Lebanese affairs). Finally, Turkey is a very special case. A member of NATO and a candidate for joining the EU, it is involved in the difficult reorientation of its diplomacy with regard to the Middle East and southern Eurasia (Caucasia and Central Asia). Shown off in a spectacular manner, this multi-vectorial diplomacy comes up in particular against the question of the Kurds. Decidedly, the Israeli-Arab conflict is not the only obstacle to the creation of a hypothetical Euro-Mediterranean community.'

³⁶ COM(2009) 700 final, p. 118-119

A host of relations and alliance—especially South-South—have developed with globalisation and have not resulted in the strengthening of multilateralism and global governance (Abis Sébastien, 2010). Numerous powers have penetrated the area at both the trade and political levels. Mention can be made of Russia, the United States, China and Brazil. Today, the latter country sells as much food in the Arab world as in China. Likewise, Morocco has strengthened its relations with both the European Union through the awarding of advanced status and with the United States and a free trade agreement, not forgetting South America and sub-Saharan Africa.

Euro-Mediterranean cooperation thus depends on this context. One can even see in the neighbourhood policy a certain determination to recover a leading role in economic relations in the region.

6.3. Criticisms of the CAP

Attentive re-reading of the work and discussions concerning the coming CAP reforms (Bureau J.-C. et al., 2007; European Commission 2010; De Castro Paolo, 2010), shows that the question of Euro-Mediterranean cooperation is not there and that agricultural policy is totally 'Euro-centred'.

The criticisms made by developing countries would seem to have been settled once and for all within the framework of the WTO with the gradual elimination of market intervention and the system of 'locks' at frontiers. Direct aid is in the blue box (Lines Thomas, 2009).

In fact, direct aid is still considered by some to be a form of subsidy and hence competitive distortion on international markets. Furthermore, southern Europe (South of France, Italy, Spain, Greece and Portugal) is also Mediterranean and aims to protect—more or less—the farmers with the same produce/products: olive oil, citrus fruits, fruit and vegetables.

The SEM countries benefit from world market prices for imported products for which there is a shortage such as cereals, sugar, oil and powdered milk, but they are also increasingly exposed to the instability of these markets (Galtier Franck, 2009). The various domestic protections seem completely realistic here.

Finally, we can therefore come full circle and return to bilateral and produce/product by produce/product agreements that form the scope for increased trade, progress in the specialisation of cultivated areas and in foreign currency earnings. But we have also seen that the countries concerned have serious handicaps in comparison with the main European

agricultures, in particular as regards water resources, soil erosion and technological levels (Bessaoud Omar, Montaigne Etienne, 2009).

7. Conclusion

The European Union is still the main trading partner of most Mediterranean Partner Countries (MPCs) and especially the Maghreb countries. Euro-Mediterranean relations are within the framework of the Barcelona process initiated by the EU in 1995. Although the vocation of this policy is regional, the bilateral association agreements signed between the EU and each MPC form the core instrument of relations between the EU and MPCs. The dominant approach in the economic part of these agreements is greater freedom of trade to achieve a Euro-Mediterranean free trade zone initially planned for 2010. This goal orients the EU's Mediterranean policy to a considerable degree.

After the disappointing results of 10 years of implementation of the Euro-Mediterranean partnership, the European Commission decided to accelerate the liberalisation process by adopting the 'Rabat Roadmap' for Euro-Mediterranean agricultural liberalisation. Four agreements were signed on the basis of this, with Jordan (2005), Egypt and Israel (2008) Morocco (2009 – agreement not ratified). It can be seen that Euro-Mediterranean discussions of agriculture are focused excessively on trade. Studies have shown that fields other than the liberalisation of trade, such as the process of the development of quality standards and private and public sanitary standards, the internal dynamics of agricultural production and the prospect—even remote—of Turkey joining the EU probably weigh more heavily on the evolution of trade and agriculture in the region.

