development and agri-food policies in the Mediterranean region

Annual Report 2001

CIHEAM

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International Centre for Advanced Mediterranean Agronomic Studies

CIHEAM

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International Centre for Advanced Mediterranean Agronomic Studies

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Foreword

The globalisation which accompanies us as we move into the 21st century is generating far-reaching interaction between the areas, economies and societies of various countries of the Mediterranean region.

This year CIHEAM is publishing its fourth annual report entitled "*Development and agri-food policies in the Mediterranean region*". Part I of the present 2001 edition analyses the Mediterranean region in the multilateral agricultural negotiations. Mr. José Maria GARCÍA ALVAREZ-COQUE and Mr. Najib AKESBI have prepared this part.

Part II is devoted to the sector and country analyses of the CIHEAM member countries. Its constitutes a synthesis of the country reports provided by a cooperative network of correspondents. Mr. Slimane BEDRANI, Mr. Giulio MALORGIO and Mr. Gérard MICLET have prepared this synthesis. This network of correspondents is composed of Mr. Ibrahim ABDEL-AZIZ (Egypt), Mr. Najib AKESBI (Morocco), Mr. Slimane BEDRANI (Algeria), Mr. Adrian CIVICI (Albania), Mr. Luis Bruno DIMAS FERNANDES (Portugal), Mr. José Maria GARCÍA ALVAREZ-COQUE and Mr. Dionisio ORTIZ MIRANDA (Spain), Mr. Mouïn HAMZÉ and Mr. Abir Abul KHOUDOUD (Lebanon), Mr. Mustapha LASRAM and Mr Abdelhakim KHALDI (Tunisia), Mr. Giulio MALORGIO and Luca CAMANZI (Italy), Mr. Gérard MICLET (France), Mr. Demitris PSALTOPOULOS (Greece), and Ms. Berna TÜRKEKUL (Turkey).

Part III discusses the problem of employment and productivity in the Mediterranean agriculture. It has been prepared by Mr. Carlos San Juan MESONADA (Universidad Carlos III de Madrid Spain) for the chapter on Mediterranean trade and labour productivity and M. Lassad ALBOUCHI, Mahmoud ALLAYA, Michel LABONNE, Philippe LE GRUSSE and Rafik MAHJOUBI for the chapter on Comparison of Mediterranean agricultural systems productivities.

Part IV presents the main indicators of agricultural and agri-food development in the Mediterranean countries which are members of CIHEAM. This part has been prepared by the Mediterranean Agronomic Institute in Montpellier (France), and more specifically by Mr. Mahmoud ALLAYA.

The CIHEAM annual report is drawn up under the supervision of the CIHEAM Secretary General, Mr. Enzo CHIOCCIOLI. The editorial team of the 2001 edition, coordinated by Mr. Mahmoud ALLAYA, was composed of Mr. Najib AKESBI (Hassan II Institute of Agronomy and Veterinary Medicine,Rabat, Morocco), Mr. Mahmoud ALLAYA (Mediterranean Agronomic Institute in Montpellier, France) Mr. Slimane BEDRANI (National Institute of Agronomy, Algiers, Algeria), Mr. Roberto CAPONE (CIHEAM General Secretariat, Paris), Mr. José Maria GARCÍA ALVAREZ-COQUE (University of Valencia, Spain), Mr. Giulio MALORGIO (University of Bologna, Italy), Mr. Gérard MICLET (National College of Agronomic Studies, Montpellier, France) and Mr. Albert Simantov (Delegate representing Greece on the CIHEAM Governing Board).

The translation from French into English has been carried out by Ms. Carolyn G. LOANE and Ms. Anne CLOUGH and the translation from English into French by Ms. Thérèse ZAREMBA-MARTIN; the English version has been edited by Ms. Carolyn G. LOANE and the French version by Mr. Mahmoud ALLAYA. The compilation has been done by Ms. Fabienne KISS and Ms. Isabelle DEBABI.

Both the full report 2001 and the country reports will be published in electronic format on a CD Rom. For more information please see the CIHEAM website:

http://www.ciheam.org

ACRONYMS AND INITIALS

AA	Association Agreements
AAU	Agricultural Area in Use
AGDP	Agricultural Gross Domestic Product
ALF	Agricultural Labour Force
AoA	Agreement on Agriculture
AFI	Agri-Food Industries
AMS	Aggregate Measure of Support
CAP	Commun Agricultural Policy
CTE	Committee on Trade and environment
EAGGF	European Agricultural Garantee and Farm Guidance Fund
EIA	Environmental Impact Assessment
EMA	Euro Mediterranean Agreements
EMFTZ	Euro Mediterranean Free Trade Zone
ESU	Economic Size Unit
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Area
GDP	Gross Domestic Product
HDI	Human Development Indicator
LSU	Livestock Unit
MCs	Mediterranean Countries
MENA	Middle East and North Africa
NHP	National Hydrologic Plan
PDO	Protected Designation of Origin
PGI	Protected Geographic Indication
PSE	Producer Subsidy Equivalent
RDP	Rural Development Plan
RDR	Rural Development Rules
RFC	Regional Farming Contract
RQ	Reference Quantities
SAP	Structural Adjustment Policies
SARD	Sustainable Agriculture and Rural Development
SEMCs	South East Mediterranean Countries
SMAP	Short and Medium Term Priority Environment Action Plan
TLF	Total Labour Force
TRQ	Tariff Quota
UR	Uruguay Round
WTO	World Trade Organisation
YWU	Year Work Unit

Preface

I. After the publication of the 1998 and 1999 reports, CIHEAM now presents its third annual report, which focuses on the year 2000, thus honouring its commitment to draw up a periodical document reflecting the general development of agricultural and agro-food systems in CIHEAM member countries and constituting an instrument of knowledge, analysis and reflection on the main aspects and events affecting the agricultural and food economy in the region: we are pleased to fulfil our ideal engagement with the addressees of the report - members of government, members of parliament, officials of international organisations and national administrations, representatives of scientific institutions and professional organisations, and economic operators – who in their various capacities have encouraged us to pursue this initiative, which is gradually drawing the attention of all of the Mediterranean countries.

In fact the Ministers of Agriculture of CIHEAM member countries, who held an initial meeting in Rome in May 1999 and met again in Rabat in May 2000, have again acknowledged that CIHEAM report is a valuable reference document for the countries of the region and an essential tool for making CIHEAM the most effective arena for observing agricultural, agri-food and rural development policies in the Euro-Mediterranean area.

II. The structure of the present report is similar to that of the previous editions. It is divided essentially into four parts:

- **Part I** is devoted to the general topic of the relationship between **natural resources and agriculture**, which is discussed both from the point of view of the challenges presented to Mediterranean agriculture by the requirements of environmental protection and the designing of sustainable agriculture in the context of the Euro-Mediterranean partnership and from the point of view of the constraints confronting the countries on the southern and eastern shores of the Mediterranean in the structural adjustment policies they are pursuing in parallel with the problems they are encountering in the management of natural resources in this delicate phase of economic transition. The development of the subjects dealt with in Part I leads quite naturally to the consideration of the concept of the multifunctionality of agriculture in the Mediterranean region and of the connection between this concept and rural development, which is a fundamental aspect of Mediterranean economies. The issues broached in the last chapter of Part I concern the scope of the concept of multifunctionality in the Mediterranean region, the compatibility of that concept with the

liberalisation of trade in agricultural commodities, and the extent to which the agricultural policies of the Mediterranean countries are consistent with the principle of multifunctionality.

Without wishing to anticipate the conclusions drawn in Part I of the report, which gives a very clear account of the issues at stake in agricultural development in the region and the relations between the countries responsible for the Euro-Mediterranean partnership, we feel that we must confirm what has constantly been argued in our annual report ever since the first edition: the benefits which can result from opening markets and the free trade zone to the partner countries in the Southern and Eastern Mediterranean could be cancelled if the current restrictions regarding the covering of the financial and social costs of transition in those countries persist.

- **Part II** presents **sector and country analyses**. After describing the development of the national economies and of the agricultural aggregates in those national economies, this section shows how agricultural and agri-food production, consumption and foreign agricultural and agri-food trade developed in the year under review, and it concludes with comments illustrating the main features of agricultural, agri-food and rural development policies in the various CIHEAM member countries.

  As was already the case in the previous editions of the report, Part II is the synthesis of the contributions drawn up by the national correspondents, which are available in full on the Internet, as is the full edition of the report.

  We are very much in favour of this working method – contributions from the national correspondents and summary report – which constitutes the original feature of our report and foreshadows the function of observatory of agricultural, agri-food and rural development policies with which the Ministries of Agriculture have entrusted CIHEAM. In the preparatory phase of the present edition, the Editing Committee and national correspondents held a joint meeting to mark the first experience of creating an interactive network which can be developed with a view to implementing the observatory. And our efforts will continue to that purpose with the support of CIHEAM Governing Board.

- **Part III**, in which a specific subject of particular importance for the region is developed each year, discusses **the water problem in Mediterranean countries**. This section of the report covers the broader and essential issue of the availability and rational utilisation of water resources in the Mediterranean countries, advocating a programme of priority measures for the attention of policy-makers in the region.

- And finally, **Part IV** focuses on **the main indicators of agricultural and agri-food development** in the countries of the Mediterranean, comprising a supplemented and improved update compared to the data contained in the previous editions.

III. Encouraged by the support received on the publication of the earlier editions and by the numerous expressions of approval, we are confirmed in our determination to continue our work. And more specifically, we appreciate the acknowledgement of our report which we have received from the Ministers of Agriculture of CIHEAM member countries and also from the responsible bodies of the cooperation programme, which is co-financed by the European Commission and CIHEAM. The policy and management committee of that programme - on which the officials of the scientific institutions of the partner Mediterranean countries are represented – regards our report as a decision-making aid and includes it in the activities of the programme. This confirms the validity of CIHEAM's initiative of publishing its report, whose purpose from the outset has been to serve the countries in the region.

Now that that initiative has been consolidated in the present edition, I wish to express my sincere thanks to the members of CIHEAM Governing Board, the national correspondents, the members of the Editing Committee and Mr. Mahmoud Allaya of the IAM-Montpellier, who accepted responsibility for the general coordination of the present edition of the report within the Editing Committee.

Enzo CHIOCCIOLI
CIHEAM Secretary General

PART I

The Mediterranean region in the multilateral agricultural negotiations

1 *The northern and southern shores of the Mediterranean - the asymmetries*

Discussion of Mediterranean countries generally - and justifiably - begins with emphasis on the convergences or even similarities which characterise these countries and which relate to the geographical and climatic context, their common histories, the cultural and civilisational heritage they share, and so on. But over and above any analysis of the respective situations of the northern and southern shores of the Mediterranean these countries viewed as a whole reveal major disparities and deep-seated asymmetries. These disparities and asymmetries are apparent first of all in the demographic field, since a certain degree of stagnation in the North contrasts with the process of sustained population growth in the South[1]. Since the middle of the 1960s, the population of the countries on the southern shore of the Mediterranean has multiplied by 2.54, whereas that of the countries on the northern shore has increased by only 30%. And projections show that this trend is liable to continue to the point that by 2010 over half of the Mediterranean populations will probably be living in the south whereas in 1950 the region accounted for only slightly more than a quarter of them.[2]

Secondly, disparities emerge in development levels. When this dimension is approached by the indicator of per capita GDP it could in fact summarise all other dimensions, and over and above the static aspect it also reveals a dynamic in which gaps are widening. Taken as a whole, for example, per capita GDP in the North is now almost 5 times higher than in the South, whereas it was 3.5 times greater at the beginning of the 1960s. Quite apart from the averages, much greater differences emerge amongst the main countries in the region. Per capita GDP in France, for instance, is 18.5 times greater than in Morocco, and the same ratio is 1 : 5 for Egypt and Italy and 1 : 9 for Algeria and Spain. More generally, it can be said that the 5 Mediterranean countries in the European Union concentrate 80% of the GDP of all Mediterranean countries together[3].

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[1] In order to adapt our findings to the statistics available we are using the geographical groups adopted in the directory of agri-food economies of the Mediterranean and Arab countries published by the International Centre for Advanced Mediterranean Agronomic Studies (Medagri), according to which the northern Mediterranean comprises 14 countries (Spain, France, Greece, Italy, Portugal, Albania, Bosnia-Herzegovina, Cyprus, Croatia, Malta, the former Yugoslav Republic of Macedonia, Slovenia, Turkey, Yugoslavia), and the Southern Mediterranean comprises 17 countries (Algeria, Libya, Morocco, Tunisia, Saudi Arabia, Bahrain, Egypt, United Arab Emirates, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Syria, Yemen).

[2] Medagri 2001, pp.2-4.

[3] i.e. 35 countries, according to the list selected in Medagri. Cf. Medagri 2001, p.94.

Table 1.1 - Mediterranean countries: development indicators

Mediterranean countries	Population 1999 (1000)	GDP/capita $- 1999	Human Development Indicator (1998)	Row HDI
Albania	3 113	790	0.713	94
Algeria	30 774	1 611	0.683	107
Cyprus	778	11 608	0.886	22
Egypt	67 226	1 321	0.623	119
France	58 886	23 693	0.917	12
Greece	10 626	11 772	0.875	25
Israel	6 101	16 238	0.883	23
Italy	57 343	19 897	0.903	19
Jordan	4 823	1 515	0.721	92
Lebanon	3 236	5 276	0.735	82
Malta	386	9 386	0.865	27
Morocco	27 867	1 276	0.589	124
Portugal	9 873	10 824	0.864	28
Spain	39 634	14 641	0.899	21
Tunisia	9 460	2 223	0.703	101
Turkey	65 546	3 021	0.732	85

Source: Medagri 2001, Ciheam; Rapport Mondial sur le Développement Humain 2000, PNUD.

The assessment based on the "human development indicator" (HDI), which integrates per capita GDP levels, life expectancy at birth, levels of adult literacy and school enrolment ratios, demonstrates that the economic disparities are compounded by social disparities, which in some instances are even greater. All of the member countries of the EU, for example, plus Cyprus, Malta and Israel belong to the first group of countries known as "high human development" countries and rank very respectably in the list of 174 countries that have been classified - from 12th (France) to 28th (Portugal). The other countries in the Eastern and Southern Mediterranean are classed in the group of "average human development" countries, ranking from 82nd (Lebanon) to 124th (Morocco).

1.1 - Agricultural disparities

The disparities are practically as great in the agricultural sector. First of all, the northern shore of the Mediterranean comprises 2/3 of the arable land in the region, and that land is furthermore favoured by better climatic conditions and better conditions as regards population density and intensification of production. There is 1 member of the working farm population for 14 ha in Spain and 20 ha in France as against just under 2 to 5 ha in the Maghreb and even less than 0.5 ha in Egypt. There is 1 tractor for less than 25 ha in the European Union (EU) as against 1 tractor for 140 ha in Tunisia and 231 ha in Morocco. The same discrepancies can be

observed in the utilisation of fertilisers or other inputs conducive to improving production performance.

As a consequence, the 5 member countries of the European Union together produced a gross agricultural product of $80 billion in 1998, i.e. almost twice the amount generated by the some 30 countries selected by Medagri in the Eastern and Southern Mediterranean (with the exception of Turkey)[4]. and a further consequence is that 1 member of the working farm population works to feed 63 inhabitants in France, 41 in Italy, 30 in Spain, 12 in Algeria, 8 in Egypt, 7 in Morocco[5]... One hectare of agricultural area in use generates a gross agricultural product of more than $4,000 in Egypt, between $800 and $2,600 on the northern shore of the Mediterranean, and less than $730 in the Maghreb.

Table 1.2 - Disparities in Mediterranean agricultural systems, 1998

Indicators / Country	Arable land 1000 ha	Irrigated land 1000 ha	Cultivated land per agricultural employee ha	Cultivated land per tractor ha	Fertilizers per ha kg/ha	Agric. GDP per cultiv. ha dollars
Albania	577	340	0.9	86	7	2 217
Algeria	7 661	560	3.4	88	12	728
Egypt	2 834	3 300	0.4	37	306	4 023
France	18 362	2 000	20.0	15	261	1 312
Greece	2 843	1 422	4.8	16	129	1 739
Italy	8 280	2 698	7.5	7	168	2 594
Lebanon	180	123	6.6	55	195	
Malta	10	2	3.7	22	91	
Morocco	9 033	1 291	2.4	231	32	537
Portugal	1 880	632	3.8	17	82	786
Spain	14 280	3 640	13.7	23	108	872
Tunisia	2 900	380	5.3	140	19	630
Turkey	24 438	4 200	1.9	31	63	1 831

Source: Medagri 2001.

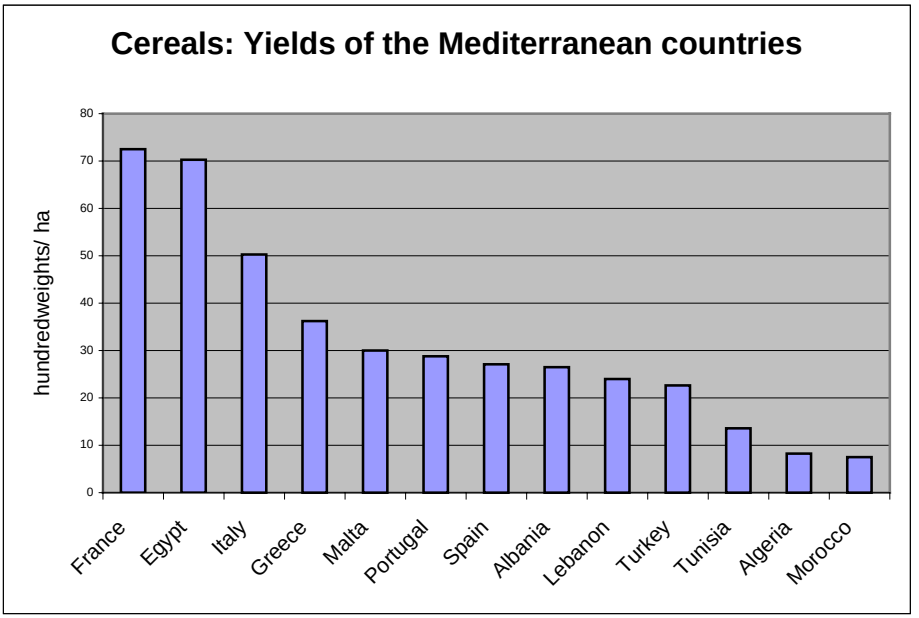
There is perhaps one indicator which can summarise the differences in the performance of Mediterranean agricultural systems better than any other: it is that of cereal yields, crops which are absolutely characteristic of these agricultural systems and by far the most important as regards levels of land use and production. The chart below shows the extent of the differences registered between the country with the highest performance and the country with the lowest. In 1999, for example, whereas France produced 161 hundredweights per hectare, Morocco only

[4] Medagri 2001, p.93.

[5] Medagri 2001, p.13.

managed to obtain 16.7 hundredweights, i.e. a ratio of almost 1 : 10. And what is even more significant, it can be seen that, except for Egypt[6], it is the countries in the North which achieve the highest yields, whereas the countries in the Eastern and Southern Mediterranean (SEMCs) clearly achieve the lowest. It must be added that in addition to these results, which relate to a given year, the figures available for relatively long series of years corroborate this reality to a large extent, a fact which indicates that these are not effects of the economic cycle but are structural factors which basically have scarcely changed for many years.

Chart 1.1



It is thus understandable that the distribution of principal agricultural commodities in the Mediterranean area is also very uneven, particularly between the North and the South. The 5 Mediterranean members of the European Union (MCs-EU) claim between 53% and 77% of the production of the entire region - for the various groups of plant and animal products. The only exception to this is the case of vegetables, for which the relevant share is nevertheless 41%. Turkey's position is rather exceptional, since this country alone often accounts for average shares of 15% to 20%. The total shares realised by the other 7 Eastern and Southern Mediterranean countries selected are often scarcely any larger. In particular, their shares of the production of cereals, legumes, sugar beet and meat and milk products are only 15%, 13%, 7%, and 11% respectively. And the shares of the

[6] whose situation is quite exceptional in this respect, since it is fully irrigated.

remaining 10 Mediterranean countries are often even lower than those of the previous group, except in the case of animal products.

Table 1.3 - Main agricultural commodities: Shares of the various groups of countries, 1999

Productions / Country group	Cereals	Pulses	Olive oil	Vegetables	Fruit	Sugar beet	Meat	Milk
Mediterranean Countries (MCs) (1000 t)	189 571	6 106	2 065	102 113	84 381	88 760	24 108	75 720
%	100	100	100	100	100	100	100	100
MCs-EU	58	53	77	41	60	65	69	64
Turkey	16	27	3	21	12	23	5	13
Other SEMCs	15	13	14	23	15	7	11	11
Other MCs	11	7	6	15	13	5	15	12

Source: Medagri 2001.

Notes: MCs-EU (Mediterranean countries of the European Union) : Spain, France, Italy, Greece and Portugal. Other SEMCs: Albania, Malta, Algeria, Morocco, Tunisia, Egypt, Lebanon. Other Mediterranean countries : Bosnia Herzegovina, Cyprus, Croatia, Ex YR of Macedonia, Slovenia, Yugoslavia, Israel, Jordan, Syria).

Of course, all of these realities observed in the production field are bound to affect trade. Each country "adjusts" by engaging in foreign trade, depending on its population growth and the development of the purchasing power and also the consumption habits of its population, exporting commodities where there is surplus production compared to domestic demand and importing those which it does not produce at all or where production is insufficient to meet domestic consumption needs.

1.2 - Trade disparities

Asymmetry is the major feature of Mediterranean foreign agri-food trade, and it is even more marked than in other fields. Taken as a whole, the Mediterranean, which carries almost 1/5 of the "weight" of the world market (for approximately 8% of the population of the planet), presents an overall balance of trade with the rest of the world which is more or less balanced or shows a slight deficit. But as regards agricultural trade in particular, where the region's "weight" is also close to 1/5[7], it registers a "balance of trade" deficit, since the import-export ratio was 82% in 1998.

[7] In 1998, Mediterranean imports amounted in value to 23.1% of world imports, and Mediterranean exports amounted to 19.8%. Cf. Medagri 2001, p.272.

This rate, albeit insufficient, is nevertheless in progression by almost 20 points compared to the level achieved at the beginning of the 1960s. However, the progress achieved has varied widely from one country to another with the result that their respective situations are now very disparate.

According to the groups established by Medagri, the overall import-export ratio mentioned above rises to 104% on Northern shore of the Mediterranean and drops to 22% on the Southern shore. If we confine the comparison to the Southern and Eastern Mediterranean partners of the European Union (of which there are 12[8]), this rate nevertheless rises to 51%. There are in fact three countries in the "North" which register considerable trade surpluses and they are the only Mediterranean countries which do not have a deficit in their agricultural trade balance: they are France, Spain and Turkey, with export-import ratios amounting to 144%, 123% and 137% respectively[9]. In the South, on the other hand, the ratios are low, ranging from under 2% in the case of Algeria to 54% in the case of Morocco, with 8% for Albania, 13%-15% for Lebanon and Egypt, and 48% for Tunisia[10].

Tremendous imbalances thus emerge in both agricultural imports and agricultural exports. The 5 member countries of the EU, for instance, account for 75% of the total agricultural trade of the Mediterranean region - in other words, 67% of total agricultural imports and 85% of total agricultural exports, whereas the 12 SEMCs only account for 17% of the former and 11% of the latter, although if one excluded Turkey from the latter group the relevant proportions would drop to 14% and less than 6% respectively[11]. In fact France alone accounts for 25% of total imports and 44% of total exports. If one adds Spain and Italy to France one obtains a sort of "Latin arc" clearly comprising the three regional agri-food powers with almost 60% of Mediterranean imports and 80% of Mediterranean exports. This means that the shares which are left for the other countries are very limited, although other countries - apart from Turkey which was already mentioned above - appear as importers (Egypt, Algeria, Morocco) or exporters (Israel, Syria, Morocco) with individual shares ranging from 1%-4%.

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8 These countries, which are engaged in the Barcelona process and have signed or are negotiating an association agreement with the EU, are as follows: Malta, Cyprus, Turkey, Tunisia, Morocco, Algeria, Egypt, Jordan, Lebanon, Syria, Israel, and Palestine. The latter country has not been taken into account due to lack of data, but Albania, on the other hand, has been included in this group.

9 Syria, which registered an export-import ratio of 116 in 1998, could be added to these countries. Cf. Medagri 2001, p.258.

10 See the CIHEAM annual reports on this issue: Development and agri-food policies in the Mediterranean region, 1999 and 2000 Reports, Chapter 2.

11 1998 figures. Cf. Medagri 2001, p.272.

Chart 1.2

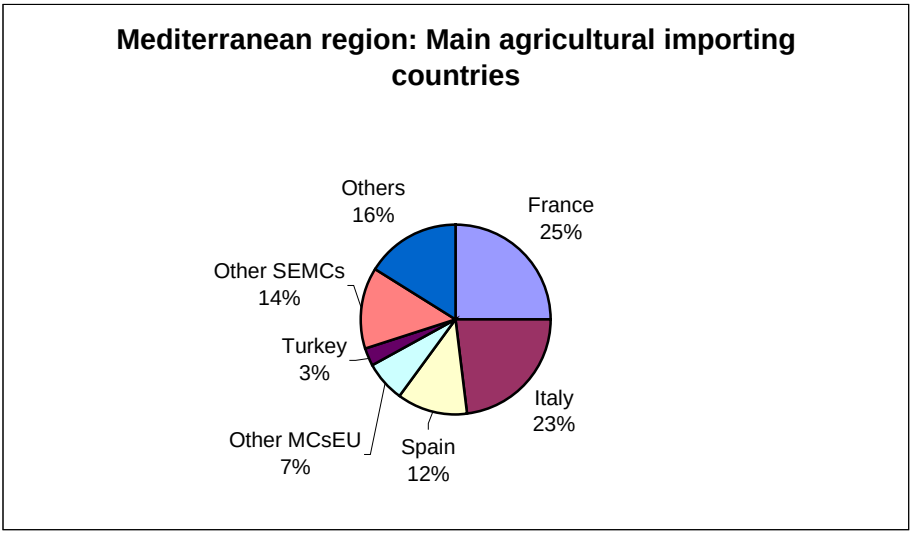
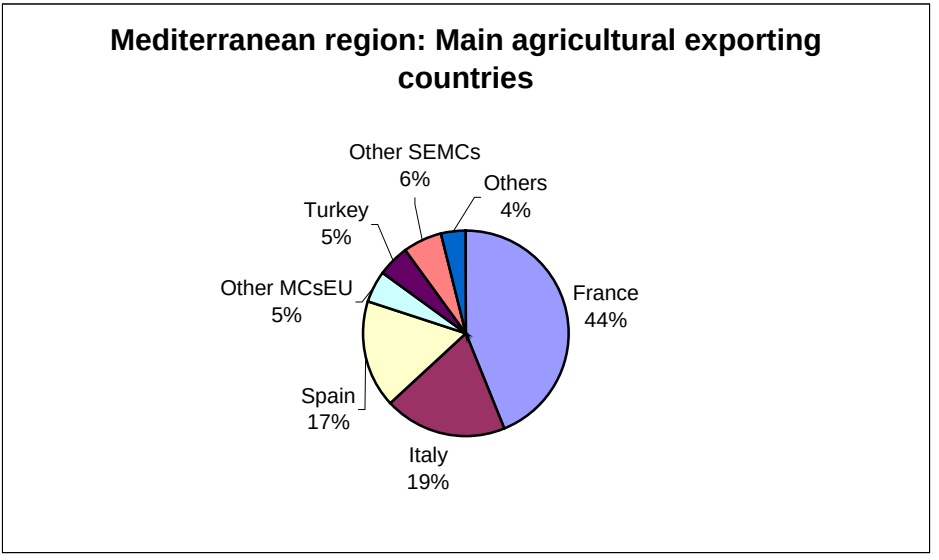
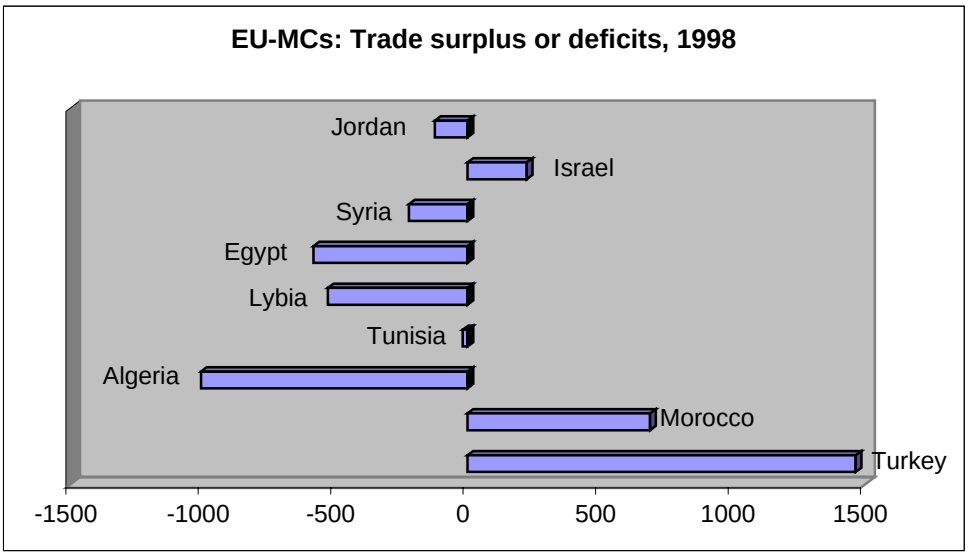


Chart 1.3



In view of the above, it is understandable that the balance of trade between the EU and its Mediterranean partners should be to the advantage of the former. In 1999, the EU achieved a trade surplus of almost 18 billion euros with 13 SEMCs taken as a whole[12]. It only registered a deficit with 3 countries (Algeria, Libya, Syria) and this was due mainly to oil imports. However, if one confines the comparison to agricultural trade, there are still European surpluses but in much less marked proportions, though here again only 3 SEMCs (Turkey, Morocco and Israel) managed to export more agri-food products to their EU partners than they imported from them. Thus, over a period of 5 years (1994-98) the EU's average annual trade surplus with its Mediterranean partners amounted to almost 120 million euros, a figure which is still relatively low in view of the overall trade deficit or the volume of trade in question.

Chart 1.4



Trade structures also reveal widely varying situations on the whole depending on whether one is in the North or the East and South of the Mediterranean. The major countries in the North are generally characterised by a diversified trade structure. The leading "agricultural power" in the Mediterranean is, of course, the leading agri-food exporter but also the leading agri-food importer in the region. France is the leading exporter of cereals and meat (beef and veal and poultrymeat), dairy produce, sugar, seed oil, potatoes, and apples, but at the same time it is also the leading importer of mutton and lamb, tomatoes, onions, citrus fruit, wine, soya meal, etc. Spain and Italy are in similar situations, but to a lesser degree. Spain, for

[12] Malta, Turkey, Albania, Morocco, Algeria, Tunisia, Egypt, Libya, Cyprus, Lebanon, Syria, Israel, Jordan.

example, is the leading exporter of tomatoes, onions, citrus fruit, olive oil, and soya oil and meal, and at the same time it is one of the leading importers of cereals, poultrymeat, fresh milk, potatoes, apples, soya meal, etc...

The countries in the Eastern and Southern Mediterranean, on the other hand, present less diversified structures and, in particular, rarely assume the role of main trade partners. This aspect is at all events certainly evident in the export field. Of the 20 products for which detailed statistics have been published, apart from the special case of Turkey, there are only 3 products for which 1 or 2 SEMCs feature amongst the 3 leading exporters in the Mediterranean region: tomatoes, for which Morocco and Jordan are the second and third leading exporters respectively, onions, for which Egypt is the third leading exporter, and citrus fruit, for which Morocco is the second leading exporter[13]. It is a fact, however, that the SEMCs feature more frequently in the "leading bunch" when it comes to imports: of the same 20 commodities listed above there are no less than 8 for which the SEMCs are amongst the 3 leading importing countries, and the number of products even rises to 12 if one expands the group under examination to the 5 leading countries. It is in fact mainly Egypt, Algeria and Morocco which feature regularly amongst the main importing countries, and this applies mainly to staples: cereals, sugar, seed oils, and meat products.

Furthermore, in the North, trade structures are marked by the relatively large shares of agri-food products compared to fresh products, whereas in the South the situation is often reversed to quite a considerable extent. But this observation needs to be qualified - particularly in the case of certain countries in the North - in that the majority of staples tend to be traded as bulk commodities. If trade structures are examined from the point of view of staples (cereals, sugar, oil, milk, meat), whose strategic importance is obvious especially in the context of any international negotiations, there is a striking resemblance between the divisions running through the Mediterranean and those which exist across the planet.

France is the only country whose self-sufficiency ratios for staple commodities are higher than 100, and even well above 100 in the case of cereals and sugar (166% and 242% respectively in 1997). But the other Community countries register only relatively limited deficits, which are at all events less than 25%. Portugal is an exception in the case of cereals and sugar, with deficits of over 75%. The situation in the Eastern and Southern Mediterranean is different in that there is a higher incidence of deficits and the deficits are also greater. Egypt and the 3 countries in the Maghreb in particular, but also Albania, Lebanon and Malta, register lower - or at least clearly insufficient - self-sufficiency ratios for cereals, sugar and seed oils.

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[13] The 20 products in question are as follows: beef and veal, mutton and lamb, poultrymeat, fresh milk, wheat and flour, maize, barley, potatoes, tomatoes, onions, citrus fruit, apples, dates, sugar, wine, olive oil, soya oil, soya meal, groundnut oil, and sunflower oil. Furthermore, the countries selected here are the SEMCs which are partners of the European Union, and the figures relate to 1998. Cf. Medagri 2001, pp. 273-293.