The European Neighbourhood Policy (ENP) has completed the Euro-Mediterranean policy since 2004. The ENP aims at going beyond the liberalisation process (removal of tariff barriers) to support domestic political and economic reforms in MPCs with the aim of achieving greater openness of their markets.

The ENP is being revised after the events of the 'Arab Spring'. In its communication of 25 May 2011 entitled 'A New Response to a Changing Neighbourhood', the European Commission laid the foundation for a redefinition of its policy with regard to the MPCs to respond to their immediate needs and to more long term economic and political challenges.

The new approach of the EU emphasises democracy, the principle of the rule of law, good governance and sustainable development. Democratic governance is recognised as a factor

in growth and economic integration (the convergence of the economies of the MPCs with that of the EU). This new approach highlights three areas:

- **the need for economic development that responds to the expectations of the majority of the population** and no longer to the economic interests of a minority (elites close to the centre of political power);
- **improving the real functioning of institutions** in order to ensure the fair sharing of wealth and a reduction of socioeconomic inequality. The better functioning of institutions should also make EU funding policies more effective;
- **increasing participation of civil society** alongside political decision makers in the choice of policy objectives and the implementation of decisions in order to respond to the needs and expectations of the majority of the population.

The European Commission has also decided **to increase financial transfers**. Thus in September 2011, it decided on new measures to accompany twinned political transition/economic transition in North Africa and the Middle East (the SPRING programme (Support for Partnership, Reform and Inclusive Growth) with a budget of €350 millions for 2011 and 2012, the Erasmus Mundus programme with €66 million and the Neighbourhood Civil Society Facility with €22 million for non-state actors).

This new approach in the ENP is based on the strengthening of two principles; on the one hand that of differentiation and on the other the conditions for financial aid (on the 'more for more' principle) by achieving results in economic aspects, human development and democratic governance. The principle of differentiation consists of taking into account the variety of situations in the different MPCs (level of economic and social development, degree of integration in the EU, progress of domestic reforms, etc.) that has been accentuated by the recent political events.

With regard to the operational approach, the EU aims at deep integration with the MPCs by concentrating on two lines of approach:

Accelerating the signing of new Deep and Comprehensive Free Trade Area (DCFTA) agreements. For this, on 14 December 2011, the EU Council decided on³⁷ a rapid start of talks with Egypt, Jordan, Morocco and Tunisia. On this occasion, EU Trade Commissioner Karel De Gucht said "*We are offering Egypt, Jordan, Morocco and Tunisia progressive*

³⁷Council of the European Union, Press Release, 3136th Council Meeting - Foreign Affairs - Trade, , 18685/11 Provisional version, Geneva - 14 December 2011.
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/126937.pdf

economic integration into the EU single market and want to improve the conditions for market access to the EU for these four WTO members as they engage in a process of democratic and economic reform ... Our door is open for other Southern Mediterranean partners once the same conditions are met."

Unlike the present agreements currently in force, the field of DCFTA negotiations will be broadened. It will not cover just the removal of tariff barriers within the framework of trade but also other fields such as the facilitation of trade, technical obstacles to trade, competition policy, intellectual property rights (geographic indications for example), sanitary and phytosanitary standards, the protection of investments, public contracts, etc.

In a way, it is accepted that the association agreements as defined today have not triggered economic development dynamics as they are too limited to the question of the liberalisation of trade, especially as concerns agriculture. It thus seems that although trade liberalisation is an important aspect of Euro-Mediterranean relations, it is not enough to lead to economic development in MPCs and it must be accompanied by other negotiations.

The EU proposes to go further than DCFTAs for some countries, **by awarding 'advanced' status for deeper integration**. This involves establishing special relations that would be more than association but less than membership. Romano Prodi defined this as 'Everything except institutions'. Morocco, the first beneficiary of financial transfers within the framework of the ENP is the first country to have obtained this status, in 2008. Jordan has had the status since 2010. The EU's aim is to extend this integration model to all the MPCs. Tunisia should soon join the countries above.