As regards milk and meat, we must not be under any illusion regarding these countries' self-sufficiency ratios, which are often close to 100, since we know that they are mainly due to particularly low consumption levels in these countries[14]. We would draw attention once again to the rather remarkable profile of Turkey, which is closer to the countries in the North than those in the Eastern and Southern Mediterranean: with the exception of oil, Turkey is virtually self-sufficient in the case of all other commodities.

On the whole, although one cannot simply talk about a North with systematic surpluses and a South with just as systematic deficits, it has to be said that the North enjoys relatively satisfactory food security, whereas the South will probably have to cope with a situation of growing food dependence on a long-term basis.

The origin and destination of Mediterranean trade flows are a further characteristic where the asymmetry is particularly marked. The fact is that Mediterranean trade takes place first and foremost within the Community! In 1999, of the 439 billion euros of imports of the 15 EU countries from the Mediterranean region no less than 88% actually came from the 5 Mediterranean member countries, and the proportion is virtually the same for exports. If one focuses on the main agricultural commodities traded, here again the proportions are comparable, at least as regards those which are imported by the European entity: 77% in the case of citrus fruit, 85% in the case of fruit and edible nuts, and 88% in the case of vegetables. They are smaller as regards cereal and sugar exports, although the level is still high (56% and 36% respectively).

Table 1.4 - Share of the EU Mediterranean countries in EU trade

Imports and exports of the EU	Billion of Ecus	MCsEU (%)	Other MCs (%)
* Total imports of MCs	439.0	88	12
Citrus fruit	3.1	77	23
Fruit	8.9	85	15
Vegetables	7.9	88	12
* Total exports of MCs	549.0	87	13
Cereals	28.1	56	44
Sugar	4.6	36	64
Dairy products	2.9	70	30
Oils	2.9	70	30

Source: Eurostat 1999.

Note: MCs = Mediterranean Countries, MCsEU = Mediterranean Countries members of EU.

[14] It is known that due to the lack of adequate purchasing power efficient demand is in some cases so low that even insufficient production levels do not necessarily cause an increase in imports or any serious market tensions. Cf. CIHEAM Report: Development and agri-food policies in the Mediterranean region, 2000, Chapter 2.

Although this underlines the high degree of Community integration, it must be stated that the situation of the other Mediterranean countries is quite different. These countries not only trade very little amongst themselves but actually in turn focus the major part of their trade precisely on the countries of the European Union. Most of them actually procure half of their imports from the EU and concentrate 2/3 of their exports on the same EU. Closer examination even reveals a sort of "concentration within concentration", since most of the SEMCs again concentrate their trade on only 2 or 3 of the 15 EU member states. The share of the 3 leading partners often exceeds 2/3 of the total trade volume. It is mainly France, Germany, Italy, and, to a lesser extent, the United Kingdom and Spain which are concerned.

Table 1.5 - Share of the SEMCs' 3 main Community partners in their overall trade

SEMCs	Exports		Imports	
	Main partners	%	Main partners	%
Albania	I, G, A	81	I, G, A	93
Algeria	F, I, E	72	I, F, E	72
Egypt	A, I, F	60	I, RU, F	63
Lebanon	I, F, A	62	F, B, RU	69
Malta	I, F, RU	68	A, RU, F	61
Morocco	F, E, I	70	F, E, RU	74
Tunisia	F, I, A	80	F, I, A	76
Turkey	A, F, I	59	A, F, RU	62

Source: Eurostat 1999.

Notes: I (Italy), G (Greece), A (Germany), F (France), E (Spain), RU (United Kingdom), B (Belgium), PB (Netherlands).

However, whereas the EU plays such a major role in the trade of the SEMCs the reverse does not seem to be the case. The SEMCs together actually only account for less than 3% of the trade of the European entity (see Table 7). The total food exports of the 10 SEMCs for which data are available, for example, account for just under 2.5% of Community food imports, and this proportion rises to just under 3.2% in the case of SEMC food imports. However, these proportions can in fact be higher for certain specific commodity groups: this is the case with SEMCs exports, which account for almost 25% of EU imports, or with SEMCs cereal imports, which account for 5.6% of EU exports.

Table 1.6 - Share of the SEMCs in EU trade

Imports and exports of SEMCs	Billion Ecus	%
* Total imports	52.0	2.5
Food products	4.0	2.5
Cereals	-	-
Fruit and vegetables	10.0	24.7
* Total exports	67.8	3.2
Food products	4.9	2.8
Cereals	1.0	5.6
Fruit and vegetables	1.1	3.5

Source: Eurostat 1998.

1.3 - Diversity of situations and complexity of future negotiations

To sum up, the image of the Mediterranean which emerges from this examination nevertheless remains one of a region marked by North/South asymmetries, or more precisely "Community" North/Eastern and Southern Mediterranean, a variety of asymmetries which ultimately resemble those generally characteristic of North/South relations across the planet. The principal disparities are evident with regard to natural and human resources (the North being no doubt better endowed than the South), the income levels of the populations (which can range from 1 : 15 if not 20), production capacities and performance (which enable the Northern Mediterranean countries in the EU to realise 80% of the wealth produced in the region).

At all events, when the "Community North" more often than not has a sizeable level of varied high-quality production and can even afford to have comfortable surpluses, particularly in staples, the South, on the contrary, seems not only to be having more and more difficulty maintaining its productive capacities but also seems to be gradually sinking into situations of chronic food dependence. However, this pessimistic observation concerns mainly the production of staples, whereas the output of other commodities such as certain fruits and vegetables is tending more to increase.

As a result of all of the above asymmetries those relating to trade are numerous and often even excessive. They concern the volume of trade (5 Euro-Mediterranean countries in the North account for 3/4 of the agricultural trade of the entire region), the relative size of the various partners (the EU captures 3/4 of the foreign trade of the SEMCs, whereas the latter account for less than 3% of its own foreign trade), the nature of trade (with processed and diversified products in the North and products mainly traded as bulk commodities and insufficiently varied in the South,

exportable "strategic" surpluses in the former, fairly "ordinary" surpluses in the latter, etc).

Of course, the North/South interpretation is always more or less reductive. In this particular instance it is easy to see that the situation of France, which is beyond doubt the leading agricultural power in the region, is not the same as that of Portugal, whose profile can often be much closer to the South than to the North in this respect. Even the major countries with the most sizeable trade capacities each present a situation which is sufficiently specific to determine behaviour which cannot be confused with that of its neighbours, even when they are partner members of the European Union. For example, it is perfectly understandable that France, which is the main cereals exporter, should have a point of view on issues relating to the reform of agricultural policies currently under debate at the international or European level which is not necessarily shared by Spain, which is the main exporter of fruit and vegetables...

In the Eastern and Southern Mediterranean the situations of the various countries are not absolutely uniform either, although one of their main common features - growing dependence regarding staples - favours a certain "common viewpoint". Turkey, which is the only SEMC to present a favourable agri-food trade balance, can already have legitimate reason to develop an approach and thus stances and proposals for reform which take account of its own specificities or at all events do not always tally with those of the other SEMCs, which are liable to remain net importers of agri-food products for a long time to come. Even amongst the latter countries this common stand can prove insufficient if other factors speak in favour of taking "distinctive characteristics" into account. Morocco and Algeria, for example, are indeed both net importers of staple foodstuffs, but whereas the former is a relatively important exporter of early fruits and vegetables and citrus fruits, the latter is virtually absent in the agri-food export field[15]. It is thus understandable that their concerns, and in particular their orders of priorities, do not always tally on all points.

Highlighting the diversity of the various situations illustrates the complexity of the terms of the multilateral agricultural negotiations opened in the World Trade Organisation, but it also shows that the necessary compromises that will have to be found will perhaps be accepted all the more readily when it is already known that the efforts required in order to arrive at them will have to be made by all parties.

[15] with the exception of some quantities of wine and dates.

2 *Agriculture and the GATT system. The results of Uruguay Round*

2.1 - Implementation of the agreements concluded in Marrakech

By integrating agriculture into the GATT framework the Marrakech Agreements mark a major change, first by providing a means of extending to that sector the rule that tariffs must be the preferable form of protection, a move which undoubtedly improves transparency. Since any form of non-tariff protection was thus proscribed, consolidated tariffs were henceforth bound to be reduced, although it was possible that the size and pace of the reductions would not be appreciated to the same extent by all, depending on the positions of the various international agricultural trade partners. Export subsidies could no longer be increased either - in fact the plan was even to gradually reduce them to zero in the medium or long term. Support policies were classed according to their degree of acceptability by the other countries. And the possibilities of using sanitary and phytosanitary rules for protectionist purposes were examined. The agricultural agreement also provided a means of putting an end to the escalation of unilateral retaliation in conflicts. The peace clause in particular, which specifies that agricultural policy instruments are unlikely to be questioned as long as the clauses of the agreement on agriculture are complied with, and that this will apply until 2003, relaxed the tension in agricultural trade relations, particularly between the European Union and the United States.

Although the conversion of import barriers into tariffs is the most important change in international agri-food trade, it must be stated that the implementation of this role has considerably weakened its impact. The effect of the Marrakech Agricultural Agreement in terms of market access can be evaluated by examining how import restrictions have actually been converted into bound tariffs.

First of all, some countries have escaped this process to some extent by negotiating special treatment for certain products for a transition period (Japan and Korea have negotiated this for rice). The European Union, on the other hand, managed to have the introduction of an "entry price" accepted in its "offer to GATT", which is applicable throughout the year and is often even more binding than the former "reference price" system, particularly in the case of certain fruits and vegetables which are of special interest to many SEMCs. And secondly, the conversion has been carried out in many countries by fixing tariffs providing a level of protection higher than the measures they were replacing. In general, the level of tariff protections was only slightly reduced since it was still higher than 40% in the agricultural sector, with peaks higher than 300% in the case of certain commodities.

Various countries also played with the concepts of current access and minimum access in order to minimise market access constraints when they had not used the flexibility margins allowed by the nomenclatures and methods for calculating tariff reductions. Considerable reductions were applied, for example, to commodities of little economic importance or on which the initial duties were low in order to achieve the required objectives with minimal reductions of protection on more sensitive commodities.

All in all, the combination of these various margins of manoeuvre has weakened the practical impact of the market access commitments by allowing most countries to limit the effects of the Agreement in this field.

The export subsidy commitments undertaken involved essentially the United States and the European Union and at all events only concerned reductions of 36% of amounts and 21% of tonnages, over a 6-year period. However, the relatively favourable reference period selected and the economic context of high world prices made it possible to limit the impact of this commitment even further, at least in the short term. As regards general support measures, which were to be reduced by 20% in 6 years, their implementation did not lead to any appreciable reduction in the various countries. It is in fact known that the majority of the price support programmes, which often go hand-in-hand with land set-aside or a production quota (this is the case with the European Union and, at the time, was also the case with the United States) were classed in the "blue box". And as to the "green box", it is also known that certain aids classed in that box were classed in ways which were relatively difficult to justify. But the fact remains that the countries in the North, which have the means to support their farmers, have continued to do so in one way or another.

There has been little progress on the whole in the negotiations on the harmonisation of sanitary and phytosanitary standards. The rules laid down by the SPS Agreement have proved to be rather vague, and the "jurisprudence" which specifies the methods of application does not satisfy every country - with the result that each country has basically continued to reject commodities which it considers do not comply with its own standards. It is often developing countries which suffer the most as a result, since they are ill-equipped to prove that their products comply with the standards let alone bear the costs incurred by experts' reports and inspections or the rejection of their consignments.

2.2 - Implementation of UR as a source of disappointment for developing countries

The commitments undertaken in the agricultural sector within the framework of the Marrakech agreement are obviously essential for developing countries in view of the importance of agriculture in the balance of their economies and thus of their societies. But the differences in levels of development between these countries and

the countries in the North are so great that it was obviously unrealistic to require the same commitments on the part of all parties. The concept of "special and differential treatment" thus became established as the practical corollary of the acceptance of a sort of "two-tier commitment" for the benefit of developing countries.

But here again there is a certain amount of disappointment inherent in the limitations of the system adopted. For this "treatment" was limited from the outset to a reduction of the volumes of commitments (2/3 of those undertaken by the developed countries) and an extension of the implementation period, (10 years instead of 6). This system soon proved to be totally inadequate. Is the problem of developing countries merely a question of extending deadlines a little and reducing commitments to some extent? Obviously not. The fact is that unless significant accompanying measures are taken it is hard to see what country could manage to develop its economy sufficiently in such a short time to cope with the opening of borders and the competition of the "giants" of the economies in the North.

It must be stated, moreover, that in the context of the implementation of the Marrakech Agreement the **developing countries** as a whole have found themselves subject to two more binding conditions than was previously the case. On the one hand, by virtue of the new WTO rules they find themselves deprived of the protection instruments most commonly used (quantitative restrictions, raising of tariffs, etc), and on the other hand, the acceptation of structural adjustment programmes which they have had to implement under the pressure of the constraints relating to their foreign debt has accentuated the commitments made within the WTO framework and has accelerated the adoption of autonomous non-reciprocal liberalisation measures. And what is more, the bilateral agreements concluded with the developed countries often reduce their room for manoeuvre and the range of possible options even further.

The most serious fact is that all sorts of imbalances and asymmetries to the disadvantage of these countries have continued to grow steadily at the same time. Despite the endless talk about free trade, agriculture has thus remained the sector with the most obstacles for exporters: extremely high tariff levels for the main foodstuffs, complex tariff structures, protection measures taken by virtue of the safety clause, tendentious application of the tariff quotas, very large export, production and investment subsidies in the developed countries, etc...

All in all, most of the developing countries today have the impression that they have been more or less the victims of a "game" where the rules are far from fair...

Although the Uruguay Round negotiations led to the introduction of agriculture in a world trade system based on rules, their results have been to large extent disappointing for developing countries. According to the WTO (2001a), agricultural imports of developed countries with origin in developing countries grew between 1994 and 1999 at an average rate of 2 per cent per year, less than a half the growth

observed between 1990 and 1994 (5,5 per cent). Along the 90s, the developing Mediterranean countries as a whole kept their share in world agricultural exports, which is not consistent with their comparative advantages, and with the hypothesis of a more liberal trade environment. One possible explanation is that the path of trade reforms in developed economies has not been fast enough to satisfy developing countries' expectations to find better market opportunities for their agricultural exports.

The European Union (EU) represents the main market outlet for Southern and Eastern Mediterranean Countries (SEMCs). The European Commission has argued that the EU has fully respected its reduction commitments[16]. The EU has cut guaranteed prices for cereals by 45%, the total market support has been reduced progressively from 91% of the EU farm budget before 1992 to 21% by 2006 and export refunds now represent only 9% of the CAP expenditure, compared to 25% in 1992. Direct payments currently represent around 60 per cent of EU' agricultural budget, and the EU Commission considers them as less trade distorting than market price support. According to the Commission view, the EU has undertaken a pragmatic approach for agricultural reform, which could be preferable to ambitious plans that could fail as soon as short-term market conditions become difficult.

However, from the viewpoint of many countries, especially from the developing world, the introduction of new ways of supporting agriculture might be in direct contradiction to the long-term objective expressed in the preamble of the Agreement on Agriculture, whereby Members were to "provide for substantial progressive reductions in agricultural support". The new approach of EU agricultural support, based on budget expenditures has something unfair with developing countries, which lack the financial means for granting direct aid to their farmers.

Once completed the UR period of implementation for developed countries, high levels of support to agriculture continue to be a common fact in the most important industrial economies, and not only in the EU. In particular, after the financial crisis of 1997, the agricultural support has turned to increase in USA where direct payments per farm have tripled in the last five years. According to OECD (2001), the total support to agricultural producers in industrial economies, as indicated by the Producer Support Estimate (PSE), remains at around 39 per cent of agricultural gross revenues in 2000, against a 45 per cent in 1986-88. Recent developments in agricultural policies of industrial countries reflect their rigidity against liberalisation moves, as shown by the huge value of transfers from consumers and taxpayers to agricultural producers, which reached 361 billion dollars in 1999 and 327 billion dollars in 2000, from a figure of 280 billion dollars in 1997.

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[16] See speech by Commissioner Fischler at Cairns Group[16] ministerial meeting in Banff, Canada, 11 October 2000.

Support to farmers still acount for three quarters of total support to agriculture in the OECD area, with the remainder going to general services (eg., inspection, research and marketing), which means that "green box" measures still have to go a long way before they become predominant. Althoug border protection and export subsidies have reduced after the UR, market price support and output subsidies continue to represent about 72 per cent of support to producers. Increasing divergence in support and levels across industrial countries are also reported by OECD. Support and protection levels keep very low in New Zealand (below 1% PSE) and Australia (6% PSE), and quite high in Switzerland, Korea, Norway and Japan (above 60% PSE). EU's PSE is about 38 per cent, which is higher than the 20 per cent reported by NAFTA countries and the even below levels calculated for the accession candidates (Czech Republic, Hungay, Poland and Slovak Republik). The PSE per full-time equivalent farmer kept in 1999 at 17 thousand USD in the EU, 26 thousand USD in Japan and 21 thousand USD in the United States.

While the total of support to agriculture keeps important in the Triad, it is true that some substantive changes in the measures chosen for agricultural support have taken place. Direct payments have emerged as a way of compensating farm incomes for a more open trade regime. This reform has actually been one of the essential features of the current process of reforms in the EU. However, although market price support has decreased its share in the EU agricultural support (from 85 per cent in 1986-88 to 63 per cent in 1999), the EU agriculture remains benefiting from a high support:

1. Direct subsidies account for around 29 per cent of the EU total farm income (European Commission, 2000c).
2. The Common Agricultural Policy will remain the most important outlet of EU public expenditure, at around 41 billion Euro per year, for the next five years (46 per cent of the total EU budget).
3. Total agricultural support notified by the EU to the WTO for 1997/1998 is slightly above 100 billion dollars. Around 55 per cent of this amount are "amber box" subsidies, that is, trade distorting subsidies; 25 per cent are subsidies of "blue box" nature, that means direct payments to farmers partially decoupled from production incentives.

Until now, the implementation of the UR Agreement on Agriculture by the biggest industrial economies does not seem to have severely constrained their agricultural policies. Over 130 countries signed the Marraquesh agreements in 1994, but only a few numbers kept the possibility to support their agricultural sector over "*de minimis*" level. Box 1 shows that not all MCs enjoy the same freedom to subsidise exports or to apply the Special safeguard Clause.

Box 2.1 - The UR flexibility and how MCs have used it

Tariff quotas
37 WTO members. The numbers in brackets show how many quotas each country has.
EU (87) Israel (12) Morocco (16) Slovenia (20) Tunisia (13)

Special safeguards
38 WTO members currently have reserved the right to use special safeguards on agricultural products. The numbers in brackets show how many products are involved in each case, although the definition of what is a single product varies.
EU (539) Israel (41) Morocco (374) Tunisia (32)

Domestic support (amber box):
30 WTO members have commitments to reduce their trade-distorting domestic supports in the amber box.

Cyprus EU Israel Jordan Morocco Slovenia Tunisia

Export subsidies:
25 WTO members can subsidize exports, but only for products on which they have commitments to reduce the subsidies.

Cyprus (9) EU (20) Israel (6) Turkey (44)

3 *The current negotiations. Controversial issues*

The negotiations which are currently commencing in the WTO are liable to be at least as difficult as the previous ones within the GATT framework. The essential components of the agenda are different, however. Whereas the problem in the Uruguay Round was to manage to formulate new rules in the field of agriculture and to get them accepted, today it is more a matter of carrying the rules which have already been accepted by the members of the WTO further. In other words, the issues at stake are not so much questions of principle but the degree to which what was already be object of the 1994 agreement can be developed in greater depth.

But there is still one preliminary question which is a matter of concern to all: is agriculture an ordinary or a specific economic sector? The answer to this fundamental question will obviously ultimately determine the behaviour of the actors in the negotiations and the content of the bargaining to a large extent, for underlying the operational or technical aspects of the negotiations there is inevitably an overall strategic vision which each country has of the future of its agriculture and thus of the rural world in which it is practised. At all events, if it is maintained that agriculture is specific then the need for international trade rules specific to agriculture should be recognised; on the other hand, considering agriculture to be an ordinary sector would mean that the object of the negotiations could be confined to ways and means of developing towards total liberalisation.

3.1 - Mediterranean Countries (MCs): Active actors at the WTO talks

MCs have taken an active part during the first part of the present agricultural negotiations, which finished on March 2001, as table 3.1 summarises[17]. Mediterranean EU Members (France, Italy, Spain, Greece and Portugal) subscribed the comprehensive and specific proposals by the European Union. Morocco, Turkey, Egypt, Jordan and Croatia submitted individual comprehensive proposals. Other countries presented positions as a part of regional groups, such as Northern African countries as part of the African Group, and Slovenia and Albania, as part of the transition economies grouping. In addition, the EU and other 4 MCs, along with other 19 countries, submitted a joint discussion paper on non-trade concerns. Other MCs like Algeria, Lebanon, Syria and Lybia don't take part in the WTO negotiations, given their non-Member status, although Algeria and Lebanon are in a process of negotiating their accession to WTO. Table 3.2 summarises the matters on which MCs have expressed a political position, indicating whether this position

[17] WTO (2001b) provides with a summary of positions, at the end of the first phase of the present agricultural talks.

has been included in a comprehensive proposal, in the form of specific papers, or in a discussion technical paper.

Table 3.1 - Summary of issues on which MCs have expressed proposals and opinions

Containing positions on:	Included in comprehensive proposals	Specific proposals	Included in discussion papers
Export subsidies and competition	EU, Morocco, Turkey, Egypt, Jordan, African Group.	EU	Croatia
Export restrictions	Jordan		
Domestic support	EU, Morocco, Turkey, Egypt, Jordan		Croatia
Blue box	EU	EU	
Transition issues		Transition economies	
Market access	EU, Jordan, Morocco, Turkey, Egypt, African Group	Transition economies	Croatia
Special safeguards	EU, Jordan, Morocco, Turkey, Egypt, African Group		Croatia
Food quality	EU	EU	
Non-trade concerns	EU, Jordan, Croatia		38 countries*
Animal welfare	EU	EU	
Sections on developing countries	Morocco, Turkey, Egypt, Jordan, African Group		
Net food-importing countries	Egypt, African Group		
Peace Clause	EU, Turkey, African Group		

*Cyprus, the European Communities, Israel, Malta, Slovenia, with other 19 countries.

The Mediterranean is a quite complex world and requesting unanimity would be too much when the rules on globalisation are at the stake. Concerning the WTO talks, a first classification of countries would involve a breakdown between the EU and the rest of MCs. Out of these, we could underline two groups: developing MCs (North Africa, Jordan and Turkey), on the one hand, and transition economies (Croatia, Slovenia and Albania), on the other. Other MCs like Cyprus, Israel and Malta seem to join a similar view to the EU's, especially with reference to non-trade concerns and multifuncionality. What seems interesting to stress is the absence in the Mediterranean area of those countries that share a more liberal approach of trade, like the Cairns Group[18]; and the fact that some MCs are considered developing countries, but not as a part of the Least Developed Countries group

[18] The 18-member Cairns Group of agricultural exporting nations includes Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, Thailand, South Africa, and Uruguay.

group (LDCs)[19]. In a sense, this rough reference to the participation of MCs in regional groups supplies a good idea about their interests and the rational of their positions at the WTO talks.

Table 3.2 - Countries, alliances and proposals

1. Albania (transition: domestic support) 2. Croatia (transition: domestic support, market access) 3. Cyprus (non-trade concerns) 4. Egypt (own proposal + African Group) 5. EU (France, Greece, Italy, Portugal, Spain and other 10 countries) (own proposals + non-trade concerns) 6. Israel (non-trade concerns)	7. Jordan 8. Morocco (own proposal + African Group) 9. Slovenia (transition: domestic support, market access + non-trade concerns) 10. Tunisia (African Group) 11. Turkey

Members that have submitted proposals and technical papers, with an indication of groupings and alignments based on joint-authorship.

Thus, **an absolute free-trade approach or the claim for a full liberalisation of agricultural trade is not a characteristic of the proposals submitted by MCs**. Although, it is true that MCs show a wide range of proposals orientated to improve the transparency of trade measures and the market access.

Interestingly, positions on the non-trade objectives of agricultural policies are not too distant among MCs. This is quite apparent for the group of MCs that signed the discussion paper on non-trade concerns (EU, Israel, Cyprus, Slovenia and Malta)[20], but also for the rest of countries that have explicitly expressed their views on the key role of agriculture in their national economies. In many senses **most MCs share the position that agriculture is more than just an industry** – and has to be treated accordingly in the WTO.

[19] The United Nations has designated 48 countries as least-developed: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Solomon Islands, Somalia, the Sudan, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

[20] Submission on Non-Trade Concerns – 22 September 2000; Revision — 9 November 2000G/AG/NG/W/36 and G/AG/NG/W/36/Rev.1

3.2 - The issues on the agenda of the multilateral agricultural negotiations

Article 20 of the Agreement on Agriculture which was signed in Marrakech in 1994 already defined the three fields in which commitments had been made but which would necessarily have to be included on the agenda of the forthcoming negotiations in order to make new progress. These are market access, export competition and internal support. However, there are other items to be added to these major "dossiers" - items which were already planned in 1994 or which have subsequently become imperative having been revealed either as experience progressed or by the emergence of new problems: special and differential treatment for the benefit of developing countries, non-trade concerns, consumer protection, security of supplies, animal welfare, new technologies, etc.

3.2.1 - Market access

This heading comprises several aspects of the question ranging from the level of tariffs to the questioning of state import monopolies, tariff quotas and their management, the future of the safeguard provision, and so on. We shall place emphasis here on aspects connected with tariff and non-tariff protection in particular.

As we see, the division between developed and developing countries is also explicit in the Mediterranean region in connection with WTO talks. It is normal that developing MCs (Morocco, Egypt, Tunisia, Jordan and Turkey) claim for a Special and Differential Treatment (SDT), and this claim for flexibility is also posed by the transition economies (Croatia, Albania, and Slovenia). SDT usually presents the form of higher degree of flexibility in the implementation of the commitments for trade liberalisation but also refers to the additional provisions for net food-importing countries, as stressed by the proposals submitted by Egypt and the African group. **As net food importers, most SEMCs advocate a gradual approach for trade liberalisation.**

However, **developing MCs, as exporters, are in favour of decisive steps for a comprehensive tariff liberalisation and open market access in developed economies. The market access issue is perhaps one of the most controversial between developed and developing MCs**. Can we expect a further opening of agricultural markets as the result of the WTO negotiations?

Let us first refer to the EU proposal. This consists of using the same formula adopted under the Uruguay round, i.e. a commitment as to the overall average reduction of bound tariffs and a minimum reduction per tariff line. The proposal also advocates retaining the special safeguard clause to ease tariff reductions (avoiding a frequent use of it). The overall average reduction is opposed by some

countries because of the fear to escape from substantive tariff reductions in specific commodities. Thus, the Turkish proposal advocates that sector specific reductions would be the exception and not the rule. The Jordan proposal argues that the rate of tariff reduction should depend on the existing (applied) tariff level of each country and the targeted tariff level to be reached over a fixed period.

The vast majority of countries are apparently in favour of substantial new reductions in **tariff protections**. However, although developing countries - with the exception of those belonging to the Cairns Group - show less "enthusiasm" on the whole at such a prospect, it must be said that opinions differ amongst the developed countries as to the extent of the reductions and the methods to be employed. It is known namely that while the United States and the Cairns Group are advocating massive reductions, particularly concerning tariff peaks, the European Union, as indicated above, seems to be both more cautious about the size of the reductions and more in favour of a system of reduction by averages.

Various proposals should at any rate be negotiated. This is the case with the revision of the methods for calculating market access with a view to reducing the dispersal of tariffs over various products and to putting an end to "peaks" on specific commodities. It is also the case with the revision of the clauses which made it possible to minimise the impact of the Marrakech Agreement, concerning, for example, the flexible use of the concepts of current and minimum access, the discrepancies between bound tariffs and the tariffs actually applied, or of the "dilution" of constraints amongst these commodities. Some countries want the complex tariff structures of the European Union and United States to be simplified and to be based on ad valorem rights. Some are also calling for negotiations on a number of commodities on which the tariffs would be abolished. It has also been proposed that the minimum access constraint be extended in proportion to domestic consumption.

On the other hand, the UR market access provisions were implemented through the frequent use of Tariff-Rate Quota (TRQ), which in many cases lack transparency. Most MCs share the view that the rules on TRQs should be strengthened, although none of them propose their complete elimination. The management of TRQ is a sensitive issue in the context of the Euro-Mediterranean integration and we will come back to this issue in such context. In the multilateral context, international pressure - from North America and the Cairns Group in particular - will probably press for the continuing reduction of tariffs and/or for the extension of tariff quotas with reduced tariffs or even no tariffs at all. Many countries actually criticise the first-come-first-served system for allocating quotas (prevalent in the European Union) or the system of allocating them according to historic references, and they are calling for a licensing system.

The **special safeguard provision** has been the object of criticism particularly by the Cairns Group, which considers it to be unjustified. At all events, the triggering thresholds of the safeguard provision are considered to be very low in certain cases,

a factor which frequently results in the introduction of additional tariffs and even permanent ones. The United States and the Cairns Group are calling for the abolition of this "provision", whereas the EU and Japan are demanding that it be maintained. Some countries are proposing that this clause be maintained but only for the benefit of developing countries. Whatever the outcome, it is probable that, at the very least, price levels - a bone of contention - will be revised, and further discussions will be held on the utilisation criteria.

In view of the various market access issues, it is not easy to determine the position of the Southern and Eastern Mediterranean countries because in many cases their situation is complex and equivocal. The fact is that of the 12 partner countries of the EU only Turkey and Syria have a favourable agri-food trade balance. All of the others are thus net importers of agricultural commodities in respect of the rest of the world. Since they are more importers than exporters it follows that although they pay close attention to the conditions of access for their products to foreign markets they are inevitably even more concerned about the access conditions for "others" to their own markets... What is more, whenever they are exporters, as has already been seen in the first section, a large proportion of their trade is concentrated on the EU markets to which they have access under systems of preferences by virtue of the provisions in the Association Agreements with the European entity. But a general reduction of agricultural tariffs within the WTO framework would be bound to result in reducing, if not eliminating, the preferential advantages in question.

This drawback could admittedly be compensated by better access opportunities obtained on extra-Community markets following the general reduction of tariffs, but this presupposes the ability to direct a greater proportion of exports flows to markets other than those of the EU - an undertaking which would seem difficult, to say the least, in view of the experience of the last 30 years... Yet should countries merely continue to cling to "what they have" when it is a well-known fact that sooner or later "the age of preferential advantages" will be over?

Moreover, the experience gained by most SEMCs in their trade relations with the EU has taught them that the principle problems of market access are not so much tariff problems. The most formidable obstacles including access for their products to Community markets are non-trade concerns in the form of entry prices, quotas, schedules, import licences, quality standards, etc. This means that unless there is significant progress on these issues in the EU many partner countries could be tempted to focus their efforts on the field of multilateral negotiations in the hope that they will be able to "circumvent" and ultimately get the better of Community obstacles "multilaterally". If a hypothesis of this nature were to become reality this would obviously change the negotiation setup on the issue of market access appreciably.

At all events, the situation of each individual country can clearly be quite specific, and it is only in the light of a meticulous weighing up of the advantages and

drawbacks of each option that it will be able to reach a decision. Consequently, despite the - official or unofficial - declarations or proposals already made it can be considered that even today nothing has been decided on as yet and that the requests and positions of the various parties are still liable to evolve appreciably.

This being so, efforts are being made here and there to formulate the terms of a common position at the Euro-Mediterranean level. The Ministers of Agriculture of the Ciheam member countries thus debated the issue at length at their third meeting in Athens in June 2001. The section of their final declaration devoted to the matter would allow of a certain degree of optimism: "Whereas on the one hand the Representatives of the Southern and Eastern Mediterranean countries pressed for greater openness in access for their agricultural commodities to the market of the European countries, the Representatives of those European countries pointed out that a gradual approach with preference to regions - which is already ensured within the framework of the Euro-Mediterranean partnership agreements - should be defended jointly in the multinational agricultural negotiations in order to avoid the risks for the export of the agricultural commodities of the Southern Mediterranean countries that are inherent in the general liberalisation of trade. However, the discussion revealed a certain degree of convergence on the need to seek a common approach in the multilateral negotiations on agriculture and to preserve or even improve the economic and social living conditions of the populations who draw their livelihood from a form of agriculture which is increasingly sound from the environmental point of view".

3.2.2 - Export competition

What is meant by export competition is of course the subsidies which are allocated directly to exports but also those which may be connected with export credits or export monopolies and the circumvention of the export subsidy constraints by means of food aid. It is the first two aspects which raise the most questions and thus need to be debated.

On the question of **export subsidies** the EU seems to be doomed a priori to a certain degree of isolation since it is the only partner to refuse to eliminate them, having merely agreed to reduce them further. The United States, the Cairns Group, Japan and the developing countries, on the other hand, would be in favour of abolishing them. The Cairns Group in particular holds that the abolition of all forms of export subsidies by 2005 would constitute an objective central to the negotiations, at least in the case of certain commodities. Given the difficulty in eliminating these subsidies, it has been suggested that the commitments to reduce them which were undertaken within the framework of the Marrakech Agreement be doubled.

Most MCs, from outside the EU complain about the application of export subsidies and all other instruments of export competition. According to most proposals,

export subsidies put countries, which are not allowed to apply them or cannot afford them, into disadvantaged position. Several developing countries complain that the rules are unequal. They object in particular to the fact that developed countries are allowed to continue to spend large amounts on export subsidies while developing countries cannot because they lack the funds, and because only those countries that originally subsidised exports were allowed to continue subsidising. This is why some countries, such as Turkey, would propose the different terms for developing countries, in allowing them to retain some forms of subsidy for exports. The EU strategy has relies on discussing on export competition, but including in such concept all forms of subsidies. That would include some forms of commercial credits, which are extensively used in US (see below). Most MCs share the view of negotiating the reduction or elimination of all forms of export subsidies.

However, the divisions are less clear-cut than one might think at first sight. This is at least what is suggested by the situation of developing countries, particularly those on the perimeter of the Mediterranean. For in the case of the latter countries the situation is again far from simple. Since, first of all, most of them are net importers of agri-food products them enjoy the subsidies in question and it is those subsidies which in fact enable them to obtain the staple commodities their populations need at relatively low cost (cf. Regnault, 1997; Akesbi, 1997, 2000). The benefit is all the greater since the imports concern mainly staple commodities (cereals, to begin with...), which are precisely those which benefit from the largest subsidies. On the other hand, it is true that Mediterranean countries which develop certain export capacities may be hampered by those very subsidies, which gave rise to unfair competition for them, particularly on extra-Community markets, yet it is precisely on those markets that it would be in their interests to develop their presence in order to diversify their market outlets.

It is admittedly relatively easy for countries which do not export agricultural commodities or whose agricultural export levels are insignificant (as is the case with Algeria or Libya) to make their choice, and at least in the short term it is in their interests to maintain subsidies. All other things being equal, any reduction of these subsidies should result in an increase in the cost of their foodstuff supplies. If one takes account of the impact of cheap food imports on local production - an impact that is likely to be negative - one can of course consider that the subsidies in question are basically more of a curse than a blessing, which the recipient countries would do well to forego (Moehler, 2001). But it is also known that this line of policy presupposes political will and requires that difficult internal reforms be carried out - for results which often, incidentally, remain hypothetical. It is thus understandable that these countries should tend to prefer to maintain subsidies...

The choice is no doubt more difficult for other countries which are at the same time net importers of staples and exporters of other agricultural commodities - and such countries are in the majority. For countries such as Morocco or Egypt, for example, which are both major importers of staple commodities and significant exporters of fruit and vegetables, it is not sure that the "gains" obtained in the export field as the

result of the abolition of the subsidies will offset the "additional costs" incurred in imports at the same time...

All in all, this question of export subsidies is also problematic for the SEMCs. It can be said that even when several of these countries take a certain stand it could prove unwise to conclude that this might be their final position. There again each country will have to examine the consequences of each choice on its own particular situation very closely, and there would only be a chance of arriving at a common position if it could be part of a "new world order", a general alternative which each country would find to its advantage and in which it could see that the "benefit" obtained from collective synergism is ultimately much greater than the benefit of an individual approach, however cautious it may be!

Export competition concerns other aspects, the most important being **export credits**; in this case it is the United States, which uses them freely, which is implicated first and foremost, although Europe also engages in such practices. This problem becomes more acute, moreover, with the extension of the terms of payment which certain American and European exporter allow. The difficulty in reaching an agreement stems from the fact that this subject does not come under agricultural negotiations alone. The United States prefers to continue negotiations on this subject more within the OECD framework, where they were opened unsuccessfully several years ago. But the Cairns Group, the European Union and the developing countries are anxious to negotiate this issue within the WTO framework, and some have even advocated that export credits be taken into account as export subsidy equivalents and consequently treated as such.

Construed in this way, export credits would involve more or less the same terms for the SEMCs as export subsidies. The position of these countries in this case should be easier in that the incidence of these subsidies is very low and, in particular, these countries are generally themselves the recipients of the credits in question (as importers of agricultural commodities from the countries which supply them). Even if they are called on to express a position of principle on the subject there would be no reason for them to go any further...

3.2.3 - Internal support

This is probably the question which will give rise to the greatest difficulties in the agricultural negotiations, not only because it involves very sensitive dimensions of public policies but also because it is against "major agricultural powers" and also involves crucial issues.

We know how this issue was dealt with within the framework of the Marrakech Agreement (see Box 3.1). We know namely that although reaching a compromise was a laborious task each party expected to obtain the possibility to interpret the new arrangement as it suited it best in return for the concession it granted another

party... The United States, for example, thus managed to make "extensive" use of the "green box", whereas the European Union was able to turn the opportunities offered by the "blue box" to best advantage - a category which incidentally had only been tolerated provisionally by the other partners...

Only the EU, in the Mediterranean region, seems to advocate the blue box payments explicitly. The blue box remains as an exemption of the general rule that all subsidies linked to production must be reduced or kept within defined minimal levels. This kind of payments were introduced by the 1992 CAP reform and increased for some products, after the adoption of the Agenda 2000 package. At present, only Japan and Norway are notifying payments under this category, together with the EU. These countries advocate these payments as a tool for facilitating agricultural reform in a consistent way with non-trade concerns.

In fact most countries have always regarded the "blue box" as an arrangement between the European Union and the United States by means of which they free themselves from the constraints of reducing aids for their farmers. The result is that each party has managed to take advantage of the situation in its own way and at all events to increase its aids to agriculture considerably, whereas the initial objective was in fact to reduce them.

Today the Cairns Group is still absolutely against this "box" policy and will at least argue for the abolition of the "blue box" and for the reduction of the "green box" to its simplest form. The United States is also aiming to question the exemption status which Community aids from the "blue box" enjoy. On the other hand, it could find an area of agreement with its European partners on not only retaining their "green box" but even laying greater emphasis in it on environmental protection and rural development.

Box 3.1 - Domestic support measures

Following the UR provisions, domestic support for agriculture, calculated as an Aggregate Measure of Support (AMS), has been reduced by 20 cent over a six-year period for developed countries (13 per cent for developing countries). The types of support subject to reduction are grouped in the so-called "amber box", that is to say, price support measures, which have a direct effect on trade. Members without these commitments have to keep within 5% of the value of production (i.e. the "de minimis" level) — 10% in the case of developing countries. Only certain price support measures, granted in developing countries, are exempt from this reduction scheme.

On the other hand, specific types of support are excluded from the reduction commitments. Thus, some subsidies called of "green box" are exempted because they are considered to have a minimal effect on trade. They have to be government-funded (not by charging consumers higher prices) and must not involve price support. They tend to be programmes that are not directed at particular products, and include direct income supports for farmers that are not related to (are "decoupled" from) current production levels or prices. "Green box" subsidies are therefore allowed without limits, provided they comply with relevant criteria. They also include environmental protection and regional development programmes (*for details, see Article 6 and Annex 2 of the Agreement on Agriculture*).

Another type of payments, the "blue box" includes direct payments, which were exempted from reduction commitments provided that they are accompanied by input control measures. These include:

- payments per hectare or fixed-yield payments
- payments inferior to 85% of the baseline production level
- payments to animal production granted for a fixed number of livestock units.

The direct payment scheme established by the CAP reforms adapted to the criteria of the blue box and was, therefore, excluded from the GATT reduction commitments.

The factor underlying this debate to a large extent is the controversy over the degree to which American or European aids are "decoupled". The agricultural law which was passed in 1996 (the Fair Act) has enabled the Americans to base their direct support system on the "green box", emphasising that their aids are absolutely decoupled. They can thus afford to call for the abolition of the semi-decoupled aids of the "blue box". The Europeans, on the other hand, are confident in contesting the claim that the American support mechanism is "absolutely decoupled", by pointing out in particular that the aid system introduced by the Fair Act is still differential depending on certain types of product and that the "marketing loan" mechanism has been maintained whereas it is akin to a disguised price guarantee system. This is compounded by the serious reproach that the US practices are continuing to weigh heavily on world market prices and ultimately to depress farm prices through deficiency payments for the benefit of arable crop production. Yet

those who advocate that the "blue box" be maintained attribute to it precisely the advantage of playing the role of price stabiliser through the policy of limiting supply with which it is combined.

The fact nevertheless remains that by vesting itself with its new agricultural law the United States has managed to introduce a system whereby most of its payments now fall under the "green box" alone, and this places it in a favourable position for approaching the multinational negotiations and calling for the abolition of the "blue box".

Does this debate concern the SEMCs? Is the question of internal support merely an "affair of the rich"? It is true that at the outset the SEMCs - indeed, like most developing countries - did not feel that the possibilities offered by using the various "boxes" concerned them greatly since they could not afford to distribute all sorts of income aids and subsidies to their farmers. But they gradually came to realise the advantage not only of becoming involved in a debate of this nature but also of turning this "box mentality" to account by adapting it to their own realities.

Thus, within the UNCTAD framework back in 1999, the Group of 77 argued that it was necessary to "study how to incorporate development objectives into the commitments of third world countries in the internal support field for taking account of the efforts made to increase productivity and food security as well as of the need to protect small farmers and those who practise subsistence farming" (see Box: Group of 77 Preparatory Committee...). Some countries have put forward the idea of a sort of "development box", which would be provisioned with resources to be earmarked for financing development projects...

Throughout the Mediterranean this idea can come close to the idea put forward by the Ministers of Agriculture of the Ciheam member states at their third session in June 2001 already referred to above. It consists of setting up a Mediterranean rural development programme with the assistance of the European Union, which would have the characteristics of the Leader programme that has been such a success, particularly in the Mediterranean countries of the EU (see Box 3.2). It is agreed by all that even if no changes were made the "green box" could take account of the food security imperative more effectively in countries where food dependence is steadily growing.

This being so, the SEMCs are also very interested in the above-mentioned Euro-American debates more or less for reasons concerning export subsidies which have already been underlined. For since most of them are net importers of essential commodities any support which results one way or another in putting pressure on the international prices of the commodities imported by the SEMCs is supposed to be of advantage for them. The US support system should interest them in particular because it tends to push the prices of major crops down (cereals, oilseeds, etc...) without American farmers having to really suffer the consequences. It is also true that an assessment of this nature could be qualified if one takes account of the

reservations already mentioned as to the risk that such prices might adversely affect local production. The result is that those who are sensitive to this aspect may tend more to prefer the "blue box" system (with a less direct effect on prices).

Box 3.2 – A pilot action programme "Mediterranean Leader"

With regard to the establishment of a **pilot action programme for sustainable rural development in the Southern and Eastern Mediterranean countries** the Ministers and Heads of Delegation approved the programme of work that had been elaborated within the Ciheam framework.

They expressed the hope that the donor countries, and in particular the members of the European Union and of CIHEAM as well as the international institutions operating in the region such as the World Bank, the IFAD, etc, would grant the necessary funding for running this programme of pilot action through the funds which they devote to cooperation in the Mediterranean region.

In the initial phase the aim will be to set up actions in a limited number of zones in the Southern and Eastern Mediterranean countries; these actions would be interlinked and would cooperate with other zones situated in countries in the North to be selected from amongst the target zones of the international cooperation component of the European LEADER programme. The ultimate objective of such action would be to set up a **Mediterranean rural development programme** with the assistance of the European Union as soon as possible, which would have the characteristics of the LEADER programme of the European Union and could thus become the **"MEDITERRANEAN LEADER"**.

Extract from the Final Declaration of the third meeting of the Ministers of Agriculture of the Member States of the International Centre for Advanced Mediterranean Agronomic Studies, Athens, 1 June 2001.

3.2.4 - Non-trade concerns

The Marrakech Agreement on Agriculture recognised the need to take certain questions into consideration which are not trade concerns when the forthcoming negotiations were resumed. But Article 20, in which this idea was put forward, was very careful to avoid defining these "non-trade concerns".

However, even in the negotiations of the Uruguay Round it was readily agreed that security of supply is a non-trade concern. Attention will thus be focused on all of the issues which fall within the concept of the multifunctionality of agriculture and which would give this debate a special slant. Food security will thus be proposed as part of these non-trade "dossiers".

MCs possibly share the opinion that they cannot be considered as low cost producers of basic agricultural commodities and, instead, small-size farming is crucial for the social stability of rural areas. In developing MCs, a pro-small

farming policy might contribute to the reduction of poverty in rural areas. However, to some extent, developing MCs do not share the same approach on non-trade concerns as the EU. In fact, there is a fear that multifunctionality, as applied by the EU (see CIHEAM report, 2000) could result in the introduction of measures that can be used as an escape clause by developed countries to avoid further liberalization in export subsidies, domestic supports and market access. While most MCs might share the view that small farms are basic for the social and environmental stability of rural areas, **there is no consensus on the means to achieve the non-economic objectives of agricultural policies**. The 2000 CIHEAM report stressed the fact that the “green box” measures, which are useful to deal with multifunctionality in rural areas, could become a sort of privilege for countries that can afford such kind of payments without falling in high fiscal deficits. When multifunctional policies are applied through public budgets developing countries are in a disadvantage, as stressed by the Moroccan proposal.

The difficulty here is in fact not so much the scope of the field covered by non-trade concerns but lies mainly in the fact that it is very tempting to use them as a pretext for providing unjustified support and thus excessive protection for agriculture. It is these risks of exploitation for purposes which are often absolutely commercial, rather than the principles per se, which calls the divergences in views and thus in the positions held and proposals made in this field. When Japan, for example is seeking to focus a major part of the negotiations on non-trade concerns so that special attention can be devoted to them, the Cairns Group, on the other hand, is tending to dismiss them, that is to say, to minimise their importance and if need be to simply class them in the "green box". The European Union and the United States seem to be adopting a more open attitude steering a more or less middle course, although it is not to be denied that the European Union favours multifunctionality.

In view of their situation of food dependence, most SEMCs are obviously very sensitive to the question of security of supply, and this state of affairs is bound to determine their negotiating position. Their attitude to the question of multifunctionality is less clear-cut. Defended by the EU and several other rich European countries (Norway, Switzerland...) and often presented by the press only under its aspect of "protection of the countryside" and "landscape conservation", multifunctionality was misconstrued from the outset both in the Southern Mediterranean and indeed throughout the third world. At best it was perceived as a simple "whim of the rich", and at worst as a veritable protectionist Trojan horse...

But it must be stated that thinking has gradually evolved and that this perception has improved. First of all because the advocates of multifunctionality have made efforts in the educational field and have thus explained it better. And secondly - and this is the main reason - because each party has discovered the advantage it could derive from it. For over and above the obvious fact that the agricultural sector is a specific sector with a necessarily "multifunctional" role it is clear that, basically, in the Southern countries the content of multifunctionality programmes overlaps with what has become the major and inescapable imperative of any development

strategy: rural development. Since the concept is proving to be sufficiently broad and flexible to be adapted to the realities of the SEMCs and to take account of their priorities, it is hard to see who could refuse to adopt it.

And indeed this seems to be the course embarked on in the Euro-Mediterranean area. For at their last session (in Athens on 1.6.2001) the Ministers of Agriculture of the Ciheam member states not only underlined the advantage of defending the specificity of agriculture and its multifunctional role "whether in developed or developing countries" but also pointed out that the protection of the various functions connected with the concept of multifunctionality (social, economic, food-related, cultural and environmental functions) requires developing countries to make efforts which they can ill afford. And in their final declaration they added that "certain delegations have put forward the idea of promoting solidarity amongst developed and developing countries by creating a fund which would be provisioned by the developed countries and earmarked for financing aspects related to multifunctionality in developing countries" (see Box 3.2). Of course the idea is still expressed very cautiously and it is merely stated that "certain delegations have put forward the idea", but one can imagine that the idea will gradually gaining ground as the negotiations progress. At all events, one thing that is certain is that the position of the SEMCs in this respect could be determined to a large extent by the ability of the negotiating partners to give this concept of multifunctionality a "southern slant". In which case the concept would not only be adopted by the SEMCs but could even constitute an effective framework for their agricultural and rural development policies.

3.2.5 - Special and differential treatment

The need to reserve special treatment for developing countries has been recognised in GATT since 1967, when Part IV on "Trade and Development" was inserted into the text of the General Agreement. The special and differential treatment included in the Marrakech Agreement on Agriculture thus merely extended this intention and gave the concept a "selective" content in a specific context. We have seen, however, that this "solution", which was introduced in 1994, has proved disappointing because it is considered virtually by all to be insufficient and inappropriate.

Although no one contests the principle per se, it has to be admitted that the question of the content it is to be given, the content which will be the most appropriate for resolving the problems of as many developing countries as possible, nonetheless still remains unresolved. For the difficulty lies first of all in the fact that developing countries are far from being a homogeneous group and they can even differ widely on a number of problems. Already in the previous round of negotiations the positions of the exporting countries which are members of the Cairns Group were far from tallying with those of the net importers. Today there are even more developing countries in the WTO and, as we have already seen, the

complexity of the questions under debate and the cross-linking of the interests of the various parties reduce the possibilities of reaching a broad consensus on strong unifying proposals.

The result is that the "picture" is now even more fragmented. The Cairns Group countries remain essentially polarised on the opening of markets - of both developed and developing countries for that matter - and they therefore regard the special and differential treatment with regard to market access conditions, conditions of export subsidisation or internal support at best as secondary (subsidies and internal support) or, at worst, as dangerous (market access). On the other hand, the voices of certain countries such as India, Pakistan and Kenya, which advocate a certain degree of "positive discrimination", are becoming louder. These countries are asking the developed countries to open their markets, abolish export subsidies and reduce internal support and at the same time they are demanding the possibility for developing countries to raise their tariffs, subsidise their exports and increase internal support where necessary for the benefit of their farmers and to do so in the name of special and differential treatment.

Between these two groups many developing countries will develop positions somewhere in the middle which correspond to realities in their own specific situations, the status regarding balance of power, the compromises that can be found within a given coalition or regional group, etc.

Given the complexity of their situations as explained above, the **Southern and Eastern Mediterranean countries** should fit into the range of "middle-of-the-road positions". Objectively this question can form a test of the will on either side of the Mediterranean to make progress in the regional construction process. If this will is confirmed it should be possible to build up the terms of a compromise around two key ideas. The first is to consider the question of special and differential treatment to be an integral part of the negotiations so that action can be taken before the measures are taken and not "after the event" as was already the case in the previous round of negotiations. The second idea is to base the "treatment" on development criteria and not only on "terms" and exemptions which are fairly broad but nevertheless uniform and vague. Any efforts to liberalise markets would thus only be required in accordance with the tangible progress and measures achieved on the road to the economic and social development of the countries concerned.

3.2.6 - The "new subjects" of the negotiations

In addition to the traditional subjects of the multilateral negotiations, that is to say market access, export subsidies and internal support, the European Union has put forward four new subjects for negotiation, two of which concern market access and two concern non-trade concerns. These subjects are as follows:

- The extension of the existing protection of the description and designations of wine and other agricultural produce
- Consumer protection
- Food security
- Animal welfare

And the United States has proposed "new technologies" as a new subject to be integrated into the negotiations.

With regard to the first point, the European Union, which has an advanced system for protecting the description and designations of foodstuffs, would like to extend this system at the international level, whereas at the present time only wine benefits from such a protection mechanism. The advocates of consumer protection consider that information on the products offered which is as full as possible is a sine qua non, and this brings up the thorny issue of genetically modified organisms (GMOs). The discussions are liable to come up against the problem of labelling in particular, which the Europeans would like to make compulsory but which can be against the present rules of the WTO if it comprises production procedures of which there is no longer any trace to be found in the product itself or if it makes a distinction between imported products and similar local products.

During the previous round of negotiations the rules on food security were treated within the framework of the SPS Agreement on the Application of Sanitary and Phytosanitary Measures. Although the EU does not want to renegotiate this agreement (which the United States refuses to do, moreover), it states that it is simply seeking to amend it by means of certain clarifications which have become necessary, in particular regarding the "precautionary principle". The fact nevertheless remains that many rules that were laid down in the SPS Agreement have proved to be vague in practice and the "jurisprudence" which specifies the rules for its application does not satisfy every country. Some countries want the periods allowed for bringing measures into conformity with the rules to be shortened. Others, on the other hand, want the SPS Agreement to be revised to allow for more sovereignty in the choice of a level of product safety.

The EU is also devoting attention to animal welfare and proposes that an agreement be concluded laying down international standards in this field, measures to open the "green box" to expenditure justified by the protection of animal welfare, and the introduction of labelling providing information on animal welfare during farming and transport.

The United States proposes that the scope of the "green box" be broadened by including expenditure on support for new technologies. But here again the debate boils down essentially to the problem of genetically modified organisms. This is the case in particular when the United States insists on the need to ensure that procedures relating to trade in products deriving from "new technologies" are

transparent, foreseeable and timely, it being understood that it is the procedures for Community approval of GMOs which are intended in this case.

All of these questions have their importance for the **SEMCs**, even if they can sometimes give the impression of being only "problems of the rich". It is true that, taken on the whole, most of the proposals under discussion could constitute precious assets in international competition if adopted, but they would also be likely to entail new constraints and new costs which could seriously handicap these countries if they are unable to bear them and to conform to the standards and rules established. Many SEMCs, for instance, could benefit from the protection of the description and designations of foodstuffs with a view to implementing a new marketing policy geared to quality, designations of origin, "local products", etc.

The labelling rules, on the other hand, could prove a handicap if these countries are unable to conform to the standards that are imposed concerning quality, environmental awareness or animal welfare. Using the "green box" yet again to cover certain costs (animal welfare, support for new technologies, etc) could - more or less contestably - reduce the competitiveness of rival foreign products which have been unable to benefit from the same means, whereas they will be required to meet the same standards...

This question of "standards", incidentally, has come to form the core of the international negotiations and has become so crucial that it must also be placed within the framework of the strategies of the principal competitors. Although standardisation could obviously be a means of remedying market shortcomings, the fact remains that it can also be a factor of a policy of product differentiation through which "direct confrontation" with competitors can be avoided as far as possible. The choice of standards then becomes a strategic issue. The harmonisation of norms or standards is admittedly a means of reducing the negative effect of a certain degree of "looseness" on this lever, but the heterogeneity of crops and traditions in the various countries and the cost entailed in modifying regulations may put a brake on this development. Factors specific to the realities in each individual country always speak for maintaining relatively specific "national regulation". In a world where tariff protection is on its way out it is sometimes very tempting to resort to national regulations in order to engage in a disguised form of protectionism.

It is thus understandable that "national margins for manoeuvre" and the "discrepancies" to be tolerated between international standards and national regulations become a crucial issue in trade negotiations, and growing attention will be devoted to regulation aspects, particularly since they are going to become increasingly complex.

3.3 - A comprehensive Round?

The situation of SEMCs as middle-income developing countries puts them in a difficult status at the WTO talks because they base most of their expectations of success on the market access in developed countries. They probably hope that the SDT clause will provide them with a certain degree of flexibility in the implementation of commitments. However, the history of the agricultural negotiations shows that developing countries have faced strong political difficulties to negotiate the opening of their agricultural exports to most developed economies. Moreover, the EU has advocated for long the launching of a comprehensive Round of negotiations, which would include the discussion of a broad range of issues, such as social standards, food quality, investment, environment and competition.

Within this context, a communication, adopted by the European Commission on July, 2001, proposes action at European and at international levels, to support the effective application of core labour standards at global level, including the WTO (European Commission, 2001). The Commission poses this question without any apparent link with trade sanctions. However, there is always a fear by developing countries that a comprehensive Round could be used to mix social standards with trade measures. For the moment, the Ministerial Conference at Doha launched a broad work programme that includes negotiations on a range of subjects (agriculture, investment, services, competition policies, intellectual propertie and public procurement), but excludes the consideration of social standards in the trade talks.

It is for sure that the agricultural talks will not be the same if they were to continue according to Article 20 of the UR Agreement on Agriculture (as an independent negotiation) as if are framed by a wider range of issues within a broad work programme. In this case, the targets of developing partners can be treated as politically "tradable" with developed countries' targets. In this exchange, it is not sure that developing countries will meet their expectations on market access to agricultural products. As indicated above, some developing countries have already stressed the need for embodying the special and differential treatment as an integral part of all elements of the negotiations. One additional alternative would consist of creating a new financial tool of solidarity between developed and developing countries in the form of a new development fund. This fund could then become a new variable of the negotiation, although developed countries are reluctant to consider this possibility within the framework of WTO.

Most SEMCs have negotiated and approved Association Agreements (AAs) with the EU, and this makes them eligible for tariff preferences at the EU market and financial support, within the Barcelona process. This poses the question about the right strategy for these countries to insert into the world trading system. As we indicate below, tariff preferences have been subjected to a number of criticisms, mainly because some trade-distorting measures, such as the entry price and import certificates still apply with tariff preferences, affecting SEMCs' exports seriously.

On the other hand, financial resources, although increased with the MEDA II framework, might not be sufficient to face the needs for restructuring of SEMCs economies, as a result of the implementation of the AAs. As we argue below, disappointment on the Barcelona process could make SEMCs trust more on multilateral liberalisation rather than on regional liberalisation (see below).

SEMCs are not in the LDCs group, and therefore, they don't benefit from initiatives such as the "Everything But Arms" (EBA) launched by the European Union at the 3rd UN Conference on LDC, held on May 2001. Such initiative represents an ambitious proposal of the European Union, addressed to the poorest countries, orientated to provide them with free market access. The WTO trade negotiation for SEMCs is independent of such initiative.

The above considerations can be summarised by stating that **consensus cannot be taken for granted among the different MCs, as far as WTO are concerned**. However, there can be adequate moves towards consensus if appropriate actions are taken in order to:

(i) consolidate the Mediterranean as a regional market for agricultural products
(ii) redefine the agricultural policies according to rural development objectives
(iii) enhance the instruments of global solidarity through the reform of global institutions, the financial solidarity and the strengthening of co-operation institutions in the region

As far as the agricultural sector is concerned, the Doha conference left the results open for the current negotiations. The Ministerial declaration does not include a explicit endorsement of some EU proposals suchs as the multifunctionality concept and the possible prolongation of the "peace clause". However, the declaration takes note *of "the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture*". While the phasing out of export subsidies is viewed as a goal, the declaration refers to "all forms of export subsidies", taking thus into account the EU concerns. The declaration point to a special and differential treatment that can be "*operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development*". However, the declaration explicitly mentions that the outcome of the negotiations is not prejudged, so things appear fairly open at present.

Box 3.3 - Reference to agriculture at the Doha declaration

We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 Members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

(From Ministerial Declaration at Doha, 14 November 2001)

4 Issues on EU market access

We next refer to some issues on agricultural trade between SEMCs and the EU. Although these issues have a lot to do with the regional liberalisation, they clearly influence the political stance of the MCs with regards to the multilateral negotiation. These problems have become an issue in both regional and multilateral context. It is worth noting that the Euro-Mediterranean process is not static and that agricultural provisions of the AAs between Mediterranean partners and the EU can be subjected to revision, as it has been the case of the entry price system for some Mediterranean countries. The re-negotiation of the agricultural chapter with Morocco, Israel and Tunisia was resumed in 2000, with some specific results for the last country.

4.1 - EU market access for Mediterranean products

In the most important "Mediterranean" sectors –olive oil and fruit and vegetables-, import duties are applicable within the limits imposed under the Uruguay Round Agreement. EU imports of olive oil are subject to high specific tariffs in the range from 1194 to 1737 Euro/t resulting from the Uruguay Round (UR) process of tariffication of the former variable levies. Fresh fruit and vegetables are subject to *ad valorem* MFN tariffs from zero to 21 per cent. Duties are generally higher for some "sensitive" products and during periods of peak EU production.

Additional duties can be applied and only suspended if certain "entry prices" are respected: these, as well as duties have been progressively reduced under the Uruguay Round provisions, but remain high for some products and seasons. Under the "entry price" system, the EU charges additional duties, if the import shipment concerned undercuts a minimum import price. These additional duties are high enough to provide a strong incentive to the importer not to undercut the minimum import price, and an economic rent results in many cases (when the CIF import price is below the minimum import price). This rent accrues to the importing or exporting companies - depending on their negotiating position. Implicitly, the minimum import price defines a maximum import quantity and therefore has an effect similar to that of a voluntary exports restraint (see Grethe and Tangermann, 1998b for a discussion of the entry price system). For processed fruit and vegetables, the EU applies a mixture of specific and *ad valorem* tariffs. For typical temperate-zone products like meat, dairy products and cereals, the EU applies high tariffs, which are prohibitive in many cases. These products, however, are not of export interest to SEMCs, with few exceptions. Another product of export interest for some SEMCs is cotton. EU imports are free of duty but it is worth noting that EU cotton growers benefit from a "production aid" that is calculated as the difference between a "guided price" and the world price. The CAP expenditure per hectare amounts to over 2000 Euro per hectare (Garrido and Mesquida, 1997).

This subsidy is considered an “amber box” measure, what means that it will probably be challenged and subjected to adjustment as the result of the current WTO negotiation.

4.2 - The scope for trade preferences

All the AAs include preferential agricultural trade. It has to be noted that in some cases, the commercial sections of the AA have partially or wholly been set in force provisionally, before ratification. The formal structure in all AAs is very similar, although they may differ in the specific quantitative parameters of trade concessions in agriculture (tariff reduction, products covered and quantitative limits). The tariff concession is 100 per cent for many products, with smaller reductions for some “sensitive” products. Studies on trade preferences to Mediterranean countries suggest that tariff concessions are usually designed more to freeze traditional flows than to push export dynamics of agricultural exports from MC to the EU (Alvarez-Coque and Bautista, 1994). There are some reasons for such conclusion. First, the concessions tend to be more generous for products and seasons in which EU imports do not compete directly with domestic production. Second, tariff preferences (or entry price reductions) are very often granted under quantitative limits in the form of tariff quota (TRQ) or reference quantities (RQ). In the case of TRQ, the whole MFN tariff or a percentage of the MFN tariff is applied. For quantities exported in excess of RQs the tariff concession (and not the MFN tariff like with TRQs) is still to be applied, but the EU reserves the right to convert RQs into TRQs at the same level. For products where tariff reductions are granted without a quantitative limit, the EU reserves the right to set limits later if imports caused "difficulties" on EU markets. The EU has never applied none of these both provisions.

In some cases exports in excess of TRQ, or future TRQ resulting from the conversion of reference quantities, are not eligible for any tariff reductions. In other cases lower tariff reductions apply to exports exceeding the TRQ. Some TRQs and reference quantities have been increased by four equal steps of 3 per cent annually during the first four years after the AAs were concluded. Finally, for some products the EU reserves the right to define reference quantities at any level if the volume of imports "threatens to cause difficulties on the Community market".

If the quantitative limits are binding (i.e. increased tariff for excess quantities), the preference margin does not involve a gain in market shares. Here the preference is at most an economic rent, which is attracted by the “owner” of the import licenses allocated for trade under the tariff-quota. It is true that exporting countries benefit partially from that preference, but it is not clear which part of the additional income represented by the tariff concession really flows to the exporting country.

Therefore, the economic gains for a preferential country will largely depend on the existence or not of binding quantitative limits for the tariff concessions. When this

limit does not apply, the exporting country has the choice of either attracting the preference margin or selling at a lower price and therefore gaining a larger market share (Tangermann, 1997). When the limit is binding, any economic rent from the preference will be transferred to the EU.

Previous studies on other AAs have shown that the newly negotiated quantities can largely be explained by either past trade flows or "traditional flows" (Tangermann, 1997, pp. 27-30). However, there must have been some flexibility in the negotiations. For example, in the cases of onions from Morocco and Israel and wine from Tunisia, actual TRQs exceed both past trade flows and quantities agreed in former agreements. On the other hand, for some sensitive products the EU did not raise TRQs that had regularly been exceeded in the past (for example olive oil from Tunisia) or introduced new TRQ far below past trade flows (for example tomatoes and preserved turkey meat from Israel). After a comparison of concessions within the different AAs, Grethe and Tangermann (2000) noted the huge variety of tariff cuts and quantitative limits. In the case of Israel only for 61 per cent of the products/product groups subject to preferential tariffs, tariff reductions were granted without quantitative limit, whereas this ratio was 89 per cent for Palestine and 90 per cent in the case of Tunisia. These differences could indicate that the EU felt a stronger need for quantitative limits in the case of countries with a higher export potential not yet exhausted.

Table 4.1 shows some examples of quantitative limits, under the current EU regulations, for some Mediterranean products. It can be seen that the actual exports have exceeded the quantitative limits in some cases, such as tomatoes for Morocco, cut flowers, new potatoes and tomatoes, for Israel, olive oil for Tunisia, concentrated tomato for Jordan, and new potatoes and oranges for Egypt.