Institutional convergence (harmonisation of standards and regulations, of legislation, law, etc.) with the adoption of Community *acquis* by the MPCs is a fundamental part of 'advanced' status. The aim is that the markets of the MPCs and the EU should gradually operate according to the same rules. This convergence would enhance homogeneous rules governing competition and remove technical barriers to trade. This convergence process can also be seen as a means for the organisation and modernisation of MPC domestic markets within the Euro-Mediterranean free trade zone.

This integration model is inspired to a great extent by the instruments (especially twinning programmes between public institutions) that were applied to Eastern European countries with the framework of the EU enlargement policy. However, these countries received funds that were not on the same scale as the financial support awarded to the MPCs.

Finally, the convergence process raises certain questions. What degree of convergence is requested and in what priority areas? What capacity do the countries possess to implement this convergence effectively? In other words, is this 'advanced status' model sufficient for the implementation of deep-seated reforms in the same way that the prospect of membership played a major role for the Eastern European countries?

Prospects and lines of action

The current economic and political context of most MPCs is a reminder of the existing divides within the Euro-Mediterranean zone and the fragile social and political balances that can call economic transition into question. This situation of urgency whose socioeconomic consequences are marked by strong uncertainty makes it essential to reach a decisive stage in cooperation with the MPCs which, as announced by the Commission, should be part of a more inclusive growth model, especially as regards the most vulnerable populations. Basically, it will take the form of a search for coherence between trade policy and development policies, while taking into account the common, complementary interests of the North and the South in the economic, human and cultural fields that have often remained on the sidelines to the benefit of questions of security.

We consider that the agricultural sector must be one of the priority areas for cooperation as it still plays a preponderant role in the socioeconomic balance of societies and territories in the MPCs (employment, rural poverty and rural exodus that accompany new forms of urban poverty, access to health care, the capacity to ensure food security, pressure on natural resources). We have identified two major lines of cooperation:

Strengthening cooperation in the research and higher education in agriculture to respond to the challenges of the management of natural resources (especially water), climate change and innovation. It is a question of placing human capital at the centre of a cooperation policy by using existing networks within the framework of international institutions (CIHEAM, FAO, etc.);

These actions must make it possible to respond to the continuous adaptation of production processes in particular to ensure food security for the population and to improve the competitiveness of agrifood sectors (for domestic and export markets).

But what should be the content of an ambitious cooperation project in agronomy? The starting-point must be of course an analysis of the present state of research and higher education in each country of the region to be sure that the actions undertaken properly match

the specific features of local situations. Weaknesses should be taken into account in particular. There is scope here for European institutions to innovate and to markedly improve the existing situation.

Help to set up rural development policies. This is an essential issue for economic and social development in all the MPCs. Support for rural development can be an important component in the redefining of the Euro-Mediterranean partnership. Indeed, there is a real opportunity for European countries to support a political determination—still variable according to the country—to fight rural poverty. This is a very strategic goal for both the southern countries where it is important to master the ongoing coastal and urban processes, with the degradation of the environment and increased unemployment and urban poverty that accompany them, and for the northern countries with the prospect of better control of immigration phenomena. The rural world in the countries in the southern and eastern Mediterranean is changing strongly and the rural population is continuing to increase.

What can European institutions contribute in particular? Paradoxically perhaps, their contribution can be considerable: in financial terms of course, in particular by a clear reorientation of financial support and the setting up of new funding instruments. The contribution of European experience in rural development may be even more important than the financial contribution. Its role can even be crucial in providing a pertinent reference in a field where there have been very many failures. European experience shows that small agricultural regions or terroirs should be favoured as a scale for rural development projects. At this level, projects should aim at mobilising all the stakeholders in the zone and use synergy between stakeholders and their know-how to contribute to the emergence of new economic activities that may go beyond farming: crafts, tourism and services that can diversify economic activities. Such diversification is essential in any true rural development process.

There are many areas in which the construction of the Euro-Mediterranean zone is possible and can bring tangible, significant progress in the achievement of one of the most ambitious goals of the Barcelona process: the establishment of an 'area of shared prosperity'.

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