Table 4.1 - Export quantities to the EU and quantitative limits (TRQs and RQs)

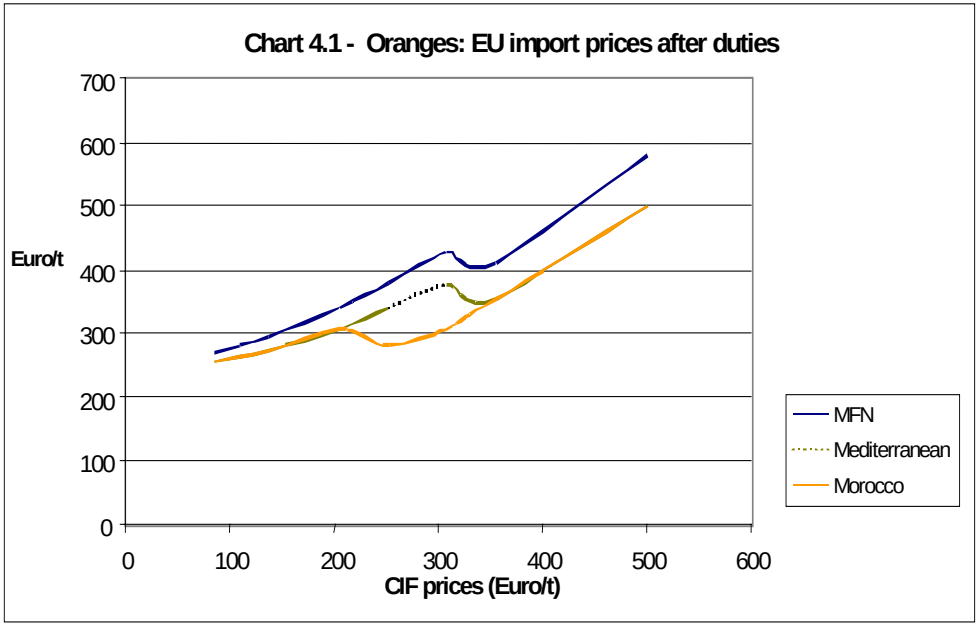
	Cut flower	New potatoes	Tomatoes	Concentrated tomato	Olive oil	Oranges
Morocco						
Exports						
1998	1992	26322	177825	1138	1358	206960
1999	1728	80183	195195	685	9492	195315
Limit	5000	120000	168757		a	380800
Israel						
Exports						
1998	40374	64514	10155	488	6	93420
1999	33636	81442	11633	377	17	69971
Limit	20100	22400	1000			200000
Tunisia						
Exports						
1998	25	783	1363	240	89576	22807
1999	71	5399	1032	705	139980	20815
Limit (*)	1000	16800	b	2500	46000	35123
Jordan						
Exports						
1998	2	0	71	5583		0
1999	0	0	57	4030		0
Limit	100	1000	c	4000		
Egypt						
Exports						
1998	98	197428	276	2	0	8562
1999	146	128247	227	2	0	6518
Limit (**)		109670	non limited			8000
Syria						
Exports						
1998	0	388	0	0	1	0
1999	0	37377	0	0	489	25
Limit						

a: 5 to 10 per cent of tariff reduction
b: tariff exemption for period between 15/11 – 30/4
c: tariff exemption for period between ½ – 30/4 No exemption
(*) Before the 2000 review (**) Before AA signature

Source : EUROSTAT and Existing agreements

4.3 - The "preferential" entry price

In addition to tariff preferences, significant reductions of entry prices for limited quantities of some products have been negotiated with Morocco. The arrangements for importing oranges originating in Cyprus, in Egypt and in Israel into the Community has been adjusted by the Agreements in the form of an Exchange of Letters, including also a reduction of the entry price for this product. Reduction in entry prices enables the countries concerned to supply products to EU markets at a price significantly below that of shipments originating from other countries. However, this benefit must be qualified by the fact that entry prices faced by non-preferential exporters also will be reduced at the pace bound by the EU under the WTO. Thus, preferential status of these countries will suffer a certain degree of erosion due to multilateral liberalisation within WTO. Figure 5 provides an example on to what extent the reduction of the entry price system can involve an economic rent for the preferential supplier.



The figure shows the result of a simulation of the import prices after all border duties have been paid for the case of oranges (between 1/12 and 31/3). In the border duties we include:

(i) the additional levy, which will result of the application of the Special Safeguard Clause (established by the Uruguay Round for the "tariffied" products),

(ii) the additional duty derived from the application of the entry price system when import prices are sufficiently low, and
(iii) the "normal" or *ad valorem* tariff.

Morocco is a preferential country, so within a TRQs there is an entry price reduction (from 354,2 Euro/ton to 264 Euro/ton) and a 100 per cent of rebate of the *ad valorem* tariff. Obviously, within the TRQ, there is a clear price advantage for Morocco against other suppliers. Such price advantage or preference margin can reach 28 per cent against MFN suppliers, and 19 per cent against other preferential countries that don't benefit from the entry price reduction. On the other hand, it is not clear the extent to which the preference margin is captured by the exporting country. When import licenses are established (see next section), the distribution will depend on the method adopted to allocate licenses within a TRQ (the owner of the license will own a"quota-rent"). If the licenses are issued to European traders, as it is normally the case (Grethe and Tangerman, 2000), the exporting country would lose a part of the economic rent. On the other hand, as the same authors point out, the entry price system acts as an invitation to the exporting countries to co-ordinate exports through export agencies. This could avoid that a part of the economic rent be transferred to European operators.

4.4 - Import licensing system

When TRQs are established, one problem is related to the administration of the system. In the case of fruit and vegetables, the normal case is when preferential TRQs are administered on a first come first serve basis, i. e. no licenses are issued and the full MFN tariff is charged when trade flows exceed the TRQ. According to Grethe and Tangermann (2000), this system may also tend to transfer a part of the economic rent to the importing company, as this could offer prices on the worst-case assumption that the full MFN tariff has to be paid, at least when there is a risk of exceeding the TRQ.

For some products, such a courgettes and tomatoes, the EU and Morocco reached an agreement in the form of an Exchange of Letters, which established that Morocco would undertake not to export more than the agreed tariff quotas. The European Commission reserved the right to establish the issuing of import licenses if the export flows exceed the agreed quota. The system had a test on October 1999 when the tomato exports from Morocco to the EU exceeded by 190 per cent the amount agreed for such month. Import licenses were then issued by the Commission (EC Regulation Nº 2767/1999 of December23, 1999). Import certificates are only thought to control whether or not the MFN tariff has to be applied, but it itself acts a non-trade barrier. During January the Moroccan tomato exports dropped dramatically and one month later the voluntary export control system was established again. However, the European Commission proved to have effective means to limit imports when market perturbations are felt in the EU wholesale markets.

One of the fundamental issues raised on that occasion was how the specific advantages granted by virtue of the 1995 Association Agreement within the limits of specific quotas should be interpreted : is this "preference" connected with the bilateral agreement exclusive of the general rules allowed in the WTO for any other "ordinary" trade partner? In other words, is the quota imposed within the framework of the bilateral agreement "absolute", never to be exceeded even when quantities exceeding the level fixed are marketed on WTO terms and not on the terms of the bilateral agreement? Or is this quota merely "relative", attached to the advantages which are connected with it so that when exceeded only those advantages are forfeited? In the latter "tomato affair" the EU Commission's interpretation seems to have favoured the first point of view considering that the mutually agreed quota is a global quota which must not be exceeded even under the entry price conditions of the European offer to GATT/WTO (which do not comprise any particular advantage). Morocco contested this interpretation, considering that it is not only excessively restrictive and damaging for the development of the Moroccan exports concerned but also that it deprives Morocco of "common rights" granted to all within the framework of the multilateral system governed by the WTO so that, rather than presenting an opportunity and opening up possibilities, an advantage ensuing from a bilateral agreement would become a constraint and would add further obstacles to the country's exports.

The issuing of import licenses remains a sort of non-tariff barrier. It is true that if licenses are automatically granted, they don't impose a restriction by themselves. However, the case of Syrian cotton yarn exports to the EU show that the simple issuing of automatic import licenses could become a “psycological” trade barrier. After a surge of Syrian exports of cotton yarn to the EU market (7 million Ecu in 1995-1997 to 19 million Ecu in 1997-1999), the European Commission attributed such increase to the drop in Syrian export prices over the last three years. In April 2001, the European Commission introduced import licenses as a tool for a monitoring system. While the Commission theoretical intention was to track the exports, the import licenses were observed in Syria as an indication that more stringent measures could be taken. The fact that Syria is not a WTO member makes it difficult a balanced solution of the dispute.

4.5 - Rules of origin

The definition of the product origin may limit substantially the extent to which a SEMC exports to the EU will actually benefit from the preferences granted in the agreements. In order to benefit from preferential treatment, imported goods should meet the legal rule of origin. Rules of origin have, of course, their logic, which is to avoid the diversion of trade in a free trade area. However, the EU has a very strict system of rules of origin that define degrees of “sufficient transformation” to be met for a product in order to be declared as “originated in X country”, and therefore, eligible for a tariff concession.

Cumulation of rules of origin allows for imports from regional partners to be included in the determination of the local content, according to specific rules. In the context of the Euro-Mediterranean FTA, three kinds of cumulation are used: full cumulation, diagonal cumulation, and bilateral cumulation. With full cumulation, any kind of processing operations carried out in any country of the region is counted as local content, irrespective of whether it is sufficient to confer the originating status. To benefit from preferential treatment it would be enough that all the processing operations, carried out in the countries of the region, constitute a sufficient transformation. With diagonal cumulation, the products that originate in other country of the region can be counted as a local content when they are used for a processing operation in the country in question. Bilateral cumulation holds when the products originated in one of the partners of a bilateral relation are processed in the other partner. Thus, a European supply would be considered as a part of the local content of the partner's manufacture.

Clearly, in the context of Euro-Mediterranean integration, the SEMCs' interests should favour full cumulation. The European Union has been reluctant to apply this approach, which has only been allowed for the countries of the Magreb. Regional full cumulation to the Near East countries is conditioned to the conclusion of the FTA among these countries. In order to encourage this process of sub-regional co-operation among the partners concerned the European Commission has called on the Mediterranean partners to adopt the harmonised protocol on rules of origin (as already accepted with Jordan and the PLO), as a basic condition for the functioning of a system of diagonal cumulation between all partners. Full cumulation will only be implemented once it has been demonstrated that all Mediterranean partners are correctly implementing the rules for diagonal cumulation.

Rules of origin have been defined bilaterally between the EU and Mashrek countries. This may involve a constraint for undertaking successive processing operations in different countries in the area before the final product is reexported by these countries, with a tariff concession. It is worth noting that rules of origin tend to be stricter for textiles and for certain agrofood products (cereal derivatives and dairy products) than for products not produced in the EU (tea and coffee). When rules of origin are very strict and complex, a country with limited industrial base will not draw full benefits from the AA. It is clear that there is here a huge scope for Euro-Mediterranean co-operation concerning custom operations, and with the simplification and harmonisation of rules of origin among different partners of the Euro-Mediterranean space.

4.6 - Agricultural component and tariff escalation

For industrial products the EU has granted free access to its markets except for some categories of textiles and some processed agricultural products (the so called "non-Annex II products"). Some of the processed agricultural products (so called Non-Annex II products) are protected in the EU by an agricultural component plus an industrial component of the tariff. Under the AAs tariff concessions are granted for the industrial component of the tariff. The “industrial" component of processed agricultural products exported by a SEMC to the EU enjoys a preference. However, the agricultural component may be maintained for most Non-Annex II products. The European protection will still apply to the "agricultural" component of these commodities, especially for “sensitive” products, unless the "basic agricultural product" receives a preference and the agricultural component is reduced in line with the agricultural preference. Almost no "basic agricultural product" receives any preferential treatment because only dairy products, cereals, rice and sugar are basic agricultural products for the calculation of an agricultural component of a tariff on a processed agricultural product. These are products for which, except for durum wheat, no tariff concessions are granted to Israel, Jordan, Morocco, Palestine and Tunisia. Consequently, tariff escalation remains an important barrier for processed food exports from the Mediterranean countries to the EU. This issue is, of course, important for SEMCs, for which the EU market could become a source of export diversification towards food processing.

4.7 - Trade and social conditions

The WTO Conference held at Singapur on 1996 left the discussion on the relations between trade and labour conditions, aside the WTO agenda. The 1998 CIHEAM report referred to this issue by recognising that Southern European farmers usually refer to “dumping social” as a major argument against the creation a real Euro-Mediterranean market for agricultural products. At the Seattle conference, the EU and the US pushed to include core labour standards, such as child labour and the right to unionise within the WTO. This was opposed by developing countries who feared that it masked a protectionist agenda.

In the mentioned communication by the European Commission on social standards, the EU proposed a high-level international dialogue, with the participation of international organisations -the ILO and the World Trade Organisation, as well as development organisations such as United Nations Conference on Trade and Development (UNCTAD), the World Bank and the United Nations Development Programme (UNDP). According to the Commission, this international dialogue would help identify best practices and policies that will further the contribution of trade to social development world-wide. The Communication sticks to the principle of rejecting any use of core labour standards for protectionist purposes or putting into question the comparative advantage of low-wage developing countries. The Commission also recognises the importance of

private voluntary initiatives. However, it also suggests that core labour standards should have their place in bilateral agreements between Europe and third countries, in the form of "social incentive" scheme.

The 1998 CIHEAM report emphasised on the diminishing importance of labour costs on the competitiveness of Mediterranean products, and the fact that export performance increasingly depend on non-price factors, logistics, quality and marketing organisation. This is consistent with the increasing market segmentation of horticultural markets, with the large variability of the technological contents at the production of fruit and vegetables, and with the need for industrial economies to get more involved in service activities for which they enjoy comparative advantage. Any link between trade policies and social conditions could open a gate to discretionary policies, influences by protectionist interests. Any difference in production costs, which is one of the sources of trade, could be attributed to differences in social conditions. About this matter is difficult to get a universal consensus, although the dialogue on core labour rights should continue (in fact it is indispensable) within the framework on UN institutions.

However, social conditions still remain as a source of misunderstanding along the discussions on agricultural trade. This was reflected in the Euro-Mediterranean Conference on agriculture, held on 14 and 15 of June of 2001 at the European Parliament (Strasbourg), with collaboration of the International Federation of Agricultural Producers. The discussion showed that the abuse of references to level playing field in agricultural trade could end up in non-cooperative situations, even inside the EU territory[21]. Most participants in the Conference, producers and Parliament members stressed the interest in considering the inclusion of agriculture into the Barcelona process, although within the framework of a "controlled liberalisation"[22]. In addition, quality and diversification seem to be the two key words that might contribute to overcoming the conflict between production costs and competitiveness[23].

[21] During the discussions, one opinion illustrated how this matter could become a Pandora's box, when there was a explicit reference by one Parliament member to the need to preserve farm incomes from the "agricultural dumping" by partner countries but also by Mediterranean Member States.

[22] See speech by Luc Guyau, President of IFAP.

[23] See Commissioner Fischler.

5 Multilateralism as an alternative to the Euro-Mediterranean process?

The policy implications for Mediterranean Countries from WTO negotiations cannot be discussed without reference to the regional integration process. Given the significance of the Barcelona process, understanding the consistency between the regional and the multilateral strategies becomes necessary. There is no point in reviewing the question on the potential for an efficiency-improving outcome of the regional initiatives in the Mediterranean area. There are a number of empirical studies giving significant evidence that in the regional trade agreements of the new generation (eg. NAFTA, Mercosur, EU expansion) the trade creation has exceeded trade diversion (Chaherli, 1999). Therefore, from the viewpoint of economic efficiency, the regional integration is consistent with a multilateral, more liberal, trading system. Regionalism and multilateralism also give rise to similar problems of global dimension, such as income inequalities and environment. Thus, in fact, regionalism and multilateralism can be discussed as two dimensions of globalisation.

Many MCs have expressed the wish to strengthen their links with Europe, but at the same time, aim at maintaining good relations among them, what is frequently known as the South-South approach, eg. The Arab Free Trade Area AFTA initiative. Another possible choice for them is between bilateral and multilateral liberalisation. All the MCs face the similar choice, even those countries that are not WTO members.

5.1 - An unbalanced process

A common fact of both dimensions of globalisation is the special status of agriculture in the context of the schedules of liberalisation. **The Barcelona process has excluded agricultural products for the same reasons they have been given a special treatment in the Uruguay Round Agreement**. However, as in the multilateral process, Mediterranean countries don't necessarily share the same views on the way that agriculture should be treated. Our hypothesis is that **the fact that agriculture has been excluded from the FTA in the Barcelona process may force non-EU Mediterranean countries to be more active at the multilateral scene**. As suggested by Lorca and Escribano (2000), a major obstacle to Mediterranean integration is the co-ordination problem. And the lack of co-ordination at the regional level becomes a source of lack of co-ordination at the multilateral level.

Let us refer first to the regional process. For SEMCs, the participation into a regional integration scheme with the EU involves a challenge of significant impact. Several forces threaten the potential benefits for SEMCs from such scheme. Firstly,

manufactures. Until local industry responds with increased efficiency and quality, consumers in SEMCs will likely increase their consumption of imported European goods, as a result of trade liberalisation. Even in agricultural and food products, where SEMCs are supposed to enjoy comparative advantages, the EU positive trade balance (611 million euro in 1999) could increase. Further trade imbalances may occur as in, a sometimes painful, reorientation of resources and industrial production for the long-term benefits.

Static welfare benefits from the Euro-Mediterranean FTA are not likely going to be determinant, which leads to the almost unanimous statement that the Euro-Mediterranean FTA can be justified only by the non-traditional, non-static effects of regional integration.

It is also true that the political advantages of the Euro-Mediterranean association cannot be neglected, as well as the push for modernisation of SEMCs with the assistance of technical and financial aid from the EU. However, these promise for modernisation does not preclude the relatively high adjustment costs that will affect the industrial sectors in SEMCs. The food industry will be one of the most affected by the increasing openness of SEMCs' economy, given the fact that it is one of the sectors with highest tariffs. Quantitative studies suggest that the food industry will need strong restructuring in most SEMCs and will be largely affected by the regional trade liberalisation, even when productivity increases and better access to the EU are considered in the forecasts (Augier and Gasiorek, 2000).

The liberalisation of trade which is planned within the framework of the Association Agreements should comprise the progressive but irreversible abolition of tariffs and any other tax with an equivalent effect, but the fact is that in most SEMCs customs policy has until now fulfilled a dual function - that of protecting local production admittedly, but also that of generating considerable resources for the budgets of the various states. This dual function lends a particularly serious dimension to the tariff dismantling operation that is underway. For the problem of local industrial structures which are thus more or less "jeopardised" through exposure to unequal competition is compounded by the loss of quite substantial sources of tax revenue. The reduction of import tariff revenue will be significant in many MCs, especially in those with higher dependence on EU products. Abed (1998) reports that import taxes on trade with the EU in the period from 1994 to 1996 accounted for significant shares of the fiscal revenue in most MCs, up to 19.2% in Nigeria, 7.9% in Egypt, 12.1% in Jordan, 28.8% in Lebanon, 10.3% in Morocco, 15.9% in Tunisia, and 7.2% in Syria. In the case of the Maghreb countries, the "loss of tax earnings" expressed as a percentage of GDP has been estimated at 1.5% for Algeria, 2.9% for Morocco and 6% for Tunisia (see Table 5.1). A reduction of the fiscal revenue of the Eastern and Southern Mediterranean States of these proportions is all the more unwelcome since it is coming at a time when they are still struggling with the constraints of foreign debt, the situation of their public finances is still tense and their financial needs are steadily growing.

Table 5.1 - Loss of fiscal earnings of the countries of the Maghreb

	Algeria	Morocco	Tunisia
Total receipts (% of GDP)	28.5	26.4	25.0
Tax revenue (% of GDP)	11.0	23.4	20.2
Tariffs revenue/imports (% of GDP)	2.9	5.0	8.2
Imports under tariffs abolition (% of total imports)	53.2	58.3	73.5
Loss of fiscal earnings (% of GDP)	1.5	2.9	6.0

Source: IMF/World Bank (In : Bouhadjar Hadjri, Partenariat euro-méditerranéen, le cas des pays du Maghreb, Informations et Commentaires, Revue Internationale de Sciences Sociales Appliquées, Corenc (ISMEA.org), n°111, April-June 2000.

This reduction in fiscal revenue of the states in the South is coming precisely at a time when the situation of their public finances is still tense and their financial needs are growing. Thus, in some SEMCs it is not uncommon to define Euro-Mediterranean integration as a promise of uncertain medium-term gains at the expense of certain short term costs.

Secondly, agriculture has been largely excluded of the FTA between the EU and SEMCs. Consistently, the improvement in trade preferences for agriculture in the AA is progressing at relatively low speed. This is in spite of the review of the trade regime for agriculture foreseen in the already signed Association Agreements (e.g. in 2000 for Tunisia). As discussed in section 4, for sensitive commodities, the EU approach has been to consolidate, with cautious improvements, the existing access on a preferential basis. The negotiations held during 2001 with Lebanon, Algeria and Syria have still been based on the consolidation of traditional flows, which means low expectations for market access, given the poor record of agricultural exports from these countries to the EU in the recent years. As indicated in the quoted section, some measures appear to act as non-tariff barriers, such as the entry price system, the TRQs and the discriminatory management of rules of origin.

Third, the multilateral reduction of tariff barriers, a process resulting from multilateral agreements within the framework of the WTO, has eroded the preference margins as the study by Grethe and Tangermann (1998a) reveals. As a result of the UR, the static gains of trade preferences for SEMCs in EU agricultural markets were significantly eroded. Moreover, some countries like Morocco have declared their interests to be taken into account where any concessions and advantages granted to other MCs under future agreements. That means that trade concessions from the EU Association are not static and that preferences will depend in the future on the actual deals between the EU and the individual SEMCs. This should be taken into account in a possible cost-benefit analysis of trade negotiations with the EU.

On the other hand, the EU will probably be reluctant to grant higher concessions in the different reviews of the commercial part of the AAs because of a fear that

individual demands for deeper concessions spread across the whole MCs and erode as well the Common Agricultural Policy. This "wearing down" of the preference margin may cause SEMCs to reflect on its political view on the trade preferences to obtain from the EU.

5.2 - Significant gains from increased market access

These Euro-Mediterranean developments related to the agricultural sector would not create major problems if agriculture were not a key sector for the development of SEMCs. Poverty is essentially a rural phenomenon in SEMCs (see box 5.1). Thus agricultural development is crucial in any national strategy for poverty reduction. Agricultural export growth is also important to soften the transition costs that will be faced by the sectors with low comparative advantage. Published work points to the agricultural sector as one source of comparative advantages in SEMCs. Comparative advantage for food and live animal exports is found for Jordan, Morocco, Syria, Egypt and Turkey (Haddad, 2000). Furthermore, there is quantitative evidence that a higher market access of SEMCs' agricultural exports to the EU would yield significant gains and would be welfare improving (see Box 5.2). Trade concessions included in the recently signed Association Agreements are managed through different measures such as quantitative limitations and entry prices (see above). These measures are thought to prevent imports from a sharp increase that would destabilise EU markets. At the same time, the EU approach of managed trade appears to be disappointing for the expectations of the SEMCs.

Box 5.1 - Poverty in several SEMCs, 1998

SEMC	Human poverty indicator	
	% population	Rating
Lebanon	10.8	13
Turkey	16.4	4
Jordan	8.8	7
Tunisia	21.9	36
Algeria	24.8	42
Syria	19.3	32
Egypt	32.3	55
Morocco	38.4	65

Source: UNDP, World Development Report 2000.

Note: The human poverty indicator measures destitution with regard to 4 major aspects of human life: the ability to live in good health for a long time (percentage of persons liable to die before the age of 40), knowledge (adult illiteracy rate), economic means (percentage of individuals deprived of access to health services and drinking water, and the percentage of children under 5 years of age who are suffering from moderate or acute underweight). The human development indicator aggregates life expectancy at birth, adults literacy, gross school enrolment rate, and per capita GDP in purchasing power parities.

This table shows that in the SEMCs human poverty still affects between 9% and 38% of the population (Jordan and Morocco respectively). Poverty seems to concern the largest proportions of the population in North Africa (between 20% and 40%), whereas the situation in the Eastern Mediterranean seems to be less serious in this respect.

For some SEMCs the multilateral agricultural negotiations could become a possible way of pushing a further opening of the EU market and for diversifying outlets for their agricultural exports. Let us provide an example. If the WTO talks led to the elimination of the entry price system (see section 4.3), Morocco, Egypt and other SEMCs exporters would gain significantly improved access to the EU market without the need for waiting for a review of their preferences to the EU. In other words, **the failure in including agriculture in the Euro-Mediterranean strategy may enhance the alternative of the multilateral liberalisation as a practical strategy for MCs at the WTO talks**. Some of the contentious issues of the Euro-Mediterranean integration (tariff escalation, entry prices, rules of origin, quantitative measures) would lose importance if the WTO undertakes a trade liberalisation for commodities of export interest for Mediterranean countries. Needless to say that the multilateral agricultural reform would present and additional interest for developing countries if the WTO undertook SDT provisions in favour of the poorer economies.

To summarise, the lack of understanding among MCs on the agricultural chapter within the Barcelona process make involve a lack of understanding in the multilateral context. However, there is a growing consensus, at least at the academic level, on that Mediterranean countries need to achieve higher degrees of integration as a way of facing the regional issues related to development, poverty, migration and environment. Agriculture is crucial in this strategy of integration and the globalisation process in the Mediterranean region should face the agricultural issues in a different way than simply neglecting the problems and opportunities of rural areas.

Until now, little effort has been made to remove the political obstacles for a higher integration of the agricultural markets in the Mediterranean region. With that interest, the annual meetings of the Ministers of Agriculture of the CIHEAM Member States and other initiatives should be welcome. However, further actions should be taken to search joint solutions to support decisive steps for agricultural reform related to the Mediterranean integration, according to a co-operative philosophy.

Box 5.2 - Impact of trade liberalisation on SEMCs' exports to the EU

One of the key questions related to the Euro-Mediterranean FTA is the potential for the agricultural exports from SEMCs to benefit from an increased market access in the EU. If these gains were high, then the claim for pursuing in the inclusion of agriculture in the Barcelona agenda would be fully justified. The study directed by Alejandro Lorca (2000) suggests that these potential gains can be significant. Thus, in five years, the elimination of the trade measures by the EU against SEMCs agricultural exports would represent a significant increase of SEMCs' exports in terms of GDP of around 1,4 per cent for Morocco, 2,3 per cent for Turkey, 3,3 per cent for Egypt and 0,4 per cent for Tunisia. These figures can be seen as modest but they are high if compared with the net official aid to development reported by the CAD (OECD), and would justify the political stance that "trade" would be better than "aid" as a tool for Euro-Mediterranean partnership in the Euro-Mediterranean area. It is also important to underline that water scarcity does not appear to be, in the performed simulation, a constraining factor of export growth, given the possibilities for new production methods. From the viewpoint of the EU, the liberalisation of agricultural imports from SEMCs would increase the imports of sensitive products by 11 per cent. This does not appear to be a dramatic change, along a period of five years. However, the costs for the EU from the increased competition would be locally important in given regions and concentrated in some products and seasons. This might justify adequate domestic policies, at some EU regions, to overcome the assymetric impact of the liberalisation of the Euro-Mediterranean agricultural imports.

The aforementioned results are based on a quantitative model that takes as input some assumed estimates of equivalent rates of protection (including the effect of non-trade barriers) and export-price elasticities. It can be discussed the extent to which the elimination of trade barriers would be transmitted to equivalent increases in export-prices. This depends on the efficiency and organisation of the marketing system. Moreover, quality and other non-price factors are essential in horticultural trade (see section 6.4). These considerations would suggest a certain degree of overestimation of the effects of the liberalisation of Euro-Mediterranean agricultural trade.

6 Redefining agricultural policies in a global context

Since 1995, the WTO has started to reshape domestic agricultural policies of Member countries. Many countries that have faced agricultural trade liberalisation on a multilateral basis had to undertake a reform of trade policy instruments, leading to a tariffication of border measures, as a first reform. Tariff reductions often came as a second priority, after the full tariffication was adopted. This has been a pragmatic approach, which was not followed by some countries that played more liberal approaches, and undertook trade liberalisation even before the end of the UR negotiations. Thus, the implementation of UR provisions has been usually consistent with the adoption of a gradual approach for agricultural reform.

It is true that compatibility between trade and price policy will become a key issue for the domestic implementation of multilateral commitments. Any further opening of the foreign markets should maintain consistency with the domestic price regulations in force. Import prices might not be consistent with any public price guidelines and any decrease of import price could create an increasing burden on public budget. Therefore, it is a fact that the progressive opening of the agricultural import markets will constrain domestic price policies. Administered prices will progressively play a role more like a "safety net" than a direct orientation for the resource allocation in the agricultural sector.

However, at present, the introduction of agriculture in the GATT system still admits certain degrees of flexibility in its actual implementation. Reforming agricultural trade policies does not necessarily mean a dramatic drop in border protection. The experience of many WTO member countries have demonstrated that the adoption of new trade measures keeps consistent with the protection of domestic agriculture. We don't argue in favour of protection policies, **but a reform program should focus first on the change of policy instruments to go then, only as a second step, to the elimination of tariffs.**

Although restricted by WTO, industrial economies still enjoy a wide leeway for agricultural policies. Such leeway may have favoured industrial countries, especially in relation to the abuse of some domestic support policies (the so-called "boxes"). The question is how to use that leeway in order to device policies that are consistent with both the WTO rules and rural development objective, Given the huge importance of the EU in the agricultural trade we next discuss its possibilities of reform of the CAP.

6.1 – Common Agricultural Policy (CAP) reform at stake

Following the Uruguay Round, the external pressure for the gradual integration of the CAP into the WTO framework persists. Agenda 2000 contained some innovations with regard to the reform of 1992 that included some market reforms as well as strengthen the foundations of the rural development policy - known as the "second pillar" of the CAP. This new approach for agricultural policy was known as the *Integral Rural Policy*. It deals with the proposals for environmental accompanying measures, modulation, cross-compliance, national envelopes, and greater flexibility in management of public assistance, with the participation of member states. It is with these formal changes, that the EU attempted to satisfy the increasing external and internal demands for reform. From the EU point of view, Agenda 2000, overviewed in the 1999 CIHEAM report, has granted EU citizens a greater awareness of the functioning of the CAP. Increasing numbers of citizens question the rationale for public support. Taxpayers question why the EU does not set limits on the financial aid that a farmer can receive, or why farmers don't have to comply with specific conditions in exchange of the granted payments.

From the external side, the strongest critics of the CAP come from the Cairns Group and the United States. Both are major players in the multilateral trade negotiations and closely monitor the reform process of the CAP. Both players show firmly against the gradual approach for reforms at the EU, considering them too timid and trade distorting. The EU justifies its position on the grounds of Non-Trade Concerns (Article 20 of the Agreement on Agriculture), which in the EU language, means the defence of the "European model of agriculture", and of the concept of multifunctionality. The success achieved by this concept has led to an increasing consensus on the idea that the non-food functions of agriculture may be considered as legitimate objectives for agricultural policies. Thus, non-economic concerns of agriculture could supply a justification for government intervention. The question usually addressed at the WTO is how to deal with multifunctionality in a way that minimises trade distortions. As indicated in the 2000 CIHEAM report, another, and not less important question refers to which rural policies are explicitly targeted to non-trade concerns. Is the current CAP an example of such policies or it falls into a "multifunctional failure"?.

If we referred to history, the CAP has not been able to prevent rural emigration, territorial imbalances, marginalisation of cultivated land, depletion of landscapes, nor the unequal distribution of farm incomes. Concentration of agricultural support on large-scale, wealthy farmers – has opposed the CAP's attempted social function. As advocated in the 2000 CIHEAM report, the current CAP does not seem to supply a good example of "multifunctional policy". The 1992 CAP did not in practice reward multifunctional objectives, nor does the agricultural reform of Agenda 2000. It is true that Agenda 2000 introduced some changes into the CAP to soften its quantity-oriented bias and to enhance its rural dimension, but it seems insufficient to state a real move towards the non-food functions of agriculture.

If multifunctionality is made part of a new Agreement on Agriculture, this will actually involve the recognition of a special treatment for the agricultural sector in the world trading system. However, the current negotiations will likely push the CAP to change. Even when the EU successfully invokes the recognition of multifunctionality, a closer control and monitoring of domestic support will probably be a result of the current negotiations.

There are solid arguments that lend hope to changes in the so-called boxes. A certain degree of confusion exists between the measures included in Article 6.5 of the Agreement on Agriculture (blue box) and those in Appendix 2 – Paragraph 10 – (green box). The theoretical justification of the blue box is weak. Almost all the WTO members show an interest in clarifying the criteria for considering that a measure should be in one box or in another, and some countries propose setting limits on all “boxes” combined. Furthermore, a better definition of "decoupling" should be considered.

The EU should be prepared to move some of the payments currently in the blue box to the amber or green boxes. One across-the-board limit to all kinds of domestic support should not be ruled out. Several MCs like Morocco and Egypt have actually asked for a comprehensive reduction of all domestic support to agriculture in industrial economies. This result will also help to break some of the present constraints to transform the current CAP into a truly rural policy. While payments are of a “blue” nature, the CAP reforms seem to be blocked. With the transformation of the blue payments into amber or green, this situation would begin to open up the CAP, and could give push for a new phase for substantial reforms in the next decade. In a sense the WTO talks could have a therapeutic influence on the current CAP, by opening the reform of current CAP payments. The external pressure on the CAP would open a debate on how to allocate the public expenditure on agriculture. Possibly this will enhance the role of more targeted policies to environmental objectives, rural development and to small farmers.

6.2 - Mediterranean products and CAP domestic support

The situation of Mediterranean products is somewhat paradoxical in the present CAP. They are not users of budget, but they are examples of “amber box products”. Thus fruit and vegetables account for 3,5 per cent of total CAP budget. However, the equivalent support for fresh fruit and vegetables notified by the EU to the WTO for the calculation of the Aggregate Measure of Support (AMS) was 10.668 million euro. Total AMS (“amber box”) was 50.194 million euro. Therefore, fruit and vegetables accounted for over 21 per cent the value of the EU amber box. This result was due to the particular way the amber box was estimated, based on calculated differences between domestic and reference foreign prices.

It is for sure that any reduction of the EU amber box will probably affect the horticultural sector. In contrast, the EU has notified a blue box of over 20 billion

Euros (half of it is accounted for by direct payments to cereal producers). These payments were exempted of reduction in the UR Agreement on Agriculture.

Amber box is also important for other Mediterranean products, such as olive oil. Olive oil is an example of a highly subsidised crop in the EU. The 1998 reform of the Common Market Organisation (CMO) of olive oil includes a producer subsidy that can reach 1322,5 Euro per hectare if the Member States' production is lower than their respective Guaranteed National Quantities (GNC). The producer subsidies in percent of total gross earnings of olive growers (market price + subsidies) have increased from 20 per cent, in 1992, to 40 per cent, in 2000 (Garcia-Alvarez-Coque, 2001). The Percent PSE (PSE as a percentage of gross earnings) in olive oil is above 50 per cent, of which 15 points are due to price regulations (basically border protection) and 35 points are the result of payments to producers. Attempts to reform this system are facing strong opposition by the major producer Member States (Spain and Italy).

The situation for Mediterranean products seems quite unbalanced at the EU context for **the amber box, eligible for reduction, concentrates the support granted to Mediterranean products. In contrast, continental products seem to consume more payments of a blue box nature**. Although many countries question the blue box at the WTO, the EU still defends its continuity.

Southern European farmers might have some reasons to complain about the inequalities of CAP support among agricultural products. CAP support, after the 1992 reform and the Agenda 2000 package appears to discriminate in favour of Northern European agriculture. In spite of the existing restrictions to horticultural imports, this sector has shown to be relatively open to foreign competition compared to other sectors such as sugar, beef and cereals. Export subsidies of olive oil and fruit and vegetables have also been bounded by the WTO commitments. The finally bound expenditure on export subsidies for fruit and vegetables in the year 2000 both, fresh and processed, are 75,8 million ECU, and for olive oil is 21 million Ecu. These amounts are around 2,5 per cent of the value of fruit and vegetables and 3,3 per cent of the value of olive oil exported by the EU in 1999.

Southern European farmers could be in favour of a CAP reform oriented to a rebalancing of the agricultural support between the North and the South of the EU. In addition, the EU horticultural and wine sectors are assimilating reforms that introduce new instruments compatible with the multifunctional approach. This is illustrated by the Common Organisation of the Market for fruit and vegetables, which stresses the role of Producer Organisations (PO). Under the Regulation adopted in 1996, "operational programmes" can be submitted by the POs to improve product quality, promote marketing, develop environmentally sound cultivation practices, etc. Approved programmes are part-financed by FEOGA, but producers' own funding is also required. For olive oil, the definitive reform will be shortly under discussion and will deal with the possibility of de-coupling the

support, by focusing on quality and on the environmental role of olive trees in dry and marginal areas.

Therefore, the integral rural policy finds a favourable environment in the Mediterranean regions. A key issue is the funding of the new approach. Any strategy for quality and diversification would require appropriate funding in order to prepare the transition to a more open trade environment. A significant part of the CAP budget is currently tied to blue box payments and this becomes a constraint for reallocation of support to the integral rural policy approach. A positive-sum game, as will surely be the Euro-Mediterranean integration for the whole economy, should envisage compensatory policies to help potential losers to adapt to the a more competitive environment.

As argued in the 1998 CIHEAM report and defended by some authors, the opening of EU markets for Mediterranean products, a matter of clear interest for SEMCs' economies, should consider possible compensatory policies addressed to sensitive Mediterranean areas of the EU. These policies would of course, take the form of green box policies, and could become a complement to the consolidation of the Euro-Mediterranean economic space[24].

6.3 - Co-ordination problems as a source of problem

Evidence on Mediterranean horticultural markets suggests that SEMCs enjoy cost advantages at the farm level, but high marketing costs and inadequate standards are hindering their competitiveness in the most demanding import markets.

Agricultural policies should be adapted to the nature of problems that affect farm incomes. Isolation of foreign markets may not help to solve these problems. Horticultural producers in Mediterranean regions face serious challenges related to non-price factors affecting markets (see 1998 CIHEAM report). These should be taken into account when foreign competitiveness is assessed. It is true that globalisation implies pressures on producing areas, but they are higher where the marketing system is not efficient or it is monopolised by big companies. Real constraints for domestic producers then result from the imperfect functioning of domestic markets. The lack of transparency in domestic and export markets impose downward pressures on the negotiating power of small farmers, especially when these are not co-ordinated.

Existing evidence on horticultural markets suggest that fruit and vegetable exports by SEMCs are mostly sold under consignment, and they normally lack of regularity and volume. In the short term, this export behaviour does not suit to the EU markets. International competitiveness is also influenced by the availability of an

[24] Lorca (2000) refers to the interest of a "Mediterranean agricultural pact", taking into account that the EU continental sectors will probably win from increasing their exports to the SEMCs.

efficient marketing system and by harvest and post-harvest technologies, refrigerated facilities and transport to the main markets. Quality, technology and service will probably be more constraining for MCs exports than the border protection measures. Distribution system in EU countries is increasingly concentrated (Montigaud and Berger, 1997). This implies a market of buyers who are really demanding in terms of quality and regularity of supplies. In Europe, the first 10 retail holdings represent 36 per cent of the food retail market and the first 50 represent over 2/3 of total food sales. With growing concentration at the retail stage, the exporters could still aim at targeting traditional outlets, such as wholesale markets. But this strategy, mainly based on a price advantage, has its limits.

In addition, exporters have to satisfy the specifications laid down by the distribution firms: that means responding to constraints as to quantity and quality, processing and services imposed by the purchaser. Modern distribution is increasingly requesting to accept certain specifications (grades, packing, environmental concerns, time of delivery, etc), which can be imposed through two methods: approval ex post when the product arrives to the « platform » or store, and approval ex ante, when the producer is required to harvest the product in good conditions, to package and to transport it under controlled temperature conditions. Some big distribution firms in Europe are beginning to set up certification procedures (e.g. ISO 9002), which could facilitate control procedures. One of the most recent developments in Europe will be the establishment of EUREP-GAP, a protocol of Good Practices and use of HACCP by a group of European operators (e.g. Carrefour in France, Safeway in England, COOP Italia in Italy, etc.). Such increasing request for quality certification actually becomes a real opportunity to those who adopt it, but a real constraint for those who don't. Horticultural production for export to the EU will have to comply with environmental regulations and standards in the EU. These constraints work similarly in both shores of the Mediterranean basin.

Border measures do not constitute a good substitute for the need for quality improvement of horticultural products. Horticultural producers across the Mediterranean basing are increasingly aware of that.

On the other hand, a wider access to the EU for SEMCs could create right incentives for further implementation of grades and standards accepted in the EU markets. However, market access is not enough to guarantee a competitive position in horticultural markets, which are strongly dominated by the big distribution. It is often only the well-endowed and skilled farmers and traders that have the ability to be part of marketing chains. There is therefore a danger that the requirements, quality standards, and food safety rules of the consumers and corporations, can act as the real barriers to participation in the high value chains by small exporters and to some extent, small producers.

It is in this context that the new approaches of economic analysis have to view away of the paradigm of competitive markets and should inform agribusiness and policy makers on the most appropriate forms of organisation (Kherallah and Khirsten, 2001). There is a wide scope for international co-operation in this area. However, the main lesson to be drawn from last paragraphs is that tariffs and other border measures may have a marginal effect in horticultural markets, compared to other non-price factors with influence on horticultural markets. Quality and co-ordination should then be key words in the new approach for agricultural policies across the Mediterranean.

The old protection and market intervention approaches do not represent a good guide for XXIst century's agri-food policies. Again, rural development should be envisaged as a key reference for agricultural policies, which encourages co-operation among the different shores of the Mediterranean basin. To create a Mediterranean concept for rural development, the Ministers of Agriculture of CIHEAM Member countries expressed their wish to propose a Mediterranean rural development programme (see section 3.2.3). Although the efectiveness of such a pilot programme, inspired under the EU's Leader approach, might be limited at the outlet, what seems relevant is the proposal of

(i) a common framework for social and territorial cohesion in the Mediterranean basin;
(ii) a rural development concept based on the mobilisation of local resources; and
(iii) a call for participation of civil society in the development process.

In summary, it is not just a matter extrapolating the EU's Leader experience to the South and the East of the Mediterranean, but of building a common framework for rural development and, at the sime time, trusting on local actors.

7 Agriculture: from low to high politics

The agricultural exclusion from the Barcelona process, or at least from the trade liberalisation program, is an example of the functionalist approach of the European Union when dealing with the market integration in the Mediterranean area. In other words, the agricultural chapter is an example of "low politics" or pragmatism.

Is it possible a common approach for globalisation among Mediterranean regions? Whatever this approach be, it should respect two ideas. The first is that it should not lose the perspective of the regional process. It is very difficult to adopt a common stance at the multilateral level if there is no a real progress at the regional level. The second idea is that a successful inclusion of agriculture in the globalisation process should go beyond the pragmatism and enter into "high-politics". This was precisely the EU approach and the rational of the Common Agricultural Policy, one of the examples of intergovermmentalism during the creation of the European common market. Of course, this would not necessarily aim at a Common Agricultural Mediterranean Policy, or at least to a system of Common Market Organisations for the Mediterranean region. However, **MCs should undertake some steps in creating a solid framework to promote a dialogue on rural policies and for approaching the different views about the Euro-Mediterranean market**. As far as the EU is concerned, a consistent approach would imply to recognise that agriculture across all the Mediterranean basin, and not only in Europe, plays a multifunctional role, by contributing to poverty reduction and local development.

7.1 - Trade: goal or instrument

Rural development should appear on the top of the agenda concerning the rules governing globalisation in the Mediterranean region. It is not a matter of neglecting globalisation, but to put policy objectives in the adequate order.

It would be too simple to refer to globalisation as a deterministic source of income inequalities and environmental problems in the region. As one EU Commissioner states, globalisation is "a fact, the outcome of a dialectic between market forces - market capitalism, to be precise - with the lifestyle changes it brings in its wake, and the efforts of politicians to devise rules and institutions for world governance to keep pace with its expansion"[25]. However, the way globalisation affects development depends on the institutional capacity and political will to interact with the forces of globalisation, to counteract their negative impacts on income distribution, and to exploit their opportunities to access to capital and technology.

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[25] Speech by Pascal Lamy on Governance or Making Globalisation Meaningful, Escorial Seminar, Madrid, 27 July 2001.

It would not be also sensible to oppose to trade as an engine for economic development and a source of opportunities for poor people. However, trade should be observed as a mean for higher objectives, including the reduction of poverty and promotion of sustainable development. Full trade liberalisation should not become a goal in itself for Mediterranean agriculture, because it would not be acceptable for marginal rural areas. Discussions on pro-poor growth, and consistently, on rural development, should be put in a higher profile. This should be understood, along with the interest to revitalise the collective commitment with the MCs to the Barcelona process.

The reality of a world trading system of rules, which makes agricultural trade less subject to discretionary practices, is of most interest for all the countries in the Mediterranean region. Uncontrolled subsidies lead to uncertainty in world markets, which eventually becomes an unbearable burden for developing countries. Most MCs show comparative in fruit and vegetables and other non-traditional exports, and giving up to new export opportunities would not be plainly acceptable. A more transparent multilateral system of rules would contribute to consolidate the regional markets in the Mediterranean region.

The WTO may contribute to supply solid foundations for such system of rules. In addition, the Difference Solution Body (DSB) can help to guarantee that those rules are implemented. However, the network of international dialogue on globalisation would be unbalanced if only relies on the WTO's mandate. If poverty, inequality, environment and social concerns of globalisation are not considered at the top of the agenda, there is a risk that interests of the civil society and poor countries are set aside. Or they will depend on a world court of lawyers, interpreting the trade rules, the weakest partners bearing the worst results. WTO needs to be part of a framework of international institutions, together with financial institutions and UN bodies, where development and poverty alleviation would be a priority. The world trading system should not undermine ongoing negotiations on social and environmental issues, such as biosafety or global warming, and the agreements on these matters should be given prevalence on trade agreements.

7.2 - Investment and solidarity

Foreign Direct Investment (FDI) is considered one basic element of the success of the Euro-Mediterranean economic space. In the course of the 1980s and, in more systematic way, in the 1990s, most Mediterranean countries have implemented a more liberal policy to attract foreign investment. Trade policies affect FDI and countries that have opened up more are also those which have the highest foreign direct investment rate per capita (Malta, Cyprus, Israel, Tunisia, Lebanon, Jordan). However, it is well recognised that there is a considerable margin for improving the

European investment in the region[26]. Restrictive policies to foreign capital and transaction costs related to financial services, transport, settlement of disputes, administrative burdens and general business climate, are still mentioned as constraints to FDI. An appropriate climate in SEMCs economies is basic for attracting investment and there is increasing evidence that some progress has been made (Reiffers and Tourret, 2000; Allesandrini, 2000). Very often, labour cost differential is not sufficient to ensure development activities with high local added value. For a foreign investor, the potential gains on labour costs alone are generally insufficient to justify relocation. It is also dangerous to draw general conclusions about the consequences of FDI liberalisation without reference to the nature of the specific legal framework, and the business environment under the FDI is taking place.

Although the weight of EU Member States in direct investments in the Mediterranean has increased along the 90's, the share of SEMC in world's EU direct investment is still significantly lower than other regions' share (eg. Mercosur attracts over 6 per cent of total EU foreign investment while the Mediterranean keeps under the 1 percent, below the preaccession countries and the Asian emergin countries). There is a potential for a growth in foreign investment if SEMC were simply considered as attractive as an average emerging country. The average contribution of direct investments (5% in the Mediterranean) is still much lower than levels elsewhere in the world (16% in Latin America and the Caribbean, 10.5% in Central Eastern Europe and, 9% in Southern and Eastern Asia excluding China); On the other hand, information on FDI in the Mediterranean is particularly weak compared to the work available in other regions of the world. Available figures reflect an almost neglectable foreign investment in the agricultural production. Figures start to be significant in some countries they refer to food manufacturing, as is the case for Turkey, where 5,77 percent of foreign capital was allocated to food industries in 1999.

The EU has proposed to widen the WTO scope to open comprehensive negotiations about investment and competition. However, developing countries have manifested their fears that strengthening trade rules in this matter could be unfair for them. Investment is not always contributing to social and economic development, and in some cases move to developing countries because it can get away with bad practice prohibited elsewhere. A rules-based system should provide sufficient stability so that foreign direct investment is attracted to developing countries, while at the same time maintaining sufficient flexibility so developing country governments can attract high quality investment and ensure that the investment contributes to pro-poor growth (WDM, 1999). In addition, a further effort of solidarity from developed countries would be needed to enhance their capital and technical investment in the

[26] The Euro-mediterranean parliamentary forum, held in Brussels, 8 and 9 february 2001, noted in one of its conclusions that foreign direct investment in the region is inadequate and encourages all the partner states and institutions concerned to increase investment constantly.

agriculture sectors of developing country Members, with a view to support rural development and incomes. The Doha declaration included the investment chapter into the work programme for the coming years. Again, there was a explicit recognition of "*the special development, trade and financial needs of developing and least-developed countries*" as "*an integral part of any framework*", as well as "*their right to regulate in the public interest*".

The EU is currently assisting the Euro-Mediterranean process through the €5.35 billion earmarked for Meda II, which represents a 21% increase over Meda I. The MEDA II proposal introduces few changes to the existing Council Regulation – 23 July 1996 No. 1488/96 - on administration of the MEDA programme. The aim is to ensure that the EU co-operation is delivered more efficiently and that it is in step with the overall objectives set by the EU and its MED partners. However, MEDA I contribution has represented only less than 8% of the total aid distributed bilaterally by the EU members (Sideri, 1999). Given the magnitude of the MEDA aims, which refer not only to economic reforms but also to good governance and sustainable development, the resources allocated are still insuficcient. Moreover, the MEDA programme will be ineffective without mobilising additional resources from different sectors of the EU society.

Whereas the Association Agreements between the SEMCs and the EU generally undertake to sustain restructuring efforts and measures to modernise industrial structures in difficulty following the dismantling of tariff protection, it must be stated that the MEDA programme, which is intended as an effective cooperation tool for these modernisation efforts, does not make provision for financing industrial restructuring programmes. When this financing programme was under preparation the proposal of setting up an "industrial restructuring support fund" was rejected with the argument that a fund of that nature would constitute an infringement of fair competition... This attitude met with all the more incomprehension in the South since it contrasted with the previous - recent - attitude adopted by the last Mediterranean countries to join the European Union, which benefited from direct aids for restructuring several of their industries. In the case of Morocco, for example, it is being calculated that the overall budget granted to the country within the framework of MEDA 1 (some 600 million euros) amounts to just under 14% of needs in the industrial modernisation field as estimated by the Moroccan authorities.

Though it must be added that due to an accumulation of numerous delays and sluggish handling of the dossiers on the part of the administration the entire MEDA 1 programme seems to have realised only 1/4 of the amount promised. It is known that MEDA 2 does not constitute any appreciable progress in quantitative terms compared to MEDA 1, but it is to be hoped that, if managed more promptly and with greater determination, it will achieve better completeness rates.

A speeding of the spending decisions in MEDA II is needed in order to accompany the adaptation of MCs to a more open trade environment. Rural development and

agricultural reform and should improve their profile in the implementation of MEDA funds. As advocated by the 2000 CIHEAM report, a further integration of the agricultural chapter in the Euro-Mediterranean partnership could consider renegotiations of the regional MEDA programmes, in terms of a specific accompanying program for the agricultural sector.

As underlined in section 3.3, some developing MCs claim for more solidarity from developed countries in order to easier the implementation of trade agreements. Thus, Egypt proposes the creation of a Fund for the Support of Net Food Importers Developing[27], whereby the beneficiaries would obtain a rebate on their food import bills after they have purchased their requirements on the open market at unsubsidised prices. The Fund would be financed from a number of sources, prominent amongst which would be international financial organisations, specialised UN agencies, developed country donors, and major exporters. The EU should be sensitive to this request, taking into account that the multilateral reform of agriculture overlaps the regional integration process, which could increase the needs for adjustment in SEMCs.

The consistency between world economic growth and Third World development could be improved if national governments are provided with power to strenghthening their financial base without undermining an adequate level of freedom of capital movements. Yet there is a growing concern about the fact that the uncontrolled globalisation of investment capital may be a cause of universal insecurity[28] and that "tax havens" prevent governments from obtaining a high amount of financial resources that would be helpful for funding development[29].

7.3 - Needs for technical assistance

Trade policy, including the capacities for undertaking international negotiations as well as implementing domestic policy reforms, remains a priority area for co-operation in the Mediterranean area. This is being carried out by ongoing Mediterranean projects, which include research networks for policy analysis, such

[27] And for Least Developed Countries (LDCs).

[28] This statement holds valid in the current times of global uncertainty but it was included some years ago in a Ignacio Ramonet's article (1997), where he also argued that uncontrolled financial globalisation "diminishes the power of states to uphold democracy and guarantee the wealth and prosperity of their peoples"

[29] Finding the financial resources to assist development has always been difficult. However, there could be imaginative ways to do that. We can refer, for example, to the proposals, recently advocated by the French government (see El Pais, 29 August 2001), of applying the "Tobin tax" on speculative financial exchanges. According to the quoted Ramonet's paper, at 0.1%, the Tobin tax would bring in some $166 billion a year, twice the annual amount needed to abolish the worst poverty by the end of the century.

as SUSTRA (*Trade, societies and sustainable development*) and FEMISE (Forum euro-méditerranéen des instituts économiques). Co-operation in the area of agricultural trade policy should be strengthened, with the collaboration of CIHEAM. Networking has proved to be a fruitful approach to multiply the possible interaction among economic actors. In fact, the most useful forms of co-operation are not often the result of a unilateral technical assistance to beneficiary countries. International technology transfer is frequently the result of direct communication and personal exchanges. As stressed by the CIHEAM Member Countries[30], the establishment of the Mediterranean Observatory should provide for the sharing and updating of a whole series of basic information, it should allow studies and research work to be carried out, and would supply information for decision making.

The WTO negotiations, the Association Agreements and the Arab Free Trade Area are only examples of continuing process of international negotiations. In the next years, MCs will have to consider alternative options for international trade negotiations. Permanent task forces would be extremely helpful to constitute solid databases, to collect background information and to analysis the consistency of proposals for improving the MCs stance in international negotiations of varied nature. Technical assistance afforded developing country Members should include the study of the impacts of further liberalisation of agriculture trade, with a view to seek ways to minimise the effect of its negative aspects.

An increased level of technical and financial assistance should be afforded to developing MCs. Such assistance should have the aim of improving the capability of the beneficiaries to produce their food requirements locally, through the amelioration of the technologies used and basic agricultural infrastructure available. Special mention should be made of the need for improving the export marketing capabilities of all the countries in the area.

These are some of the areas that would require special attention:

- Trade policy reform may require specialised expertise on the implementation of measures for supporting the rural areas. As concluded in section 6, the WTO has provided Member countries with certain leeway for implementation. Market signals would have to represent a guide for farming decisions, but this does not preclude that rural development and poverty alleviation should be priority goals of government action. This will call for (i) a trade policy reform, by adopting more transparent measures; (ii) a market policy reform, by adjusting the public intervention and regulated prices. However, adjustment costs have to be considered within the context of development programs (partly assisted by MEDA and EIB). Public enterprises will continue their process of modernisation. Private companies will continue gaining presence in the agri-

[30] Third Meeting of the Ministers of Agriculture of the member countries of the CIHEAM, Athens, 1st June 2001.

food agricultural economy, and public policies should enhance the role of Small and Medium Entreprises (SME). As the public sector adjusts its role as a market regulator, its activities can be strengthened through the provision of public services, such as extension, research, market information, market promotion, etc. In summary, there is a leeway for domestic policies, but this will require funding, expertise and training.

- The adaptation of Mediterranean agriculture to international standards is essential and has three main areas that require technical assistance:

  (i) Comprehensive monitoring of the environmental and safety standards set by the EU and other countries.
  (ii) Analysis of actions to be taken to enforce the European standards, with an assessment of the implementation costs for the producers.
  (iii) Monitoring of labels and quality accreditation policies of the retail companies in the EU.

- Technical assistance will be required to achieve that the expected growth of high-value crops does not contradict the development of more sustainable methods of production. Plastic disposal in protected crops, integrated pest management and efficient water use are priority areas that will need further assistance. Experience in other dry countries of the Mediterranean Basin can be extremely helpful.

- Improvement in foreign marketing requires, in the first place, an adequate business environment for the attraction of FDI and the setting up of joint ventures. The "marketing technology" attached to foreign capital will improve the efficiency of the export sector. However, the competitive advantages of the MCs' export products will need "support services". The MEDA programs could consider actions related to the agricultural marketing, covering areas such as market information systems, promotion of packing houses, access to international standards, and establishment of joint agricultural marketing companies. The technical assistance could include the support to forms of co-ordination between the agents of a particular export sector, with attention paid to the experience of the Producer Organisations (PO) and the inter-branch organisations in Europe.

Most of the domestic reforms needed in MCs should be carried out with or without WTO negotiations. The next box describes the "shopping list" or actions to be taken in order to prepare a reform strategy.

Box 7.1 – Actions to be taken

- Assess the needs for economic reform in the agri-food sector, to activate the use of market signals for guiding resource allocation.
- Assess the role of public enterprises in a modernised agricultural economy.
- Propose mechanisms to enhance the participation of SME in agricultural markets.
- Analyse the functioning of the public institutions providing services to farmers.
- Propose a design for the public administration dealing with agriculture.
- Propose a number of specific recommendations to reform the agricultural public sector, in line with an enhanced market orientation of agriculture.
- Propose recommendations to facilitate the ex ante and ex post monitoring of agricultural policies.
- Propose a schedule for implementation of the reforms proposed, with a defined timing.

It is worth stressing the lack of knowledge in most MCs about the implications of agricultural trade liberalisation. Moreover, informal and public discussions on the subject should help to overcome a number of simplifications, such as the idea that trade reform is something imposed from outside and does not depend on the autonomous choice by Mediterranean society. We don't have to underestimate the delicate political momentum in the Middle East as well as the role that the Euro-Mediterranean partnership should play for supporting the peace process. In any case, the results of the present WTO negotiation on agriculture, which could end at 2003, are not likely to be dramatic on the agricultural sector of MCs and their provisions will probably be implemented during long transition periods.

7.4 - Interlinking interests with a view to launching a common project

The opening of European markets for the benefit of SEMC exports has become an essential precondition if they are to develop towards a Euro-Mediterranean zone where trading is freer because there are less imbalances and it is thus more sustainable. It would be of advantage if this openness were part of a plan for constructing a veritable Euro-Mediterranean organisation of agricultural markets. That organisation could be supported by setting up a Euro-Mediterranean agricultural equalisation fund (H. Regnault, 1997)[31]. The purpose of that fund would be to support the necessary openings of agricultural markets on either side

[31] H. Regnault, Les échanges agricoles: une exception dans les relations euro-méditerranéennes, 1997, op.cit.

of the Mediterranean by means of direct aids and investments for restructuring and modernisation. It could draw part of its funding from the levies currently imposed by the European Agricultural Guidance and Guarantee Fund (EAGGF) on the import of agricultural commodities from the SEMCs into Europe.

But this very probably would not suffice, and this is where resolute and forward-looking political will becomes necessary. For basically it is a matter of the will to carry out the necessary restructuring measures in both North and South and to bear the costs at both the economic and the social level. At all events, the costs of restructuring and reform will be all the better accepted if they can be part of an overall strategic vision of the Euro-Mediterranean region. The best way to overcome the contingencies of the moment and give substance to the Euro-Mediterranean region is to strike a course which will lead to the real inter-penetration of economies consisting of both complementarities and solidarities. For in the economic field it is a well-known fact that the Euro-Mediterranean region will not really take shape unless it is founded on real complimentarities which are built up in production before they materialise in trade. This means that each partner in the region will have to accept and even promote the necessary "relocations" through which the competitive advantages of both sides can be optimised and the complementarities essential to any viable community project can be built up. It also means that convincing European producers to invest massively in the Eastern and Southern Mediterranean and to relocate their production - which would be to their advantage - in order to supply their markets from the South in suitable conditions regarding quality and efficiency is today definitely the best means of enabling the partners "on both shores" to overcome their bilateral problems intelligently and transform a situation of conflict into a fruitful crucible for new cooperation of mutual advantage. In this era of the globalisation of economies and trade is not the most appropriate means of overcoming conflicting interests "on either side of national frontiers" precisely that of cross-linking these interests and integrating them from the support to the downstream production and consumption processes so that the destinies of these countries really become one common, unique destiny?

Aiming at a Mediterranean strategy for building a shared space of prosperity will remain to be a responsibility of the Mediterranean countries, with independence of the results of the WTO negotiation. A key ingredient of such strategy will be the inclusion of agriculture in all the dimensions of the Mediterranean process. In particular, agriculture represents something more than an economic sector, something more than market shares and trade figures. Food security and poverty reduction should be priority areas, which call for a specific and co-operative treatment of agriculture for the next steps of the Barcelona process.

PART II

Sector and country analyses

8 Agriculture and the economy

8.1 - Development of national economies

The global economic situation continued to improve in the year 2000 since the average growth registered at the global level according to the International Monetary Fund was 4.75% as against 0.3% in 1999 and 2.5% in 1998. This growth was the result of the performances recorded in particular by the United States (a growth rate of 5.2%) and by the Euro zone (a growth rate of 3.4%), and of the more favourable financial and economic conditions prevailing in the countries of Southeast Asia. International trade thus progressed by 8.4% in 2000 compared to a growth rate of 4.9% in 1999. The employment situation also improved, particularly in the US and in the countries of the EU. The only fly in the ointment was that inflation began to rise again in the industrialised countries, a fact which is to be explained to a large extent by the increase in hydrocarbon prices; it rose from 2.1% to 3.5% in the US and from 1.1% to 2.4% in the Euro zone.

The boom in international trade also concerned agri-food products, involving both the imports and exports of the Mediterranean countries.

The countries of the European Union all registered favourable developments, with slight differences from one country to another, but signs of fragility are beginning to show - and this was a new factor in 2000: deterioration in the balance of trade in goods, a rise in inflation rate, although the latter is to be explained to a large extent by the rise in the cost of imported hydrocarbons.

In **France**, growth in GDP continued at a rate comparable to that of the previous 2 years. The rise in household consumption rate and business investments (+6%, as was the case in 1999) were the two main growth factors. Inflation showed a slight upward trend but still remained within reasonable limits.

There was thus another considerable increase in household purchasing power (+3.1%), but this was due more to employment growth than to growth in wages and salaries, which remained very moderate. This can be seen in particular as the effect of national policy to reduce working time (35-hour week), which concerned the entire private sector this year.

These favourable results also meant that social security accounts could recover. The increase in the tax base concerning both households and businesses also allowed public finances to improve and made it possible to reduce tax on households, which in turn helped to improve purchasing power. A less favourable factor observed in all European countries was the evolution of the trade balance: although there was marked growth in exports this year due to the economic recovery in the emerging countries as well as the rise in the dollar (+19% against the Euro in the year 2000

as a whole), the increase in imports was greater, a fact which is to be explained by the dynamism in domestic demand, the rise in raw material prices, which are calculated in dollars, and, in particular, the rise in the cost of oil products, whose price in dollars rose sharply. All in all, France's trade balance this year showed virtual equilibrium as regards goods, despite the good results in the agri-food sector. The favourable balance of trade in services meant that an overall surplus could be maintained, but the situation was less favourable than in 1999.

Table 8.1 – Global and agricultural growth rates 1999-2000

	Albania	Algeria	France	Greece	Italy
GDP growth (constant price)	-	2,4	3,1	4,1	2,9
Agric. GDP/total GDP (%)	54	9	2,2	7,2	2,4
Growth rate of agric. GDP (constant price)	-	-7,7	0,3	1,2	-2,1
Agric. employment/total employment (%)	68	21	3,4	16,97	5,7
Unemployment (%)	-	30	8,8	11	10,5
Growth rate of labour force	-	2,6	0,7	1,5	1,2
Agric. imports/total imports	-	27	9	-	10,1
Agric. exports/total exports	-	0,3	11	-	6,4
Agric. exports/agric. imports ratio	12	1	135	79	64
Growth rate of agricultural exports	-	20,7	4,2	-1,4	6,2
Growth rate of agricultural imports	-	0,7	6	6,5	7,5
Inflation	-	0,4	1,5	2,9	2,5

	Lebanon	Morocco	Portugal	Spain	Tunisia	Turkey
GDP growth (constant price)	-0,4	0,3	3,3	4,1	5	7
Agric. GDP/total GDP (%)	-	10,8	2,8	3,3	-	13,5
Growth rate of agric. GDP (constant price)	-	-16,7	-7	4,1	5	3,6
Agric. employment/total employment (%)	9	37,7	10	7,1	20	35,8
Unemployment (%)	0,3	21,5	4	14,1	3,3	6,5
Growth rate of labour force	-	-	-	3,3	-	1,5
Agric. imports/total imports	18,1	16	-	10,8	6,1	12
Agric. exports/total exports	0,2	12	-	13,7	5,3	8
Agric. exports/agric. imports ratio	11	51	36	100,3	81	91
Growth rate of agricultural exports	-	4,8	10,7	11,9	-11,1	2,7
Growth rate of agricultural imports	-	5,6	1	8,4	15,9	32,6
Inflation	0,3	1,9	2,9	3,6	3,3	23,7

The causes of this growth are evolving, however: a relative decline in domestic demand due to the rise in interest rates and the moderation in public and private consumption. On the other hand, the year 2000 marked a regain of growth in net exports.

Compared to the other countries in the Euro zone the results in Spain and Portugal in terms of inflation deteriorated this year, although they were still within reasonable limits. In addition to the rise in the prices of imported products it is observed that in Spain the prices of bulk commodities rose sufficiently to contribute significantly to the new rise in inflation.

In **Portugal** the authorities fear mainly that the new rise in inflation will have a negative impact on the results of agricultural activities due to a "price differential spread" effect. For, unlike the situation in Spain, there is little change in agricultural prices, which are essentially limited by the CAP and are developing in the same way as those in the other European countries, whereas the rise in the prices of inputs and of farm household consumer goods is accelerating. There is one feature specific to Portugal which should also be noted: whereas unemployment rate is very low and still falling, this is no doubt the result of the rapid growth in industrial and tertiary activities but is also due to the fact that in the agricultural sector there is a big population which is largely underemployed.

The year 2000 was a red-letter year in **Greece**, since the drop in inflation enabled the country to meet the last convergence criterion of the Treaty of Maastricht, which it had not yet fulfilled, in February and to be admitted in June as the twelfth member of the European Monetary Union.

The annual real growth rate of GDP in 2000 approached 4.1 per cent. This rate was considerably higher compared to those observed in the early 1990s, while 2000 was the seventh consecutive year of substantial growth. The growth of GDP in year 2000, was mostly attributed to the growth in fixed capital formation which rose by 9.4 per cent in real terms. A special role in the trend was played by private fixed capital formation, which increased by 11 per cent. Also, domestic demand contributed by 3.2 per cent to this increase, while regarding the contribution of economic sectors, one should note the impressive real growth in secondary sector (+6.9 per cent).

As far as inflation is concerned, the progress achieved has also been considerable. Consumer Price Index fell continuously between mid-1998 and mid-2000. However since then, the observed “oil-crisis” has led to the marginal increase of inflation; and the rate in 2000 was 2.9 %.

Employment rate continued to drop in 2000 but was still 11%.

In general, the recent impressive growth rates are expected to continue in the forthcoming years, due to factors such as the increase in the productive capacity

(due to recent investments), the expected sharp decline in interest rates, the implementation of the third Community Support Framework (CSF 2000-2006) which will contribute substantial funds for investment activity, and the forthcoming structural reforms in the wider economy and especially, the labour market.

Finally, the recent rise of the negative external balance of payments reveals the weaknesses of the Greek economy and points out to the possible danger of overheating, but mostly to the need of further substantial improvement in competitiveness.

Economic growth continued in **Italy** at a sustained rate with a progression of 5.2% in GDP in current values compared to the previous year. When evaluated in 1995 prices, on the other hand, GDP in Italy grew by 2.9% compared to 1999 thus matching the record increase registered for the decade in 1995 and indicating a marked snapback compared to 1999, when the growth rate was 1.6%.

Value added at market prices in current values increased by 4.8% for the economy as a whole. This result essentially reflects the dynamic of the services sector (+5.1%) and the industrial sectors (+4.7%), whereas the contribution of agriculture was negative with a decline of -1.8%.

The rapid economic development in 2000 was sustained by the exceptional dynamic of global demand, which progressed by 4.9% in real terms marking the highest rise in the last decade. Gross fixed capital formation (GFCF) and the volume of foreign trade were the two most dynamic components. After the favourable results recorded in the course of the 2 previous years, GFCF increased by 6.1% in real terms and by 8.7% in current values thus registering the highest growth rate since 1995. The main factors determining this progression were the rapid increase in the degree of utilisation of production capacity, the favourable prospects in final demand, and the tax facilities and concessional terms granted to businesses.

Domestic demand progressed by 2.3% in real terms in the year 2000. There was a marked upward trend in resident household consumption, i.e. almost 6% in current values and 2.9% in constant values. The main boost came from an increased dynamic in household purchasing power and was due to the increase in the wage bill, a primary contributing factor being the new rise in employment and government intervention in the taxation field. The improvements in the general situation confirmed the climate of confidence of Italian households.

As regards foreign trade in goods, the negative trend in the trade balance largely offset the positive dynamic in the volumes traded, causing deterioration in the balance on foreign accounts. This deterioration was due, however, essentially to the increased deficit in trade in energy products. The agri-food sector also registered deterioration in its trade balance, which was already negative in 1999, particularly

in the case of bulk commodities. The balance in agri-food products improved, on the other hand, after a 3-year downward trend.

The situation on the employment market improved towards the end of the year 2000. Employment progressed by an average of 1.9% in the course of the year (recruitment of 388,000 additional workers). In terms of year-work units (YWU) the rise in employment amounted to 343,000 units (i.e. 1.5%) - the highest rise in the last 10 years and practically double the level of the previous year (0.8%).

There was a considerable rise in inflation in the course of the year 2000. The average annual increase in the consumer price index was 2.5%, (as against +1.7% the previous year). This rise in inflation was due mainly to external factors and in particular to the increase in hydrocarbon and the depreciation of the Euro.

At the end of 1999, **Turkey** embarked upon an ambitious stabilisation programme, aimed at achieving single digit inflation by 2002. Central to the programme have been firm monetary and exchange rate policies, set so as to provide a nominal anchor for reducing inflation expectations. Significant progress was made during 2000. Ainsi, le PIB qui avait baissé de 5% en 1999, s'est accru de 7% en 2000, avec une hausse de 6,9% pour l'industrie, 7,9% pour les services et 3,6% pour l'agriculture.

But a severe banking crisis blew up in late November 2000 and February 2001, accompanied by a massive capital outflow. The crisis has resulted in much higher real interest rates, which put a burden on the budget and banking system.

Consequently, whereas the inflation forecasts had been almost realised by September 2000, a renewed rise in prices was registered towards the end of the year, and the rise in consumer prices calculated over the whole year was 39%. The forecasts for 2001 are again pessimistic - over 50%.

The core of the monetary and exchange rate stragety is to shift from a policy of accomodation, focused on maintaining the real exchange rate and stabilising liquidity conditions, to one based on a pre-announced rate of currency depreciation and limited money creation. Under this approach, which restricts the depreciation of the lira against currency basket to the target rate of increase in the wholesale price index, the exchange rate becomes a nominal anchor[32]. On February 22, 2001, as a consequence of the crisis, the government floated the lira, thus abandoning the principles of this programme initiated at the end-1999. Therefore another program, sets forth with the support of a stand-by arrangement with International Monetary Fund (IMF). It shares the same strategy[33]. initiated in late 1999: disinflate the Turkish economy, strengthen the fiscal accounts, and reform the

32 OECD, OECD Economic Surveys: Turkey, OECD 2001, pp. 22.

33 Treasury, Guclu Ekonomiye Gecis Programi, Ankara, 2001.

structure of the Turkish economy as a condition for setting economic growth on a sustainable basis and moving Turkey closer to its goal of joining the European Union.

In the countries of the **Southern Mediterranean** as a whole, on the other hand, the average economic growth rate was lower than the previous year due to an international environment which was less favourable and a poor agricultural year.

Tunisia continued to register the best growth rate (5%), followed by Algeria (2.4%), Morocco, whose situation improved (0.3%), but Lebanon registered a slightly negative rate (- 0.4%). In the case of the Maghreb countries these results are to be explained mainly by a very poor agricultural year. The gross agricultural product actually registered a growth of - 0.25% in Tunisia, - 5% in Algeria, and - 16.7% in Morocco.

The deterioration was more marked in the case of **Lebanon**: due to the general uncertainty in the political situation in the region and the fragility of the economic fabric of the country, all sectors were affected and consumption dropped by 7% and private investment by 10%. On the other hand, the growth in public expenditure brought some economic growth, along with a budget deficit, which already accounts for 50% of public expenditure in the country. There were two favourable factors, however: very low inflation - 0.3% - due in part to the recession, and a relative degree of recovery in trade; imports stagnated, whereas there was significant growth in exports. The deficit in the Lebanese balance of payments still amounted to almost 1/3 of local production in 2000.

In addition to the poor results of the agricultural sectors of the countries in the South there was also a decline in some of their key economic sectors: in the hydrocarbon sector in Algeria the growth rate dropped from 6.1% to 4.9%, and in the phosphates and metal ore sector in Morocco the growth rate dropped by 2%. If can thus be said that the economies of the countries in the Southern Mediterranean continued to depend to a very large extent on changes in weather conditions and/or the ups and downs on the world market. In all of these countries inflation rate was fairly low due to the anti-inflation measures which persisted, and in particular the measures taken to limit public expenditure. The best performance in this respect was achieved by Algeria, where the rate dropped from 2.6% to 0.4%. The consumer prices of agricultural commodities and foodstuffs in Algeria contributed to a large extent to the low inflation rate, with a variation in the index of these products of -0.7% for the 1999-2000 period. In Morocco, these prices rose at a rate lower than those of other goods and services (1.5%). The fact that inflation rates were kept low unfortunately was not accompanied by any improvement in economic growth rates or employment growth rates. Some economists are therefore advocating a reasonable increase in public expenditure in order to boost investments. Algeria seems to be following this recommendation, since it has decided to launch an ambitious economic recovery programme in 2001 (in which 65 billion DA are earmarked for agriculture), which will run until 2004.

As regards unemployment, all of the Southern Mediterranean countries are proving unable to devise and implement policies achieving any significant decrease in unemployment rate. In Morocco, urban unemployment (the only rate for which there are official figures) remained high despite a drop between 1999 (22.9%) and 2000 (21.5%). The same applies to Algeria, where the overall employment rate rose from 29% in 1999 to 29.8% in 2000. As a result of these high unemployment levels the percentage of the population below the poverty line in 1999 was 7.6% in Tunisia, 14% in Algeria and 19% in Morocco; this population is concentrated mainly in the rural areas (in Morocco, for example, 66% of the poor were identified in those zones in 1999).

And finally, the results in terms of foreign trade varied widely from one country to another.

In **Algeria**, the rise in the price of hydrocarbons had a favourable effect on the value of exports, as was to be anticipated, but it must be noted that the latter also increased slightly in volume. There was an appreciable decline in imports (-6.9%) and there were also signs of a slowdown in production activities in this country.

Tunisia also registered growth in exports (+12.5% in value) despite a decrease in agricultural and agro-food exports (but it must be noted that 1999 was a very good year in that field). It was a bad year for trade in **Morocco** on the other hand. The low demand in the European Union and the rise in hydrocarbon prices resulted in a deterioration in the balance of goods and services, but this was fortunately offset by good results in the tourist trade and by the transfers of Moroccan residents abroad.

8.2 - Agriculture and food in the national economies

The place of agriculture in the national economy continued to decline in all European countries both in terms of employment and as regards contribution to the gross domestic product.

In **France**, the development in the agricultural and agro-food sectors taken as a whole was in line with the usual trends. The share of the agricultural sector decreased again slightly in terms of employment and of participation in value added, but expressed as a percentage of that decrease it was very slight and the figures for 2000 remain at 3.4% of the working population and 2.4% of value added, as was the case in 1999. The agri-food industries (AFIs) registered moderate growth, and it must be noted that there was a very slight drop in employment in this sector, contrary to 1999. As was the case in previous years, the agro-food trade balance was very favourable, particularly with countries outside the European Union. The overall balance for other products was negative this year.

In **Spain** there was a particularly marked downward trend in the working population (7.1% in 2000 as against 7.9% in 1998 and over 15% in 1995), and one of the specific features of the country was that unemployment was still high in the agricultural sector.

In **Portugal**, the working farm population decreased from 10.4% to 10.0%, from 3.1% to 3.4% of value added. As was the case in France, the new factor was that a number of jobs were lost in the AFIs, from 2.4% to 2.3% of the working population, but these sectors retained their place in the national economy with a productivity rate which makes them one of the most dynamic sectors in the country (they account for 5.3% of value added, i.e. a labour productivity rate which is twice as high as the national average!).

The importance of agriculture in **Italy** declined in the year 2000, particularly since there was a 1.8% decrease in its value added, which amounted to only 2.4% of overall value added measured at the national level. Total production in agriculture, forestry and fisheries at basic prices[34] registered a 0.6% downswing in value in 2000 compared to the previous year. The contribution of crop and animal farming to total production was 95.9%, that of fisheries was 3.0% and that of forestry 1.1%.

The decline in production is to be related to a sharp drop in the quantities produced (-1.8%) combined with subdued growth in prices (+1.2%). As usual, the moderate rise in farm prices largely contributed to the curbing of inflation. The development of the various products varied widely, however, and the rise in the prices of animal products contrasted with the stagnation in the prices of the other agricultural commodities.

As result of this diversified development of production and intermediate consumption, the total value added of agriculture, forestry and fisheries registered a drop of -1.6% reflecting a sharp downswing in real terms (-2.1%) and a slight rise in prices (+0.5%). It must furthermore be stressed that this subdued growth is to be related not only to the development in producer prices (+1.2%) but also to stabilisation in the CAP compensation aids granted for various products (+0.3%).

During the last two years (1999-2000), in **Greece**, it seems that agricultural employment has stabilized. The share of agriculture in total employment is around 17% and the share of agriculture GDP is 7.3% of total GDP. On the other hand, the important role of agriculture on the maintenance of the fragile socio-economic fabric of less-favoured and mountainous areas should be emphasized, as those employed in farming in these areas, represent 62 per cent of total employment in the sector. Finally, it is worth noting that the share of agriculture in total

34 Agricultural production in the European Union (European System of Accounts, base year 1995) is calculated by including any price compensation aids (CAP aids) and by counting all of the output which is sold, consumed within the sector or stocked, including livestock.

employment is by far the highest in the EU, while 47 per cent of them are over 55 years-old and 92 per cent is not full-time.

Greek agriculture faces new challenges, clearly associated with reforms in agricultural support policies, trade liberalization and globalization. These developments could result into the further decline of the sector's share in economic activity. Along these lines, new strategies should decisively promote the necessary improvement of agricultural productivity and competitiveness, which could eventually contribute to the improvement of the traditionally deficient trade balance, create growth and employment in rural areas, and generally contribute to the target of economic cohesion of the country's rural regions with the rest of the EU.

Greek agricultural production is dominated by crops, whose share accounts for nearly 73 per cent of total production value at producer prices, while the share of livestock production fluctuates around the 27 per cent mark.

In recent years, a trend of declining farm incomes has taken place in Greek agriculture. In more detail, farm income declined (in real terms) by 4.1 per cent in 1996, 2.6 per cent in 1997, 1.3 per cent in 1998 and by around 0.5 per cent in 1999. However, in 2000 this trend was reversed and according to the official Eurostat data, farm incomes in Greece increased by 2.1 per cent in real terms.

Despite its small share in total GDP (0.36 per cent), fishery is regarded an important sector in Greece, as it contributes by 5.1 per cent in primary employment and by 1.2 per cent in total employment, respectively. The role of the sector is regarded as important as it contributes to employment in marginal islands of the country (where it represents around 30-40 per cent of employment), it provides income to several important coastal areas and it is characterized by significant upstream and downstream economic linkages.

In our days around 35500 people are employed in fishing, 4600 people in aquaculture and 3500 in fish-processing units. Fish production in Greece amounts to around 113000 tonnes. Production has declined in recent years due to the retrieval of a significant number of fishing vessels (induced by the Common Fish Program) and stricter conservation policies for stocks. In terms of fleet-capacity, there are around 20500 vessels in Greece.

The most important problems of the sector concern the old age of the fleet, shortages in vocational training, the high cost of fishing equipment and energy, the lack of a coherent institutional framework and difficulties in locating fishing fields.
Aquaculture is regarded as one of the most dynamic sectors in Greece. In more detail, production increased from 7557 tonnes in 1990 to 60294 tonnes in 1998. Also, this sub-sector is one of the most dynamic export-oriented sectors in Greece.

Agriculture plays an important role in the **Albanian economy**. Almost all government programmes have treated it as a priority sector throughout this decade. According to the indexes, which are fairly constant, the share of agriculture in GDP was in the order of 55% for the 1999-2000 period - well above that of industry and the building trade (15% and 11% respectively). Agriculture is thus considered to be the "mainspring" of the Albanian economy.

The vast majority of labour is employed in the rural sector in general and in agriculture in particular - approximately 65%-70% of the country's total labour force, particularly in the private sector; this contributes to the reduction of unemployment and social tensions. The increase in agro-food output, on the other hand, which has been 15% on average over the past few years - albeit following a marked decline at the beginning of the 1990s -, enabled this sector to make progress towards satisfying consumer food needs.

In the year 2000, agriculture contributed a consistent share of 13 percent of **Turkey**'s total GDP. Agricultural sector is still major sector for employment of population (35,8%). However, it should be recalled that much of the industrial sector's contribution to GDP is agriculture-related.

Value added in agricultural sector declined by 4.6 percent in 1999. In 2000 agricultural value added increased 3.6%. Augmentations in the production of cereals was the main factor behind the increase in vegetal production. On the other hand animal production, which declined as 1.9 percent in 1999, decreased 1.3 percent in 2000.

The agricultural sector still carries considerable weight in the **Southern Mediterranean countries**, particularly in terms of the working population and employment, but also in terms of the share in value added and in foreign trade.

In Morocco, the percentage of working farm population in the total population is the highest in the region (37.7% in 1998), followed by Egypt (21% in 1999). The share of agricultural employment in Algeria is reported to vary between 15.7% (official estimate of the Statistical Office) and 21% (according to the estimate of the Ministry of Agriculture - but in view of the poor agricultural year this estimate would seem to be greatly overrated).

Due to the disastrous conditions of the 1999-2000 agricultural year, the share of agriculture in overall value added decreased in the 3 countries of the Maghreb, particularly in Morocco and Algeria, where it dropped from 13% to 10.8% and from 12.2% to 9% respectively between 1999 and 2000. However, agriculture nevertheless remains one of the main sectors of the economy, ranking as leader in terms of added value in Algeria (except in the case of hydrocarbons), and coming third in Tunisia (in 1999).

Agricultural commodities and foodstuffs constitute a large share of foreign trade in all of the countries examined, particularly in Morocco and Lebanon, where this trade amounted to 25% (30% in 1999 and 37% in 1998) and 18.2% (19.8% in 1999) respectively. The percentage was lower in Tunisia and Algeria, with shares of 7.1% and 13% respectively. In the import field agro-food imports in all countries accounted for a large percentage of imports (except in Tunisia, where the percentage was nevertheless 6.1%).

9 Agri-food production, consumption and foreign trade

9.1 - Land use and agricultural structures

A general agricultural census was carried out in all of the countries of the European Union in 1999 or 2000 on the basis of similar methodologies; it provided more accurate information than that obtained from the periodical surveys on foreign structures and land use and also provided a basis for analysis at lower geographical levels. At the time of writing the present report only the results obtained in France, Italy and Portugal had been published in relatively detailed form.

Box 9.1 - Agricultural censuses in 1999 and 2000 in the European Union

All of the countries in the European Union carried out a general census of their agricultural sectors in 1999 or 2000 using methodologies and definitions that were as similar as possible and had been ratified by the Commission. This was a decision taken at the level of the Union with a view to effecting a more accurate comparison of the agricultural sectors in all of the countries and of how the sectors were developing and also to comparing the effects of the Common Agricultural Policy. All of the countries had hitherto been conducting censuses of this nature every 10 years on average, but this was the first time that the exercise was coordinated.

Why conduct a census?

An exhaustive census is a costly and ponderous operation which is carried out over a long period (almost 6 months in France in the case of the actual collection of data), but compared to surveys it has the advantage of providing a basis for analysis at all geographical levels, even the most intricate, and even when a very wide range of samples is involved. It also covers the entire agricultural population, even small farms or those of a very specific nature which can play an important role in rural areas. Furthermore, a census provides a means of renewing the sampling framework in order to build up the samples for subsequent surveys. The results provide information for extensive statistical work and publications. They are of course used by the public authorities to measure the impact of the measures they take, and they also constitute an important source of information for the officials of the various agricultural associations, local council members and researchers.

Who is included in a census?

All of the units which contribute to agricultural production, that is to say, production units which meet the following criteria:

Box 9.1 (contd.)

Units:
- which produce agricultural commodities
- whose day-to-day management is independent
- which are of a certain minimum size or achieve a certain minimum output which is deliberately fixed very low: either an Agricultural Area in Use (AAU) of 1 ha or more, or an area of at least 2,000 m² under specialty crops, or a farming activity involving a number of livestock or an output volume greater than a given threshold (for example, 1 cow or 10 beehives).

Since this definition is very broad, a large number of farms which constitute a subsidiary activity, a retirement activity or even a leisure activity fall within the field of the census. It is considered that they can play a significant role in the utilisation of areas of land or in rural life in general. Participation in the census is compulsory for all farms which meet these criteria.

In order to make a distinction between farms which actually provide a family's income or which contribute significantly to economic activity and other farms "professional" farms are defined as those which meet two criteria: they must attain an economic size defined on the basis of Standard Gross Margins for the various products of at least 8 "European Size Units" (1 ESU is equivalent to 1.5 ha of wheat) and they must use at least a labour force equivalent to 0.5 year-work units (YWU).

What data is collected?

- farm population and farm labour
- acreages, livestock
- buildings and equipment
- subsidiary activities (connected with tourism or with the processing of produce), crop-growing practices, product quality (quality marks, organic farming). The censuses conducted in 1999 and 2000 introduced new questions in the latter field in all of the countries of the EU taking account of the new challenges in agriculture.
- specific regional data or data concerning special products (vine).

It must be noted that a census never contains questions on the economic results of the farms or on the farmers' incomes.

In **France**, the data was collected during the winter of 2000-2001, and the initial national and regional results have now been published. They provide a basis for making an initial estimate of how farm structures are developing compared to the data previously available from the 1988 general agricultural census and the 1997 structural survey, the results of which were used in our previous reports. The

results of this general agricultural census clearly confirm the downward trend in the number of farms. There were in fact 664,000 farms in all, i.e. a decrease of 35% compared to 1988. We would point out that this census covered a very wide field since all economic units, even very small ones, which contribute to agricultural production were included. It is thus observed that the rate of decrease in the number of farms is accelerating from one census to another: -2.4% per year in the period from 1979 to 1988, -3.6% since 1988. This rate of decrease in the total number of farms is very similar from one region to another, and in the Mediterranean regions there is very little difference between this rate and the national average. The average size of farms is now 42 ha.

The results published so far at the national level do not provide enough information to calculate how the number of farms is a developing per acreage category, but it can be seen that only farms of over 100 ha are growing; there are now 78,800 such farms. On the other hand, the number of farms between 50 and 100 ha is diminishing, a factor which was to be anticipated given the figures of the 1997 survey. Let us recall the data presented in the 1999 report.

The figures published in terms of European Size Unit (ESU) show clearly that although there are still a large number of small farms their share in production potential is negligible; that potential is now concentrated in large and medium-sized farms (over 40 ESU), i.e. the equivalent of 60 ha of wheat). A distinctive feature of the Mediterranean regions is always the large number of small farms and part-time farms. In Languedoc-Roussillon, for example, 45.6% of farms have an acreage of less than 5 ha, and just under 5% have less than 100 ha.

There is a particularly large number of retirement farms or secondary-income farms in the wine-growing sector, which comprises the majority of farms in these regions (63% of farms in Languedoc-Roussillon, for instance, specialise in vine).

There is no appreciable development in land use in France from one year to the next with the exception of the decrease in acreages under oilseeds and high-protein crops, which is a direct result of the Agenda 2000 reform and is partially offset by the increase in areas under cereals: taken as a whole, there is very little variation in tilth. The agricultural area in use is continuing to decrease very slowly for the benefit of forestry and urbanisation. This decrease concerns in particular the areas under permanent grass, but more specific results show that the resistance of extensive pasture to the idling process which has been affecting them for the last 50 years, especially in the Mediterranean region, is steadily improving.

A further reassuring feature for the Mediterranean regions is that the 1999 trend in the vineyard sector was confirmed in 2000: the regression seems indeed to have stopped, whereas on the other hand the orchard area is continuing to decrease.

The results of the 1999 census in **Portugal** provide a basis for an accurate and particularly instructive analysis of the period from 1989 to 1999 in terms of land

use and development of the various farm categories. The national report presents extensive information highlighting in particular the differences between the various regions and the very wide variety of farm structures. Taken as a whole, there has been a slight decrease in the Agricultural Area in Use (AAU) in Portugal (-3.6%) but there has been a significant change in the composition of that area. There has been a marked increase in permanent pasture, for instance (+62%), presenting a contrast with the decrease in tilth (-25%) and in permanent crops (-10%). It is in fact the orchard area which has decreased, since wine-growing developed over the same period.

Analysis of the differences in development from one region to another, which is particularly marked, is very instructive. In 3 of the 7 agricultural regions in Continental Portugal the AAU dropped by 25% on average, in 2 other regions it showed a low negative variation (approximately -5%) and in other regions it increased. These differences are connected with the most important type of agriculture in each region and the conditions concerning other economic activities in the regions where there are located. In the first group (sharp decrease in AAU) very small and small farms constitute the major category, and the economy of these regions is one of the most developed sectoral economies in Portugal. In the second group (low rate of decrease in AAU) very small and small farms constitute the major category, but the economy of these regions is lagging behind and there is thus still a large population on the land. And finally, in the third group (increase in AAU) large and medium-scale farming is the major economic activity.

In **Spain**, on the other hand, the results of the 1999 census were not yet available at the time of writing the present report. The figures of the 1997 survey, which were already presented in our previous reports, show of course a considerable decrease in the number of farms (-33% in the period from 1987 to 1997). One of the features of agriculture in Spain is the persistence of two highly contrasting types of farming: 53% of farms have an acreage of less than 5 ha, amounting to 5% of the total area, and 3.9% have an acreage of over 100 ha, amounting to 53% of the total area.

According to the provisional results of the fifth national agricultural census in **Italy**, which was conducted by ISTAT, there were 2,611,580 crop-growing, wood-harvesting and animal husbandry farms in Italy in 2000, i.e. a decrease of 411,764 units compared to the situation registered in the previous agricultural census in 1990 (-13.6%). There were 2,564,979 farms (-13.8% compared to 1990). This is a much smaller decrease than the figures observed in other European countries; in Italy, in particular, there is still a very large number of small farms.

Development of areas depending on the farms' specialisations: the number of arable crop farms has dropped by approximately 26%, the number of farms specialising in tree crops has dropped by 15.2%, and the number of farms with permanent grassland and/or pastureland or woodland has decreased by approximately 23%. This development indicates on the whole that there have been considerable changes in the production systems of Italian farms and, in particular,

that there is a tendency to specialise. The downward trend in the number of farms is more marked in the case of animal farming. In 1990 there were more than 1 million animal farms but there were only 640,000 in 2000, which is a negative variation of 38.6%. The greatest decreases concerned cattle and/or buffalo and pig farms: the number of cattle/buffalo farms dropping by 149,000 units (-46.6%) and the number of pig farms decreasing by 175,000 units (-49.0%).

In terms of farm management the data collected confirm that Italian farms are family farms: over 2.5 million farms are owner-operated (i.e. 97.6% of the total number of units), and 81.7% of farms employ only family labour. Compared to 1990, there has been a 13.5% decrease in owner-operated farms, and the number of farms employing only family labour have decreased by 8.2%.

Since the figures for **Greece** were to be available by the end of 2001 they could not be used in the present report. The data presented here refer to 1995 in the case of farm structures and to 1998 in the case of land use.

From a total of 13.9 million hectares of the total land area in Greece the area used by agriculture represents 9.1 million hectares, while the area covered by forests reaches 2.9 million hectares. Of the land used for agriculture, 3.9 million ha are arable land and 5.2 million ha are pastureland. Half a million ha of the cultivable land are left fallow every year. Of the total cultivable land, 56% is located in plain areas, while the rest locates in mountainous or semi-mountainous districts. One third of the cultivable land is irrigated. In general, a significant proportion of agricultural land is of poor quality, while during the last four decades, large parts of land have been abandoned in depopulated mountainous and less-favoured areas.

Out of the total of cultivated land, 65% is arable land, 3.6% is under vegetables, 4.1% is dedicated for vineyards and 27% is under orchards. Livestock includes around 9.3 million of sheep, 5.5 million goats (mainly in montainous areas), and 0.6 million cattle.

Greece presents a modest structural improvement; however, taking account of the still significant number of very small farms and the high level of fragmentation, there should clearly be more efforts towards increasing farm sizes. This effort is regarded as a necessary step for attaining the very important policy objectives of improving efficiency and productivity in Greek agriculture.

With regards to the tenure status, owner-operated farms prevail in Greek agriculture, while there is also a significant number of rented farms, 10% of agricultural land. Around 41 per cent of total area is irrigated, compared to 26 per cent in 1981. Most farms are under tree crops and vineyards, followed by vegetables, cereals and industrial plants (the share of which has been increasing in recent years).

Agriculture in **Albania** has unfavourable structural characteristics, which are impeding its development:

1. A very small area of farmland per farm: 1.3 ha per family, i.e. 0.25 ha per person;
2. extreme fragmentation of farmland: for 450,000 farms there are 1.8 million plots, which are often widely dispersed;
3. a very low level of mechanisation, very little specialisation, a low level of cooperation, practically no links with the wholesale markets in the major cities of the country;
4. absence of specialised banking institutions for farms, for the processing of agri-food products, for small shopkeepers or for other investors in the agricultural sector, difficulties in obtaining credit;
5. weak infrastructures in all fields: irrigation and drainage, transport and the rural road network, absence or poor development of energy distribution networks (particularly electricity) and drinking water supply networks, deficiencies in marketing infrastructures in the agro-support and downstream sectors. Lack of the most elementary services such as medical services, not to mention the non-existence of any cultural activities in most rural zones.
6. low level of education and skills of the rural population, lack of knowledge of the rules governing how a market economy works.

The following table, which presents the current status of farms according to the Ministry of Agriculture, clearly reveals the structural gap between agriculture in Albania and the agricultural sectors of its European neighbours.

Box 9.2 - Farm features in Albania

	Number of farms	In %
Total number of farms	456000	100.0
Crop farms	426800	93.8
Derelict or abandoned farms	29200	6.2
Number of farms with tools and machines for working the land	56600	12.0
Number of farms with means of transport	30100	7.0
Number of farms on which tractors are used to work the land (only part of the land in most cases)	234900	55.0
Number of farms on which the land is generally worked by hand	259200	61.0
Number of farms using chemical fertilisers	340800	80.0
Number of farms using pesticides and fungicides	225300	53.0
Number of farms which sell their projects on the market:		
- no contact whatever with the market		21.0
- very intermittent and seasonal contacts		64.0
- fairly regular contacts		15.0
Number of farms which provide an income of over $2,800/year, i.e. more than 1.5 US $/person/day (a rural family in Albania is generally composed of 4-6 persons)		27.0
Sources of rural family incomes:		
- agricultural incomes		65.0
- non-agricultural incomes (essentially transfers by emigrants)		35.0

In **Turkey**, with great diversity in 9 different agricultural regions, many types and varieties of agricultural products are grown on the 4.5 million farms of various sizes which are located in these regions. Thus, Turkey has a typical heterogeneous agricultural structure and farm organisation.

Agricultural lands and forestry area is about 82% of total lands and 39% of this agricultural land was used for arable crops growing. The share of fallow land is about one third of areas sown.

Cereals is the major field crops (75%) of the area sown and then, on the rest of it food legumes, industrial crops, oil seeds, tuber crops, fodder crops are grown.

No significant changes were recorded in land use in 2000 for the various **Southern Mediterranean countries** for which figures are available. It will be noticed, however, that Algeria is beginning to apply an ambitious plan for converting crop-farming systems (approximately 600,000 ha), the idea being to replace the cereals-fallow system with more intensive systems, either dry farming

(cereals-legumes) or - more frequently - irrigated farming, the main emphasis being on fruit-growing (table and wine grapes) and fodder crops. In the steppe zones of this country systematic efforts to find groundwater resources and substantial State aid have made it possible to create several hundred irrigated farms, where the land - generally State land - is given on long-term concessions to farmers who have no land or to very small farmers.

As regards land structures, the fact that the countries under review are under industrialised - compounded by high unemployment or underemployment rates - means that freehold is still a guarantee of survival for a very large number of persons. There is thus very little activity on the land market, and small farms continue to account for a very large percentage of the total number of farms. One point that is common to the countries of the Maghreb is their policy for creating private farms on the basis of State land. Algeria, for instance, grants State land (particularly in the steppe and Saharan zones) on concessions after developing it (development, sinking or drilling of wells, electrification, creation of irrigation networks and farm tracks). In Tunisia, 290,000 ha of State farmland (of the 500,000 registered in the country) have been granted to development companies, agricultural technicians who have no land and young farmers in similar circumstances. In Algeria, the policy pursued concerning land tenure structures aims to promote the establishment of farms which will each provide an annual income of at least 700,000 DA (a little over $9,000).

9.2 - Agricultural production

As had been the case in previous years, there was no significant variation in agricultural production in the countries of the European Union during the 1999-2000 period. Apart from Greece, all of these countries are composed of a wide variety of climate zones, a factor which reduces the effects of climate setbacks on the country as a whole. The production techniques used seem to make it possible to limit a large proportion of risks. It must be pointed out, however, that the effect of poor climate conditions in Italy on annual crops had considerable consequences for the country's overall results.

It was a very good year on the whole, despite a slight decline in Portugal compared to 1999, which had been an exceptional year, in terms of both quantities and economic results.

The striking feature of the last few years in **Portugal** has been the steady growth in wine production. This product, which accounted for less than 10% of agricultural production (measured in market prices) in Portugal in the period from 1988 to 1990, accounted for 16% of total production on average in the period from 1998 to 2000 (and this significant share should increase again with the 2001 results). This change is to be explained essentially by the production of quality wines, whose

share increased from 5% to 12%. This importance of wine also explains the marked annual fluctuations in agricultural output in Portugal to a large extent.

It was also a favourable year in **Spain** without any major swings; this year the country was spared the drought which affected its neighbours in the South. The increase in the volume of crop products was offset by a drop in prices; on the other hand, there was a very slight decrease in the production of animal products and a significant rise in prices. Taken as a whole, the economic results were good and the increase in European premiums brought a rise in per capita income.

Cereals: As in other subsectors, the belated rainfalls in 2000 contribute an important increase in cereal production in comparison with 1999 (a rise of 36%, pointing up durum wheat with a growth of 191%). Forecasts for 2001 show a reduction of cereal production due to the excess of rainfall in the last months of 2000.

Pulse crops: the former reasons also explain the important growth of pulse productions. Nevertheless, in this case farmers have face a double problem. On the one hand, pulse prices have drop in 2000 due to the rise of supply. On the other hand, the high production has surpassed the Maximum Guaranteed Production established by the EU, which has led to a penalisation in CAP aids.

Oilseeds: During 2000, there has been a reduction of the area devoted to oilseed production. However, the good climatic conditions have meant an increase of production (a 46.4% in the case of sunflower).

Fruit: Rainfall distribution in 2000 also has conditioned fruit production in two different ways. On the one hand, stone fruit season in 2000 was better than the previous one (e.g. peach production grew a 14%). On the other hand, citrics suffered a setback because of the effects of the cold front that affected Eastern Spain in 2000. The negative effects were specially serious in the case of orange and mandarin productions.

Vegetables: Both production and area of vegetables have risen in 2000, in spite of prices' drop. Vegetables constitute the main exports of Spanish agricultural products. In the last year, this item growths 6.5% in value and 3.7% in volume - while imports drops-, mainly due to Euro/US$ parity.

Wine: Wine production in the 2000/2001 season was excellent in both quantity (a rise of 13%) and quality. Nevertheless, prices suffered an important decrease -in the case of red wine due to the excess of supply. In addition, exports also drop (a 6.11% in volume and 7.86% in value). The putting into effect of the new CMO and the distribution among Autonomous Communities (regional administrations) of the funds for the vineyard re-adjustment marked this season.

Olive oil: Rainfalls conditioned perspectives of olive oil production. The optimistic beginning of the season becomes pessimistic as rainfalls continued, and the excess of water difficult harvesting. However, final balance in April 2001 shows an increase of production of 28%. Price's variability during 2000 finally balances a reduction of 18%.

Milk: During the last year, the reduction in the number of dairy cows (drop of 3%) helped to maintain production level below the Spanish Quota. This fact has led to a rise of prices at the beginning of 2001.

Beef: There is no doubt that the sector's evolution has been strongly conditioned by the BSE crisis. Therefore, before November the 22th the trend was the same than the previous years, that is, a parallel reduction of dairy cows and an increase of beef heads. During the 10 first months of 2000, the number of slaughters was dropping 1.3%. After the start of the crisis, the decrease was of 7.7%.

Pork: After two bad years in the sector, 2000 was a good period in both production and prices. It started with low prices, but the evolution during the year, and specially the effects of the BSE crisis, mean an increase or prices at the end of the year. The Spanish pork sector was not affected by the food-and-mouth disease, which appears in other European countries.

Sheep and goat: There has been an increase of the number of sheep, as well as in the level of production. The premium decline a 20% in comparison to 1999. In the case of goats, there has been a decrease if the number of heads. The fluctuation of goat prices during 2000 finally balances a rise because of the BSE effects.

Production volumes in **France** decreased on the whole, but the economic results were satisfactory.

In view of the wide variety of products, areas and climate zones it is rare that agriculture production in France registers any major variations from one year to the next; production types, on the other hand, particularly in the field of arable crop production, are very sensitive to the CAP guidelines. The year 2000, which was the first year in which the Agenda 2000 reform was applied, clearly illustrates these two aspects. After a lull since 1997, cattle output was affected by the return of the Bovine Spongiform Encephalopathy (BSE) crisis: the disclosure of new information on the ways in which the disease is presumed to spread caused a new drop in consumption at the end of the year - after it had regained its pre-1996 level.

Taken as a whole, the volume of agricultural production decreased by 0.6% in France in the year 2000 compared to the previous year, after 6 years of consecutive growth. This decrease was due mainly to the decrease in crop products (-1.3%), which accounted for 58% of the country's total agricultural production. Animal production was stable on the other hand (+0.2%). Price development varied very widely from one product to another. The most striking factor was the fact that the

crisis in off-land animal products seems to be over: pigmeat prices increased by 21.8% over the year (and since this increase has continued in 2001 the highest rates of the previous years have again been reached). Development in the poultrymeat and egg sector was also favourable.

The most striking drop in production in France was registered in oil crops and high-protein crops due both to the considerable decrease in areas (to be explained by the decrease in the amount of the per-hectare premiums following the Agenda 2000 reform of the CAP) and unfavourable weather conditions. In the industrial beet sector there was also a decrease in acreage and yields. The acreage under cereals increased, on the other hand, compared to 1999 despite the expansion of fallow areas; this was due mainly to the replacement of oilseeds and high-protein crops. The drop in the price of cereals is to be explained both by the bumper harvest and the poor quality of the crops; conversely, oilseed prices rose appreciably.

The potato harvest, which was already big in 1999, progressed further; yet prices went up nevertheless - but then they had been very low in 1999; likewise, fruit and vegetable output remained constant after the steep rise in 1999. Tomatoes, the most important product in France and one which concerns mainly the southern regions of the country, suffered from the effects of international competition - particularly from the Mediterranean countries - even more clearly this year than in previous years. There was a decline in wine production, but the 1999 harvest had been exceptional; this was a normal decrease due to weather conditions. Prices were still going down, since the stocks from the previous year were burdensome.

There was little variation on the whole in the volume of animal products. Due to an upward trend in exports poultry production remained constant after the decline in 1999. Pig production dropped slightly in France but much more in the European Union as a whole, and together with a slight upward trend in consumption this brought an end to the crisis which had plagued the sector in 1998 and 1999. It was in the prices of these products that highest increases were registered.

The rate of decrease in the marketed output of beef and veal was much larger on the other hand; this was due to the sharp drop in slaughtering at the end of the year following the new BSE crisis and the loss of consumer confidence. In many cases fatstock did not find buyers and stayed on the cattle farms. Prices fell at the end of the year, but calculated over the whole year the decrease was only 1%.

A new factor is the increase in milk production; due to the recovery in global demand and the continued general decline in European production, French producers, who did not use all of the quotas to which they were entitled in previous years, managed to increase production - albeit to a limited extent - for the first time since the beginning of the 1990s.

All in all, the effects of the prices that are guaranteed within the CAP framework were not really felt in the countries in the case of the products concerned. On the contrary, the increase in compensation premiums brought a slight rise in incomes.

In **Italy**, unfavourable weather conditions were the most important factor explaining the poor agricultural year in 2000. The extreme variability of weather conditions affected the production of annual crops in many regions of the country. These natural disasters were compounded by the rise in energy costs and the health crises in the animal sector.

Stagnation was registered for annual crops on the whole, the increase in production for the horticultural sector being more than offset by the decrease in all other production sectors, particularly cereals. There was a sharp downswing in industrial crop output (sugar beet and tobacco).

The cereals sector, which constitutes some 37% of the value of total agricultural production, registered a downswing in production (-5.5%) compared to the previous year in the case of practically all crops except for maize. A decrease of this nature was no doubt due to the unfavourable weather conditions but also to the decrease in areas under common wheat, durum wheat and barley. The production of these cereals will continue to decrease in 2001 by around 10%. Maize production increased by 3.4% compared to 1999 in terms of acreage and by 1.1% in terms of harvests, due to less favourable yields. There was a sharp downswing in rice output (-16.9%) due to floods in the Piedmont region.

Slight recovery was observed in the horticultural sector - one of the main production sectors with approximately 12% of the value of total agricultural production; this recovery was more marked in the case of certain products such as tomatoes (+5.7%), water melons and melons (+9.1%).

There was a sharp downswing in tree crop production (-6.6%) on the whole, due essentially to the year of low production in the olive sector (-28.3%) and the vine product sector (-6.5% of wine grapes).

There was also a general decline in citrus fruit production, since crops in Sicily did not enjoy favourable weather conditions during the summer. Oranges were affected most: both the difficulties in marketing output and prices were unfavourable for citrus producers.

The trend in animal products was negative due to health problems. The unfavourable events in the sector adversely affected the headage slaughtered - concerning all types of livestock - particularly cattle and sheep and goats (-1.4% and -5.3% respectively between 1999 and 2000).

The number of pigs slaughtered dropped slightly in 2000 compared to the previous year (-0.6%). The statistics indicate a slight decrease in the milk and cheese sector

for the year 2000. Expressed in absolute terms, cow's milk production amounted to 10.3 million tonnes.

Price development varied considerably from one product to another. Cereal prices rose on the whole (+1.8%) with a slight downward trend in the case of maize in particular (-0.6%). Remaining in the annual crop sector, decreases in prices were registered for horticultural crops (-3.3%) and floricultural crops (-3.9%). As regards animal products the most marked upswings were registered in the case of pigmeat (+12.2%), poultrymeat (+15.2%) and rabbitmeat (+6.0%) as well as eggs (+6.7%) and cow's milk (+1.5%).

As regards intermediate consumption, there was a decrease in the quantities used throughout the agriculture, forestry and fisheries sectors (-1.0%) combined with a price increase (+ 2.5%). The reason for this was that farmers achieved another net limitation of production costs and that the new agro-environmental aids granted within the framework of the Rural Development Regulation (1257/99) were also implemented.

The decrease in intermediate consumption in the animal husbandry field (-0.5% for feeds) is to be attributed to a further decrease in the size of cattle farms (-0.9%) and more rational utilisation of own farm-produced inputs (-1.5%).

Taken as a whole, the prices of production means rose by 2.6% compared to the previous year; this growth concerned mainly fuel oil (+11.3%), fertilisers (+2.4%), and feeds (+0.6%), with negative repercussions on intermediate consumption purchased by agriculture as a whole. Seed prices were the only prices showing a downward trend (-2.1%). The explosion in the prices of energy products created difficulties for the sectors most exposed to energy consumption - floriculture and horticulture in particular.

The final output of **Greece** declined in volume (by around 1.25%), a result of the decline (around 1.61%) of crop production and the decrease at around 0.56% of livestock production. More specifically, significant changes are as follows:

- *Cereals*: -1.87% decrease which can be attributed to the decline in the volume of production of wheat, rye, barley and rice.
- *Sugar beet*: +34.5%.
- *Industrial Crops*: +1.74%
- *Fruit*: +0.34% due to a 2.37% increase in the production of fresh fruit.
- *Cattle*: -6.23%
- *Poultry*: +5.25% .

In Greece, agriculture has registered very appreciable developments in the past few years in terms of products:

- gradual substitution of durum wheat, which benefits from substantial European aid, for common wheat, whose yields increase are far from achieving the levels achieved in the specialised regions in the EU;
- development of cotton, with a current acreage of 450,000 ha, i.e. 1/3 of the land under irrigation; output, which is steadily rising, amounted to 1.25 million tonnes;
- development also in the production of sugar beet, made possible by a CAP production quota which is still well above the volume actually produced.

Tobacco has always been an important source of employment and income for small farms, particularly in mountainous and disadvantaged regions. However, tobacco production, which is subject to quotas within the CAP framework, decreased, levelling off at around 1,250,000 tonnes.

Fruit and vegetable production remained fairly stable on the whole, whereas there was an appreciable drop in wine production - a trend which was in line with the general trend in the EU countries - despite considerable development of the production of quality wines.

Meat production continues to decline and is dominated by poultry meat, pigmeat and sheep meat. In general, beef and sheep and goat production systems in Greece are extensive. The production of milk has slightly increased during the aforementioned period, however the sector faces significant problems due to structural weaknesses, and the recent development of Greek milk industry implied an increase in imports.

The value of total output has remained stable in 2000. In terms of products, vegetables (17.5 per cent of total) and fruits (16.7 per cent) dominate, followed by olive oil (10.5 per cent), cereals (10.4 per cent), milk (9.8 per cent), industrial plants (8.7 per cent) and sheep and goat meat (7.3 per cent).

Producer prices increased by a significant 3.53%, an exception in the EU countries quoted in the present report due to the particular structure of greek farm productions, a fact which can be attributed to the 2.90% increase of the prices of the crop production and the 4.64% increase of the prices of livestock production. The most important changes for each product are:

Wheat:+2.8%, barley: +4.46%, oilseeds: +6.9% prices. Tobacco: -4.24%, vegetables: +10.01%, potatoes -2.76%, sugar beet: +13.4%, fresh fruit: +4.57%, olive oil: -9,23%, pigmeat:+14.92%, sheep and goats: +7.2%, milk: +5.57%.

Intermediate consumption increased by 5.57% due to the 5.87% price increase and 0.28% volume decline. Almost all elements of intermediate consumption increased, with exception of the reduction of fertilizers, plant protection and agricultural services.

The other elements of the agricultural income changed are the Subsidies on Production: +10.85%.

The most positive development registered in **Albania** in the last 3 years has been that of the animal husbandry sector, where there has been a rapid increase in stock and in yield per head of cattle, as well as a significant increase in output.

Fruit production, on the other hand, is the branch of agriculture in Albania with the most serious difficulties. Although fruit crops account for 17% of farmland, production has never exceeded 6-8% of the country's total agricultural production. Yields per bearing tree are still exceptionally low (5-15 kg/ha for fruit trees, 10-20 kg/ha for olive trees, 30-40 kg/ha for vine, etc).

Albania suffered a real catastrophe at the beginning of the 1990s due to the deterioration of its fruit trees. In 1990, for instance, there were 20 million fruit trees including olive trees and citrus fruit, but by the end of 1992 there were only 7 million left. The situation in the vineyard sector was equally catastrophic: 17,008 ha in 1990, only 7,300 ha in 1992. However, there has been an upward trend in the last few years with peasants increasing the number of fruit trees, vineyards and olive trees.

The priority measures taken by the Ministry of Agriculture in the period from 2000 to 2001 were as follows:

- Measures to increase the number of fruit trees and to introduce new high-yield varieties which adapt more easily to the country's climate;
- measures to step up phytosanitary controls and to improve the system for certifying plants;
- increased efforts to ensure access to credit for planting orchards and improving infrastructures for existing plantations.

The fisheries sector in Albania has been declining steadily iv the past few years. Although the coast and the inland waterways have considerable fish resources, fish production has decreased steadily over the last 10 years. The main causes are the lack of investments and credit, the absence of a policy for supporting this sector, and the deterioration of fish resources in inland waterways and on the coast due to illegal fishing including practices using explosives.

Woodland and pasture account for 50% of the area of the country. This sector has suffered damage in the past few years due in particular to uncontrolled felling and the abandoning of large areas of pastureland as well as the sharp decline in investments.

The share of livestock production in **Turkey** is rather low as compared to that in the european most developed countries, and vegetal production constitutes the major share, 65 percent of total production.

Arable crops made up of cereals, food legumes and other field crops covers up the most important part of the vegetal production. It should be noticed that production of cereals, food legumes, fruits and other field crops were on decrease in 2000 compared to the production in 1998. In 1999 vegetal production had decreased by 6.4%. This decrease occurred as a result of the decrease in the production of cereals, food legumes, fruits, olive, sugar beet and tobacco. In 2000 the situation globally improved with 4.3% of increase for total vegetal production and 8.8% of increase for cereals, 3.2% of increase in pulses, 5.1% of increase in vegetables, 6.6 % of increase in fruit production and 0.9% decrease in other field crops production[35]. However, this was not enough to recover the level of production reached in 1998.

Regarding the number of animals and level of production per animal, it should be clearly stated that yields are still rather low as compared to the most developed countries. In developed countries, average carcass weight is about 250 kg whereas in Turkey it is about 160-170 kg. The same situation can be seen in the yield of milk. The milk yield in these countries is about 5000-6000 kg, whereas it is about 1400-1500 kg[36] in Turkey.

In order for realization of higher yields in livestock production, some crucial issues as such higher level usage of genetic potential, improvement of growing and feeding conditions and parity relations between the input and output prices of livestock products, are still keeping their importance of their own.

In the Southern Mediterranean agriculture is still suffering from the effects of drought; in the 3 countries of the **Maghreb** there was an appreciable decline in agricultural output in the dry farming sector in the year 2000 due to severe rainfall deficits, particularly in **Morocco**, which registered a historic decrease in yields and output.

The agricultural year got off to an auspicious start in Morocco so that 5.3 million hectares of cereals were planted (+13% compared to the previous year), but a severe winter and spring drought wiped out the crops causing a 49% decrease in cereal output compared to the previous year, which had already been poor. The 41 million hundredweights that were harvested amounted to only 37% of the average harvest of the previous 5 years and covered only 23% of consumption needs. The most marked decline was registered in the barley sector (-68%) followed by durum wheat (-46%) and common wheat (-30%). There was also a record downswing in the

35 SPO, Developments in Economic and Social Sectors, Ankara, 2000, pp. 19, 20.

36 SPO, Developments in Economic and Social Sectors, Ankara, 2000, pp. 23.

production of legumes: -38% compared to 1999 and -64% compared to the average of the 5 previous years.

In **Algeria**, cereal output was the lowest of the last 2 decades after the 1997 figures, having fallen from 44.5 to 20 hundredweights (-54% compared to 1999). The same applies to dried beans (-44%), fodder crops decreasing to a lesser extent (-10%).

Tunisia also suffered the same disastrous weather conditions, with a rainfall deficit of up to 30%, and only harvested 69% of the grain-sown areas. Production thus fell from 40 to 24 million hundredweights (-40%), the decrease being particularly marked in the case of common wheat (-46%). The production of dried beans also dropped from 58,000 to 42,000 tonnes (-24%).

The decrease in horticultural output was less marked because of irrigation, although the drought depleted the available water resources. Potato production decreased in Tunisia (-9%), whereas the output of the other horticultural products remained constant on average. Production in the fruit-growing sector increased by 6-7% and in the olive sector by 25%.

Horticultural production in Algeria is reported to have increased by 10% and tree-farming by 20%, whereas olive production decreased by 23%.

In **Morocco** there was a 7% decrease in horticultural production (10% in the case of tomatoes, 4% in the case of potatoes and 33% in the case of onions). Fruit production was marked by a sharp decline in olive and grape production (-35% and -24% respectively), almond production remained constant and citrus production increased by 7%.

There was a decline in main bulk crops on average in the countries of the Maghreb. Morocco registered a sharp decrease in oil crops (-32%), sugar cane and beetroot production dropped in terms of acreage (-4% and -13%), but sugar production increased slightly (+2%). In Algeria, the bulk tomato crops only increased by 3%. Beetroot production dropped by 71% in Tunisia.

Animal products were less affected by the drought in the 3 countries of the Maghreb but only increased very slightly on average. Beef and veal, goatmeat and mutton and lamb output increased by 4%, 6% and 2% respectively. These light puts remains stable in Morocco and Algeria. The production of white meat increased by 10% in Algeria, remained stable in Tunisia and dropped by 4.4% in Morocco. In the latter country and in Tunisia egg production decreased by 12.5% and 4% respectively. And finally, milk production is reported to have increased by 6% in Algeria and by 2% in Morocco and continued to grow in Tunisia at a rate of 11%.

In **Lebanon** agriculture involves a total area of 263,000 ha, half of which is devoted to orchards and 16% to vegetable production. Production generally varies only very slightly from one year to the next in this country, where the greater part

of the agricultural area is irrigated and there are abundant water resources. It must be noted that animal products, particularly milk and poultry products, have been showing an upward trend in the past few years.

9.3 - Agro-industrial production

In **Portugal**, the agri-food industries (AFIs) continued to grow rapidly at a rate comparable to that of the economy as a whole (+3%), but with a 3% drop in employment and an increase in labour productivity.

The growth rate in **Spain**, a country which is always characterised by a large number of small firms, growth was low this year (less than 1% of turnover), but employment increased again by more than 3%; the unemployment rate in this sector has been dropping steadily and has now fallen below the national average.

In **France**, development was mixed this year: the volume of production stagnated and there was a marked slowdown in growth, but sustained export levels and the increase in prices resulted in an appreciable increase in turnover on the whole compared to 1999 (+3.5%) and good economic results.

The only sector where there was a significant decrease in activity was in fact the beverages sector (-6%). This result is to be explained to a large extent by the fact that champagne sales returned to normal (-23%, after a 15% increase in 1999). The volume of activity for all beverages in 2000 returned to the 1998 level, after the sharp rise in 1999.

As regards the other sectors, there was sustained activity in the fish, milk and grain-milling industries and stagnation in the other sectors. After a promising start at the beginning of the year, meat products were again penalised by the BSE crisis at the end of the year and the ratio of beef and veal to the other meat products was not sufficient to offset the sudden drop in beef and veal demand. In fact it would seem that if there had not been that crisis the growth in food consumption would have been close to that registered in 1999.

This mixed year resulted in good financial results for the firms in the sector but stagnation in the number of wage and salary earners over the year as a whole after a series of years of growth. The decrease was 0.3% for the year as a whole and 1.4% for the fourth quarter alone.

The AFI sector thus differs from the other sectors of industry; employment in industry in France grew by 2.1% confirming the reversal of the 1999 trend (+0.2%, after dropping for decades).

The agri-food industry in **Italy** progressed by 2.3 % in volume and 3.8 % in value compared to the previous year. The increase in value added that was realised in

2000 was the result of the growth in external demand on the main foreign markets (Japan, US. Canada and Northern Europe), but it was still lower that the rate registered in the industrial sector as a whole (+9.3%). However, the food industry nevertheless maintains its importance in Italian industry as a whole, where it accounts for approximately 6.3 % of the workforce and 12% of turnover.

The wholesale prices for agri-food products rose by 1.5% on average throughout the year; this was below inflation rate and in particular below the rise in the prices of industrial products a whole, which increased by 6% .

The year 2000 began better than it ended, however; the considerable growth in production that was registered during the first 6 months due to high internal and external demand and to the limiting of agricultural raw material prices was subdued in the course of the second half of the year by the sharp rise in raw material import prices and by the increase in imports. The upswing in internal demand during this period was thus mainly to the advantage of foreign competitors.

In the employment sphere the Italian food industry accounts for 6.4% of the total number of wage and salary earners in Italian industry as a whole, with a workforce of approximately 317,000 workers.

The climate of confidence in the agri-food sector improved considerably on the whole, although dynamics differed very widely from one sector to another - from the concern in the cattle slaughtering and animal feed sector to the optimism in the pigmeat and poultrymeat, olive oil, and milk and cheese sectors. There is an interesting example of the initiative of several distribution groups such as Safeway or Carrefour, which are planning to develop Italian products in their distribution activities.

A considerable decline was registered in the processed fish sector due in part to the fishing difficulties in the Adriatic caused by the instability in the Balkans, the difficulties in the sugar sector resulting from low output, as well as the organisational problems in the sugar industry.

Growth was registered this year in typical agri-food products (PDO, PGI and traditional specialities - accounting for 4% of sales). This increase concerned mainly prepared pork products and cheeses followed by fruit, olive oil and cereals.

The food processing sector in **Greece** plays an important role in the national economy, being the most important segment of the manufacturing industry, and accounting for nearly 9 per cent of GDP. The sector contributes for 3.2 per cent in total employment and almost 15 per cent in total exports. This sector has particularly important links with agriculture, as almost 50 per cent of the value of its inputs originates from the primary sector.

In terms of sales, the main branches of food processing are preserved fruit and vegetables, milk and milk-products, processed cereals and non-alcoholic drinks. The main agricultural products processed in Greece, are tomatoes, peaches, citrus fruits and raisins. Greece is the second largest producer country in the world in canned peach, and the first in exports, 40 industrial units process around 300,000 tons of fresh fruit.. The tomato industry processes about 1,200,000 tons of the fresh product in 52 processing units. Also, there are 12 large raisin factories and about 50 small units, which produce around 70,000 - 90,000 tons of raisins which are nearly all exported.

Two sectors have performed a particularly significant growth in the last years.

- Sugar: the Hellenic Sugar Industry is the only company in the sector with its 5 units processing 31000 tons of sugar beets per day.
- Milk and dairy-products is another. There are around 60 milk pasteurising units in operation, which absorb 80% of cows' milk brought into the industry and 20% of the sheep's and goats' milk. Four manufacturers hold a share of 85% of the market in pasteurised milk, while during the last decade there has been significant investment and restructuring in the dairy industry, which nowadays processes around 1.3 million tons of milk per annum.

The other sectors are far below in terms of economic performances, and especially meat processing, grain products and beverages, with a big number of small companies. In general, the sector is characterized by the small size of enterprises, 90% of which have less than 10 employees, and 60% are individual holdings of 1 or 2 persons.

Finally, the Ministries of Agriculture and Development have recently decided the comprehensive transformation of the system of marketing of agricultural products, in order to face unjustified increases in the prices of fruit and vegetables and temporary shortages of several products. The new system will be promoted by the establishment of a register of wholesalers, the modernization of the Fund of Popular Markets, the abolishment of the wholesale-margin, the modernization of the central markets of Athens and Thessaloniki, the establishment of a new system of approving producers-retailers and the operation of the Agricultural Prices Observatory.

In **Albania**, only a very small proportion of agricultural production is processed. The agri-food industry's contribution to the national economy is very modest with between 5% and 8% of GDP and 5% of labour. There are some 2000 private firms, which are generally small; 65% of them belong to the bread-making sector and 90% of them have less than 10 employees.

It should be pointed out, however, that this sector receives the largest share of investments in rural areas. In 2000, for instance, the private sector alone invested 2.5 billion leks, which is nevertheless 3 times the investment figure for 1998. The

largest investments were effected in the fruit juice, olive oil, prepared pork products, and cheese sectors.

The priorities of the Ministry of Agriculture and Food for the period from 1999 to 2000 were as follows:

1. Measures to increase financing and credit for this sector
2. Measures to improve the quality of supplies for the processing industry
3. Introduction of new techniques and technologies
4. Measures to improve legislation on the standards, hygiene and labelling of agri-food products
5. Measures to improve personnel administration capacities

The agri-food industries in **Turkey** are by far the largest industrial sector, with 17% of the country's total industrial production. The upward trend observed in this activity over the past few years was confirmed in 2000 both in terms of employment (+6% this year) and as regards production, for which a 2.5% increase is anticipated, and of the number of firms.

It is important to note that the private sector now accounts for 2/3 of production and that the growth registered in that sector in 2000 enabled it to maintain this pre-eminent position.

The grain-milling sector is by far the largest, accounting for 1/3 of the total value of production.

Table 9.1 - Turkey: Number of firms and jobs in the agri-food industry

	All Manufacturing Industries					
	Number of Firms			Employment		
Years	State	Private	Total	State	Private	Total
1999	259	2539	2798	90867	468311	559178
2000	251	2702	2953	97168	518880	616048
	Agri-food Industry					
	Number of Firms			Employment		
Years	State	Private	Total	State	Private	Total
1999	119	432	551	28505	61501	90006
2000	117	465	582	31971	63689	95660

Source: SIS, Manufacturing Industry (Quarterly), Employment, Payments, Production and Tendencies (Provisional Results), Ankara, 2001, pp. 2-3.

In the **Southern Mediterranean countries** the agri-food industries are geared essentially to satisfying internal demand and only a small proportion of their turnover is realised through exports. In the case of staples a large proportion of inputs and virtually all of the relevant machinery are imported.

In **Morocco**, the industries which process grain (flour mills, grain mills), fats, sugar and milk products realise 49% of the production of the AFIs, whereas canning factories (fruit, vegetables, seafood products) - which account for 88% of the exports of the agri-food industry - account for only 16% of production.

In **Tunisia**, the AFI value added (18% of the manufacturing industries) dropped by 6% in 2000 - having already decreased by 11% in 1999.

In **Algeria**, the public sector value added (which accounts for a little over 50% of the value added of the entire IAA sector) decreased by 11%. This drop is no doubt to be explained by the strong competition from the private sector, which is cornering steadily growing shares of its market. The private sector began to dominate the AFI sector towards the end of the 1990s as the result of an active policy to support private investment in terms of market protection, tax benefits, investment subsidies and other facilities (purchase of land for establishing factories).

9.4 - Food consumption

In **Italy**, foodstuff, beverage, and tobacco demand developed in 2000 with the 1.4% increase in volume and a 3.2% increase in value. If one takes the figures for foodstuffs and beverages alone (including non-household catering), one observes an increase of 3.1% in volume and 5.3% in value. It must in fact be noted that non-household catering expenditure has been increasing over the past 2 years - by 2.2% and 7.5% in value and by 4.4% and 10.6% in value.

When one examines the various categories of goods one observes very wide variations: the highest increases were registered for milk derivatives, flour confectionery and non-alcoholic beverages; they were less marked in the case of vegetables. Whereas meat consumption fell only slightly, the downswing in traditional products such as oils, fats and alcoholic beverages was more marked.

During last 3 years the participation of foodstuffs in the total monthly average purchases of **Greek** households declined significantly from 21.05% in 1993/94 to 17.4% in 1998-99 (these figures exclude expenses in restaurants, coffee-shops, etc...).

During the same period the percentage in food consumption of some products increased, those including fruits (8.27% in 1993/94, 12.26% in 1998/99), non-alcoholic drinks (2.50% in 1993/94, 5.61% in 1998/99), dairy products and eggs (17.21% in 1993/94, 18.15% in 1998/99) and fish (6.57% in 1993/94, 7.74% in 1998/99). On the other hand, a declining trend was recorded in the relative consumption of meat and pulses, potatoes and vegetables and to a lower extent, of oils and fats, sugar and pastry products, and other foodstuff.

According to the statistics of the Albanian Ministry of Agriculture and Food for 1999, the available foodstuffs varied between 2,200 and 2,700 kcal/person/day depending on living conditions. These figures were lower in rural areas (2,100-2,300) than in urban areas (2,600-2,800). The typical Albanian diet is composed mainly of cereals, meat and poultrymeat, potatoes, beans, cabbage, egg plants, and tomatoes.

Table 9.2 - Calorie availability in rural zones in Albania
(calorie/day/capita)

		Calories/day/ capita	In %
1.	Cereals	1068	**48.30**
2.	Fruit	109	5.00
3.	Sugar, jam, honey	143	6.40
4.	Vegetables	37	1.60
5.	Meat, chickens	155	**7.10**
6.	Eggs	22	1.00
7.	Fish, sea food	1	0.05
8.	Milk, cheese, butter, etc...	391	**17.60**
9.	Oils (vegetal, of olives)	263	**12.00**
10.	Others	21	1.00
		2210	**100.00**

Source: Minsitry of Agriculture, Albania, April 2001.

In the rural zones food consumption is essentially on-farm consumption, whereas the urban population depends to a large extent on imported agri-foodstuffs.

The satisfaction of the needs of the population has improved appreciably with the increase in agri-food production. Albania satisfied a large proportion of its domestic needs in 2000: the figure was 98% for vegetables, 97% for fresh meat, 100 % for milk, 99% for eggs, 98% for beans, 90% for potatoes, and 78% for fruit. The increase in the country's agri-food output was also accompanied by a steady drop in the prices of these products.

The prices for most agri-food products dropped in the period from 1998 to 2000: by 24-27% for vegetables, 12-14% for meat, 8-10% for milk and dairy products, 4% for eggs, 7-8% for fruit, etc...

In the period of 1998-2000, it should be mentioned that there is surplus for all foods, except citrus, vegetables and potatoes in **Turkey**. In 2000 there were decreases for wheat, legumes and citrus, and in the contrary evident increases of vegetables consumption compared to 1998.

There are no new consumer survey statistics for the year 2000 in the **Southern Mediterranean countries**. Algeria and Tunisia conducted consumer surveys in 2000 but the results have not yet been published. In general, food consumption accounted for a large share of household expenditure (43.1% in Morocco in 1998-1999 on average, 54.2% in rural areas). It does not seem to have changed in structure: predominance of cereal consumption, low animal protein consumption (e.g. 8.4 kg of red meat and 40 l of milk per inhabitant per year in Morocco).

The consumer prices of foodstuffs remained relatively stable in Tunisia and even dropped slightly on average in Algeria. In fact the variation in the consumer price index for foodstuffs was negative (-2.1%) for the first time in the history of the country since its independence. Furthermore, the downswing in the food index was steeper than in the general price index. This is to be explained by several factors: sufficient supplies of imported staples, stabilisation of the exchange rate of the Algerian currency, satisfactory growth in vegetable output, the maintaining of the price support for wheat, and the fixing of a ceiling for the price of milk.

9.5 - Foreign trade

In the European countries there was high growth in agri-food imports and exports again this year as the result of the general recovery in trade.

In **Spain**, foodstuff imports increased by 6% and foodstuff exports by 10%. The food surplus grew slightly but not enough to offset the general deterioration in trade which was already reported above: all in all, the trade balance deficit is increasing (imports +22%, exports +16%).

In **France**, the agri-food trade account still accounts for a large share of the country's trade in goods and services, a share which is much greater than that of the agricultural and agri-food sectors in the national economy: 11% of exports, 9% of imports, whereas production in these sectors accounts for less than 5% of GDP.

Trade in goods and services as a whole developed considerably this year, but in view of the rise in the price of oil it was imports which achieved the highest increase (+20%). Stimulated by the rise in the dollar, exports grew considerably but at a lower rate (+14%), and the overall favourable trade balance amounted only to 13 billion French francs. In this context the performance of the agri-food sector was remarkable, since excess supply remained virtually the same as in 1999. Exports grew by 4.2%, i.e. by 7 billion francs, and imports by 6%, i.e. also by 7 billion francs, and the overall balance was 61.3 billion as against 61.1 in 1999, i.e. 54.7 in the case of agri-foodstuffs and 6.4 for agricultural commodities.

It must be noted that trade and the trade balance with third countries progressed significantly, offsetting the decline in the balance within the European Union.

In **Portugal**, international agri-food trade flows developed considerably in 2000, continuing the trend observed since the country's accession to the European Community in 1986. Exports increased at a higher rate than imports (+10% and +1% respectively), and the sector's trade deficit was reduced, but the import-export ratio was only 36%.

In **Italy**, the development of the exchange of goods with foreign countries in the year 2000 was characterised in general by a marked increase in imports compared to the previous year (+24% in value) as against a lower growth rate in exports (+16.4%), a situation which led to a sharp deterioration in the Italian balance of trade deficit.

The same trend was observed in the Italian agri-food trade balance, where the balance, which is now regularly negative, deteriorated compared to the previous year (-9.1%). The deficit registered in the trading of agri-food products was caused by an increase in net imports of both agricultural commodities and agri-food products.

As regards the main regions of origin and destination of trade, Italy's main partners were other countries of the EU, which accounted for 2/3 of all agri-food products traded, a figure close to the figures registered in the other major countries of the Union. The majority of exports went to Germany (23.5% of total exports), followed a long way behind by France (12.7%). In the import field the positions of the two main countries of origin were inverted, on the other hand: 18.2% of the agri-foodstuffs which Italy purchased abroad came from France and only 13.5% from Germany. There was a major change in 2000: the geographical distribution of national trade flows showed appreciable erosion of the shares of European countries to the advantage of new markets such as the United States, which now accounts for 10% of total exports.

Italy imports agri-foodstuffs essentially from the European Union (76% of the total), whereas it imports agricultural commodities more generally from world markets (48.3% of the total). In the case of exports, on the other hand, the share of third countries is larger (more than 1/3) for agri-foodstuffs than for agricultural commodities (22%).

In **Greece**, after a relative decline in 1999, the negative trade balance reached record levels in year 2000, reaching almost 1.1 billion Euros. The trade deficit in agricultural products increased significantly in 2000, indicating once more the limited competitiveness of Greek agricultural products in the international markets. Compared to 1999, the agricultural trade deficit increased by more than 30 per cent. Fruit and vegetables, tobacco, cotton and olive oil are the only products, where a trade-surplus is observed. On the other hand, meat, milk and dairy products are associated with a significant trade-deficit, followed by animal feed, cereals, coffee, other food and beverages and timber.

In general, the increasing trade-deficit, is attributed to the difficulties faced by Greek agriculture in adjusting the structure of production to that of consumption (increasing demand for livestock and milk products) and also confront competition from abroad (mainly from EU countries). The evident result is the 6.5% increase in imports and the 1.5% decline in exports during the period 1999-2000. Along these lines it is also worth noticing that in 2000, 76 per cent of the value of imports originated from EU member states, but only 52 per cent of exports were directed to these countries. Greece mainly exports fruit and vegetables, tobacco, cotton, olive oil and fish. On the other hand, imports are dominated by meat, milk and dairy products, cereals, fruit and vegetables, beverages and tobacco.

In the last few years, significant changes have taken place in the external trade of food products, with traditional agricultural exports (tobacco, currants and cotton) being associated with declining shares. On the contrary, products that belong to other categories such as olive oil, fruit and vegetables, dairy products, drinks and other processed products show a significant increase in their shares, following the increase of demand in the international market and comprehensive restructuring in production.

In 2000, compared to 1999, the share of meat, dairy products and fruit and vegetables in total imports has declined, while that of beverages has been increasing. In terms of exports, the share of fruit and vegetables in total value has increased, the share of tobacco and olive oil have declined, while those of cotton has remained constant.

Finally, it is worth emphasizing worrying trends of recent years that show increased import-penetration in products, which dominate domestic agricultural production (fruit and vegetables, cereals, fish), as well as the decline in the average value of exports compared to that of imports. This indicates (so far) a rather limited effectiveness of policy pursuing the promotion of Greek agricultural products in world markets.

In **Albania**, the export-import ratio for agri-food products was 1 to 10 in 1998. Local agri-food production has increased in the last 3 years, thus helping to improve the trade balance: this ratio was 1 to 8 in 2000. The figures available for the first 6 months of 2001 show that this trend is continuing: a 12% increase in exports compared to 2000, particularly in the case of canned fish, fresh vegetables, mineral water, fruit juice and eggs.

The main products imported are wheat and flour, beef and veal, vegetable oils, hens, and sugar; 80% of Albania's agri-food imports come from the countries of the EU, particularly Italy and Greece. Albania exports mainly medicinal plants, spices, tobacco, fish, vegetables, and mineral water. Almost 83% of exports go to the countries of the EU and a small share go to Macedonia, Turkey and Bulgaria.

In 2001, **in Turkey** about 91% of total exports were industrial goods, whereas only about 8% of it were from agricultural products. So, the composition of exports has been vigorously changed in recent years. On the other hand, the share of agricultural products in total imports has a consistent share of 12%.

A detailed analysis of vegetal foreign trade by major commodities, reveals the decreasing of barley, chickpeas, lentils, dry beans, potatoes, onions, apple, tomatoes exports and evident increasing of citrus for the same time period.

When the trade by countries is considered, it is seen that OECD countries especially EU countries have the higher share in exports. The share of the EU in Turkey's total export markets is around 53 per cent, and that of the USA is 16%. Therefore, the export performance of Turkey is directly related to the economic situation of the EU and the trade relations of the region with other trading blocks. It can be observed that exports to Asian, Middle East and African countries have decreased by 0.5, 1.1 and 1.2 percent respectively in the period of January-July 2000.

The same situation occurs in imports by countries; OECD and EU countries rank the first in Turkish imports by countries.

In the **Southern Mediterranean** agri-food trade accounts for fairly variable shares of total trade: 18% in Lebanon, 13% in Algeria, 11% in Morocco, and 6% in Tunisia.

The poor harvests in the 1999-2000 agricultural year led to a growth in agri-food imports in the countries in the South except in the case of Lebanon and Algeria, where they dropped by 8% and 8.3% respectively. They increased by 15% in Tunisia (the volume effect accounts for 13.5% of this increase and the price effect for 6.5%), by 10% in Morocco (where the price effect was also considerable: +17% for cereals). Exports, on the contrary, decreased or only increased very slightly: -11.1% in Tunisia, -2% in Lebanon, +2% in Morocco. The 25% growth in Algerian exports is not significant in view of the low volume of those exports and the fact that they were concentrated on a small number of products as a result, the import-export ratio deteriorated considerably. In Tunisia it dropped from 105% in 1999 to 81% in 2000, and in Morocco from 61% to 51%. It improved in Lebanon and Algeria, although it was still extremely poor: 11% and 1% respectively.

Import structures in all countries reflected the importance of mass consumption goods (cereals, milk, sugar, oils and fats, coffee and tea). It will be noticed that Tunisia's milk imports were virtually zero as the result of the government's policy to encourage the local production of cow's milk. In the case of Lebanon, imports were composed as follows: prepared foods, beverages and tobacco 37%, animal products 30%, crop products or products derived from plants 29%, and fats and oils 5%.

Table 9.3 - Structure of food imports (%) in the Maghreb (2000)

	Morocco	Tunisia	Algeria	Lebanon
Food imports	100	100	100	100
Cereals	48	51	41	11
Vegetables			5	2
Sugar	12	10	9	
Vegetal oils	11	15	8	5
Dairy products	4	ε	17	13
Coffee, tea	9	8	6	
Meat	0	1	1	3
Others	10	15	13	67

Source : CIHEAM annual country reports.

The export structures of the various countries did not change in 2000. The predominant food exports were: citrus fruit, early fruit and vegetables and canned plant products for Morocco, olive oil and seafood products for Tunisia, and dates and wine for Algeria. Cork and “hide and leather goods” constitute the main non-food agricultural exports in Morocco and Algeria. Tunisia differed by exporting milk and dairy products for the first time. This country is beginning to export fresh fruit again, but its olive oil exports decreased by 30.5% in 2000 compared to 1999, vegetable and fruit preparation exports dropped by 27%, and fresh vegetables and legume exports by 27%. Less Moroccan tomatoes were sold, particularly in Europe (-7% in volume) because Europe made it difficult for these products to enter its markets.

Table 9.4 - Structure of agri-food exports (%) in the Maghreb (2000)

	Morocco	Tunisia	Algeria
Agricultural and food exports	**100**	**100**	**100**
Food exports	**79**		**55**
Citrus fruit	28	2	0
Canned vegetables	17		
Tomatoes	11		
Potatoes	2		
Olive oil		42	
Sea food		19	7
Dates		8	22
Others		12	
Wine	1	1	13

In the export field in particular, the trade flows in agricultural commodities and agri-food products continued for the most part to be directed to the countries of the European Union. In Algeria, for example, 84% of exports went to the EU and 49% of Algerian imports came from the EU (as against 40% in 1999) and 24% from North America (25% in 1999).

10 Agriculture and agri-food policies

10.1 - Major trends in agricultural policies

For the **countries of the Eurospean Union,** 2000 was essentially the year of implementation of the CAP reforms known as « Agenda 2000 », which have effectively been applied to the Common Market Organisation for the 2000 crop year, or since the beginning of the year in the case of animal production. Consequently, the first phase of the reduction in guaranteed prices and the increase in compensatory payments (but also the reduction in premiums for oleo-proteins and protein plants) has begun to impact directly on farmers' incomes and production patterns as of this year. It should be pointed out that this reform, described in greater detail in the CIHEAM 2000 report, also affects the whole range of socio-structural measures and affects agriculture in a wide variety of ways.

In the case of the major crops and beef, there has been a reduction in the minimum guaranteed prices, partially offset by an increase in compensatory payments per hectare or per head of beef cattle. Compulsory set-aside has been maintained. The premium for oleo-proteins has been reduced to the same level as that for cereals.

Whilst reform of the dairy sector has for the most part been postponed until 2005, the Mediterranean countries have benefited from additional production quotas as of this year.

One major new development which applies to all of the compensatory payments (and not just to major crops and beef) is the option for those countries which so desire to modulate payments (i.e. to reduce them for large holdings), or make them subject to compliance with environmental standards (« eco-conditionality »).

Another area affected by Agenda 2000 is rural development. The Rural Development Plans (national or regional) submitted by each country in accordance with the Rural Development Regulation 1257/99 were approved in 2000. This Regulation invites countries to select and implement measures from a very broad range including improvements to farm structures, agri-environmental measures and also, more generally, measures to encourage the development of rural activities. Thus agricultural policy and rural development policy now cover the same area and largely share the same source of funding, i.e. the EAGGF Guarantee. This represents a new development at the level of principles, in which specific recognition is given to the essential role of the multi-functionality of agriculture. This policy complements that of providing support for regions in difficulty (socio-structural policy), which was also reformed under Agenda 2000, and to which it has somewhat complex links (see § on rural development policy hereafter).

However, the plans submitted by the countries frequently represent a continuation of measures applied previously. Nevertheless, **France** has used the framework of the RDR to implement the Regional Farming Contracts, an innovative measure established under the Agricultural Guidance Act of July 1999. Through these contracts, farmers give a five-year undertaking in respect of a number of measures and actions aimed at improving the quality of products, employment, working conditions, the environment and, more generally, the sustainable development of the holding. These measures must appear on a list proposed in each region and, in theory, form part of a local collective framework. In exchange, the signatories receive either cash payments representing a certain percentage of the investments made, or annual payments, or, more frequently, both. They are also given priority access to a number of investment facilities. The complexity of the measure has meant that only a limited number of contracts were signed in 2000, but several other countries plan to follow this lead. For instance, Spain is currently looking into an agricultural guidance act which may also give priority to the distribution of aid on the basis of the multi-functionality criteria.

A major proportion of public expenditure on agriculture in Italy is thus intended to finance new forms of aid such as structural aid for holdings, rural development and the expansion of organic farming. Nevertheless, a large part of the funding is also destined to rationalise existing debts (milk quotas, health emergencies, problems of insolvent co-operatives and the debts of farming consortia arising from setting up operations carried out on behalf of the State). The subsidies paid out in 2000 to the Italian farming system via the National Monitoring Agency (AGEA) and on behalf of the EU were substantially higher than those for the previous year (+37.7%). This increase can be explained by the fact that the payment delays built up in 1999 as a result of the inability of the allocating body to make the payments by the stipulated dates owing to a shortage of funds, were made good during the year.

A comparison between 1999 and 2000 shows a variation in the direct aid granted[37], with an increase in premiums paid (up from 7% to 10% of the total) and a fall of 59% and 56% respectively in product and market aid re-allocated within the framework of the CAP. Virtually all of the direct payments went to olive oil whereas the majority of indirect payments went to processing market garden produce (mostly tomatoes and citrus fruit).

37 **Direct** payments are those made directly to the farmer whilst **indirect** payments are paid to the processing industry or another economic body which guarantees the farmer a pre-arranged minimum price or a lower consumer price.

Box 10.1 - Agricultural policy and subsidiarity in the Eurospean Union

40 years after the signature of the Treaty of Rome, which gave responsibility for agricultural policy to the EEC and set out its main objectives, it is now accepted that the Eurospean Union itself is responsible for this policy in all of the countries of the Union. The broad outlines of the CAP are set out in the Treaties and their implementation is governed by the Regulations (or Directives) passed by the Council of Ministers and put into practice by the Commission, but even in the area of market management the member states are not without room for manoeuvre. Indeed, with the definition and gradual implementation of the principal of subsidiarity, this leeway has even tended to grow with time, which explains why there are sometimes major differences between the Mediterranean countries studied in this report.

A single procedure applies throughout the area of market management, the principle being one of a single market and unification of prices and product quality.

However, it should be noted that since the beginnings of the CAP, market management and the distribution of aid has always been delegated by the EAGGF to national institutions which have been able to apply significantly differing management rules.

The creation of premiums per hectare or per head, the introduction of a right to produce (beginning with the milk quotas in 1984) and their generalisation since the 1992 reform have led to management procedures for these premiums or rights which differ from one country or even from one region to another. For example, the amount of premiums per hectare for cereals is determined on a regional basis within an overall amount allocated to each country by the Commission. The various member states have opted for different methods. Thus, in France, the amount has been fixed for each département, with a different amount in some départements for maize or for irrigated crops. Each country had a chance to review this regionalisation of aid in 2000 as part of the Agenda 2000 reform.

This reform also brought additional elements of subsidiarity into market management, firstly with the creation of national envelopes corresponding to a part of the total amount of « beef meat » and « dairy cow » premiums and which each country may chose to allocate per head of cattle, thereby increasing the unitary amount of the premium, or per hectare of pasture. This latter measure was aimed at encouraging more extensive production. The « horizontal » Regulation 1259/99 also provides the option for each country to allow (as France has done) the « modulation » of payments, or eco-conditionality, which is implemented via very different procedures by Italy and France.

Subsidiarity became necessary in the sphere of structural policy even before the concept had been incorporated into Eurospean texts. Since the corresponding measures were co-financed by the EAGGF and by the country, and sometimes even by the regional authorities, Eurospean texts have always allowed the countries considerable leeway , or even the option of not applying certain measures.

Box 10.1 (contd.)

The Rural Development Regulation and its 22 measures, the only compulsory one being the RDPs submitted by each country and discussed by the Commission at the same time as the specific payments proposed for the regions covered by objectives 1 and 2 taken together, represent the most exhaustive (and most complex) application of the principle of subsidiarity. The report clearly illustrates the differences from one Mediterranean country to another.

Eurospean countries may also develop their own policies which must be accepted by the Eurospean Commission, the criterion in this area being that they must not contribute to distorting competition between the countries of Eurospe.

This obviously applies to those areas for which the Eurospean Union has no direct responsibility :

- Taxation, an area in which there are major differences from one country to another, particularly concerning the status and definition of agricultural activity (a particularly important question with the development of multi-functionality).
- Social sphere : this covers retirements, which must necessarily benefit from State funding in Eurospe bearing in mind the demographic situation of the agricultural sector, health insurance and family allowances, and also benefits for the unemployed and under-employed, this latter group being one which is generally not well identified in the farming sector.
- Agricultural research and teaching.

Other areas covered by the CAP are also governed by State or regional authority measures : collective facilities (irrigation), land re-organisation, vocational training.

With the Commission's approval, countries may also intervene to provide financial help to farmers who are victims of natural disasters or major economic crises. Thus, during the pork market crises in 1999, or the recent crisis involving beef cattle, « de-linked » national payments were authorised to prevent those holdings most affected from going out of business.

The main objectives of agricultural policy in Albania over the period 1999-2001 have been :

- Reducing poverty and ensuring a satisfactory standard of living for the rural population;
- increasing individual earnings for people in rural areas;
- market stability and guaranteeing food security;
- encouraging the setting up and consolidation of small agri-food enterprises;
- improving the marketing infrastructure and a gradual re-balancing of the foreign trade balance for agricultural and food products;
- exploiting natural resources on the basis of the principles of sustainability, preserving bio-diversity and protecting the environment.

10.2 – Structural policies and investment aid

As already explained, the policy of improving farm structures in the Eurospean Union now comes under the heading of rural development policy. As far as the EU countries are concerned, this chapter will deal only with those specific measures resulting from purely national initiatives. This year, only Greece falls into this category.

There are specific elements of **Greek** agricultural policy, which are closely related to national legislation. Main elements of these policies are agricultural taxation policy, social security and insurance for farmers, agricultural credit and the generation of institutions providing services to the agricultural economy.

Regarding taxation, agricultural incomes are taxed on the basis of an objective system of income calculation per product and per region. In this way, the majority of Greek farmers do not pay income tax! Regarding VAT, farmers are not obliged to keep tax records, but pay VAT on the basis of specific rates applied on their gross output. These rates are 4 per cent for fisheries and foresters, 5 per cent for crop production and 6 per cent for animal production. Also there are tax waivers for young farmers, inheritances, and transfers of fixed properties.

Regarding social security, farmers are insured by the Organization of Agricultural Insurances (OGA), while pensions are very low and currently range around 45000 Drs (120 US $) per month. As contributions are very low, the income of OGA mainly originates from levies imposed on the gross value of agricultural production.

It is well-known that agricultural credit has traditionally been the quasi-unique responsibility of the Agricultural Bank of Greece (ABG), which is a state bank. Until 1990, the ABG enjoyed a special status in the Greek banking system; however, since 1991 it has become a conventional commercial bank with activities in (also) the non-agricultural economic sectors. In 2000, the ABG entered the Greek Stock Market and the Ministry of National Economy became responsible for its operation. Finally, once more it is worth referring to the sharp decline of interest rates during the last two years, a trend that it is very much expected to continue and (hopefully) benefit investment in Greek agriculture.

During the last 12 months there have been several institutional policy measures, which include:

- The transformation of the Ministry of Agriculture into a strategic mechanism, via a massive reform of its organizational structure;
- the pass of a new law on the amalgamation of agricultural cooperatives;
- the establishment of support institutions such as the Organization for the Certification of Accounts, the Organization for Payments and Controls of EU

Subsidies, the Organization for the Certification of Agricultural Products (and the finalization of its legislative framework), the Agricultural Land Utilization SA, the Organization of Agricultural Extension and the Organization for Agricultural Exports;

- the establishment of an official sign for organic products;
- the establishment of Agrotourism SA, a quasi-public company which aims at modernizing the institutional and promotion framework of agrotourism;
- the modernization of the Integrated System of Subsidies Management;
- the reform, restructuring and modernization of the ABG;
- the upgrade of the production insurance-system, and the establishment of a new framework that enables private insurance companies to be involved in the insurance of production; and
- the increase of early retirement pensions by 25 per cent.

Another important institutional step concerns the specification of a framework for the improvement of the quality of Greek agricultural and food products. This includes the production of products from conventional multiplicative material, the constraint on the cultivation of GMOs, the promotion of organic farming, the strict following of the Codes of Good Farm Practices, the protection of water resources, the promotion of certified products, the strict control of animal feed and implementation of integrated production-methods and the identification of Greek products.

Regarding the cost of production, a law by the Ministry of Finance enabled the reduction (by 80 per cent) of the Special Tax for Oil for farmers.

Finally, the most important recent institutional initiative of the Ministry of Agriculture concerns the *Law for Agricultural Policy*, which includes the establishment of the national system for the protection of agricultural activity, the reorganization of the National Agricultural Research Foundation into 13 regional and 20 thematic Institutions, the finalization of the operational framework of the Organization for the Certification of Accounts, the transfer of peri-urban parks and forests to local municipalities, the decentralization of land-reparcelling to the Prefectures, the organization of the Forest Cadestral, the re-organization of DEMETRA (agricultural extension services), the establishment of stricter rules for the production of livestock feedstuff, the establishment of a committee for the modernization of the fisheries code and the modernization of legislation on agricultural and livestock medicine.

Following the privatisation of agricultural land in **Albania**, the problem of the effective functioning of the land market deserves particular attention. The prerequisite for proper operation is the identification of land and of its owners. But the uncertainty surrounding deeds of title and the legal vacuum concerning the definitive solution to the problem of compensation for former landowners are hampering the proper functioning of the land market.

The following main decisions were taken during the period 2000-2001 :

- The setting up of land administration offices in all the country's main regions and administrative units;
- strengthening the legal services to guarantee the setting up and operation of a proper land market;
- the introduction of a full legal framework for public properties;
- the restructuring and proper operation of land registration offices;
- strengthening the legal and administrative aspects of local structures (local administration areas, villages, etc...).

By the end of June 2001, 97.7% of the privatisable agricultural land (a total of 556,403 ha.) had actually been privatised.

A service providing technical and marketing advice to farmers has been in existence since 1992.

The most positive result of this period has been the drafting of the framework document on policy with regard to advisory services over the next 10 years, with the help of the national project for agricultural development. The Ministry of Agriculture and Food should concentrate its efforts in the future on financial help and encouraging the practical implementation of the measures set out in this document via public and private structures.

In **Turkey**, agriculture has typical structural problems due to her heterogeneous agricultural structure and farm organisations. Therefore, almost in every development plans and annual programs, infrastructural investments have got the priorities and the special concessions and support measures have been given particularly for the less developed regions of Turkey.

Regarding to these approach, fixed capital investment have been implemented in line with the targets and in the last three years, this type of investment for agriculture had downward growth trend. However, the share of agricultural fixed capital investments in total (4%) had yet fifth order with respect to other sectors of the economy, namely, in order of housing, transportation, manufacturing and others. Special importance is given to firstly South Anatolian Project, education, health, energy, irrigation, drinking water, sewerage, refining systems, organized industry regions and small industry sites investments in the point of sectoral priorities.

The share of the public sector in agricultural investments increased in 2000 and 2001 compared to 1999.

Another important policy instruments for structural policy were induced investments and agricultural credit implementations through the loans at subsidised interest rates.

After 30 June 2000 Ziraat Bank (Agricultural Bank) provides loans at a rate of 25% to Agricultural Sales Cooperatives and SEEs.

In the countries to the South of the Mediterranean, the land structure policy seeks to increase the size of farm holdings (principally through re-parcelling), to provide farmers with little or no land with holdings of a suitable size, wherever possible, and to improve the functioning of the land market.

In **Algeria,** the general land register, begun in 1994 thanks to a loan from the World Bank, already covers more than 2.6 million ha, taking in all the farm holdings in the State sector (the former colonial farms). In 2000, the former holdings in the State farming sector were the focus of the preparations for a preliminary draft act which changes the right of members of these holdings to lifetime possession into a concession for a renewable period of 30 years, with the concession being transferable and assignable. The draft enables them to form Sociétés Civiles d'Exploitants Agricoles (Private Farmers' Companies) whose capital is made up of shares held by each of them. These shares can be passed on to successors and may be sold. The year 2000 also saw the finalisation of a preliminary draft act on re-parcelling and another covering rural leases.

In **Tunisia**, the modernisation of land structures involves measures dealing with re-parcelling, boosting the land market and restructuring land belonging to the State. These measures have been helped by more attractive farm loans.

As regards investments, the shortage of public resources in all of the countries to the South of the Mediterranean and the financial orthodoxy that this implies has necessarily had an influence on the level of public investment, while on the other hand, operating costs have proved difficult to reduce.

In **Morocco,** agriculture received the same proportion of the public amenities budget as in 1999, i.e. approximately 10%. As the government is obliged to exploit to the full its investment in dams, it devotes 39% of its resources to facilities for the areas dependent on these dams (which have increased from 154,000 to 220,000 ha.). If we add to that the 14% allocated to small and medium-sized water projects, it appears that the other areas of agricultural and rural development are not receiving funding commensurate with the aspirations expressed in official speeches. Rainfed agriculture in particular – which accounts for the vast majority of the AAU – receives only 18% of budget resources and its share fell even further in the 2001 budget to 14%.

Investment in agriculture in **Tunisia** has increased : +10.6% in 2000 compared with 1999. As in Morocco, most of this money went on water projects (36% of the

total). But investment made by the Agence pour la Promotion des Investissements dans l'Agriculture (APIA) (Farm Investment Promotion Agency) fell by 4%. This investment went mainly to agriculture as such (85.7%),with services, fisheries and the agricultural processing industries receiving 5.6%, 5.5% and 3.2% respectively.

Although the money earmarked for agriculture represents a negligible proportion of the State budget (0.54% !), **Lebanon** has increased the Agriculture Ministry's budget by 79%. The 2000-2004 plan reveals greater interest in agriculture and irrigation than in previous years since it allocates them 5.2% of its resources. Moreover, the Bank of Lebanon is granting loans to agriculture at an interest rate of 5%.

Incentives for private investment in agriculture are increasing in all of the countries to the South of the Mediterranean. In Tunisia for instance, the State is granting premiums via the APIA for 56% or 44% of the effective investment, depending on the circumstances. Subsidies in Algeria may cover up to 70% of the investment and apply to a wide range of sectors (planting of vines and all kinds of fruit trees, irrigation of all types, electrification and motor pump units, equipment for collecting and storing milk, mini-dairies, cold chambers, ...). Morocco provides a 50% subsidy on investments in seed drills, rollers, sprayers (60% for groups of farmers and co-operatives). It has kept the long-standing subsidy on tractors (variable depending on the power). Furthermore, this country grants investment premiums for planting olive groves and for introducing or modernising equipment for processing olives. Finally, Morocco subsidises the planting of citrus orchards (planting, micro-irrigation, processing and cold stores).

10.3 – Price and market policies

The Eurospean countries have little leeway in this area since common rules are set within the framework of the CAP.

Nevertheless, attention should be drawn to the decision by **France** to modulate compensatory payments in accordance with a highly complex set of rules, described briefly in the CIHEAM 2000 report.

As mentioned earlier, Eurospean countries can also help to offset the effects on farmers' earnings of the crises which have occurred on certain markets. At the end of the year, the BSE crisis prompted measures in the majority of countries.

In **Spain,** within the MAFF's budget in 2000, the most important national program is the Agricultural Insurance Plan –with more than 10% of total budget-. This Plan, which is managed by the State Entity for Agricultural Insurance (ENESA), is aimed to guarantee incomes by compensating economic losses caused by adverse climatic conditions, and covered a 36% of agricultural production (13% of animal production and more than 80% of cereal and tobacco production). Its

budget rose by 9% between 1999 and 2000, and it is foreseen a new rise of 7.4% in 2001 – with a new cover of problems arising from the BSE disease, and the effects of drought on pastures.

The Spanish government also took the decision to intervene in the light of the rise in oil prices and its disastrous effects on farm earnings.

The Ministry of Agriculture accordingly implemented special measures such as providing for tax refunds and distributing tax-free fuel to members of agricultural co-operatives.

In **Italy**, the procedures for payments for major crops provided for within the framework of Agenda 2000 were only published at the beginning of the year 2001. This decree was eagerly awaited by producers because of the size of the sector, which represented some 5 million hectares and around 560,000 beneficiaries of premiums in 1999. Amongst its provisions, particular attention should be paid to a new regionalisation plan setting out a list of clearly-defined homogenous zones within Italy and establishing definitive amounts for all crops.

In accordance with Agenda 2000, compensatory payments are scheduled to be applied in full for cereals in 2001, i.e. 63 Euros per ton compared with 58.67 last year. However, premiums for oleo-proteins are lower and producers will receive only 72.37 Euros per ton in 2001 compared with 81.74 in 2000. Payments will only be applied in full for these crops in 2002 when the derived yield is abolished and they are aligned on cereals and will receive 63 Euros per ton. The 10% compulsory set-aside on land has been confirmed, whilst the rate of voluntary set-aside went up from 12% to 14% in 2000. Furthermore, Italy has the option of applying a 20% voluntary set-aside on land in areas affected by the previous autumn's floods.

It should also be noted that fibre flax and hemp have been included in the general arrangements for payments for « major crops ».

The implementation of the legislative decree on limiting production costs and improving the competitiveness of holdings which began in 1999 continued in 2000. This mainly involves aid packages for safeguarding and restructuring holdings experiencing financial difficulties, for holdings geared towards producing renewable sources of energy of an agricultural origin and for modes of transport having a reduced impact on the environment. It also simplifies and relaxes the administrative procedures for granting community aids.

At the height of the BSE crisis, a heated debate on food safety began in Italy as it did within the EU in 2000. It should be noted that the following proposals were adopted :

- The definition of the general principles and conditions of food legislation;
- the definition of the tasks and organisation of the Eurospean Food Authority;

- the identification of procedures for setting up an early warning system and a management system for crises and emergency situations;
- the setting up of a safety committee entrusted with all the regulatory aspects having a direct or indirect bearing on the food chain.

Finally, the beginning of 2001 saw the creation of the first inter-professional organisation in the market gardening sector, bringing together the representatives of industry, farming, transport and trade.

In accordance with the Eurospean Union guidelines and based on experience already acquired in France and Spain, the main objectives of this organisation are to draw up joint strategies for improving the supply of market gardening products on the market through quality criteria and strengthening the sector by means of contractual arrangements and inter-professional agreements.

After a rather busy 1999 (Agenda 2000 price and market policy agreement), developments in price and market policies for agricultural policies in 2000 in **Greece** were rather "quiet". Greece is particularly concerned by some particular markets. For most of them, a reform of the Eurospean market regime is presently at stake. The Greek Governement has expressed opinions and demands about the reforms.

In sugar beet, a wide reform of the regime is expected. Along these lines the main policy targets of the Ministry of Agriculture aim at maintaining EU support at the current levels for another 5 years (a request approved recently). Also, the provision for the decline in the EU quota by 115000 tons is not regarded as a significant problem by the Greek side, since Greece does not fulfill its own quota yet.

Cotton is a very important product for Greek agriculture, both in terms of production and exports. Along these lines, the protection and improvement of the income of cotton producers and the quality-level of domestic production, remain very important policy targets. In this framework Greece has managed to benefit from the reform of the cotton regime. In more detail, the continuation of the 0.5% co-responsibility levy for any production over 1137750 tons was regarded as a success for the Greek side. The same argument holds for the decision to maintain the current levels of fiscal support for the product and to maintain the system of deficiency payments.

Concerning tobacco, main developments included the controversial proposal of the EU for a gradual abolishment of subsidies for tobacco production (within the context of the reform of the Regime in 2002). The Greek side resisted rigorously this position, as tobacco constitutes a very important product for the economic welfare of numerous rural communities in Greece. As a result, this proposal (of the EU) was "retrieved" from the Gothenburg summit discussions. The regime in olive oil is also being discussed, but its main principles are not under threat.

In the raisins sector, Greece fears a negative impact of the reform of the relevant regime, and the authorities are doing great efforts to promote quality-production.

In citrus fruit, the main problem regarded the limited success of the restructuring programme; therefore there is a view to apply for the approval of granting higher initiatives (from national fund) to producers.

Other policy efforts include the promotion of quality, the restructuring of citrus plantations, the establishment of producer groups, the support of the production of industrial tomato in problematic areas and especially to young farmers.

The Commission decision, in the sheep and goat sector,for the granting of a constant premium to producers, that would replace the current variable premium increases the transparency of the regime and is therefore, regarded as a welcomed development for the Greek side. However, there is still some skepticism regarding the effects of these changes in producers' incomes.

The efforts of the **Albanian** government over the past few years have focused primarily on standards and quality control of products, mainly in order to reach the level of the EU countries. Thus the veterinary services are in the process of adopting EU legislation and have made great progress in setting up a network of regional laboratories.

The Ministry of Agriculture and Food gave priority funding to the following actions during the period 1999-2001 :

- Developing regional laboratories for monitoring foodstuffs and fuller and more precise legislation;
- strengthening veterinary control posts at borders;
- implementing an identification system for animals and farms;
- ensuring that meat cutting installations are up to standard;
- setting up selection and insemination centres for beef, sheep and goat breeding;
- building local laboratories for protecting forage crops, monitoring their quality and that of cattle feed.

The weak link in Albania's agri-food production chain is the marketing structure.

The Ministry of Agriculture and Food adopted specific measures over the period 1999 to 2001 for:

- Building storage centres for agricultural produce;
- strengthening the information system for the rural population;
- improving and extending legislation on rules and standards;
- organising and expanding wholesale markets.

The object of the New Program in **Turkey** is to replace the existing system, based on government subsidies for inputs, credits and price supports for major crops, with a program of direct income support which would be increasingly targeted to smaller farmers over time. About 430 trillion TRL were provided.

For the first time in 2000, the sale price of wheat is determined with the support price. This application lowers the volume of public support purchases. As a matter of fact, the volume of support purchases, which was expected to be 4.5 million tons, is realized as 3.5 million to farmers for direct income support.

In the same time, support prices for cereals (wheat, barley, rye, oats and maize) were increased by around 27.5 per cent in 2000 compared with previous year. For wheat and tobacco the increase was 27.5 and 25 per cent respectively. Support prices of the products bought by Agricultural Sales Cooperatives (ASCUs) are for hazelnut 7.8 percent, for cotton 65.2 percent (excluding premium), for sunflower 26.9 percent. On the other hand, the volume of support purchases for sugar beet and tobacco are increased to 13.7 million and 183000 tons from 12.5 million and 156000 tons.

The law to reform the sugar market was approved in April. The Tobacco Law- which liberalizes the tobacco sector, phases out the support purchases of tobacco, and allows for the sale of TEKEL, the State owned monopoly on tobacco sales, is expected to be approved by Parliament in May 2002 (a condition for completing the eighth review). following the approval of this law, the privatization of TEKEL and SEKER, the public sugar company, which is expected to be completed by end 2002, will be coordinated with other components of the agriculture reform program that we expect to be supported by a loan from the World Bank.

According to the New Programme, the Government takes the following measures: (i) increase the State Public Companies' (SEEs) tariffs and prices in line with their increased costs due to the depreciation of the lira and the revised inflation target; (ii) reduce SEEs' operating expenses, including their wage bill, in real terms; (iii) cut sugar beet quotas from 12,5 to 11,5 million tons, and increase the support price of sugar beet by no more than targeted inflation; (iv) limit the volume of support purchases of cereals and offload additional grain stocks; (v) in parallel to the introduction of direct income support to farmers, keep support price increases in 2001 at most targeted inflation (the margin for the support or wheat over world prices will be further reduced to at most 20 percent by June 2001 subject to the provision that the increase will not exceed targeted inflation; the tariff on grain imports will be lowered to at most 45 percent).

Regarding support purchases of industrial crops done on behalf of the government by the agricultural sales co-operatives and their unions (ASCUs), the draft law granting ASCUs full autonomy was approved by the Parliament. The number of supported products have not changed, and the volume of supporting purchases

have decreased except sugar beet. Support, as measured by the % PSE, decreased from 23 percent to 13 percent in 2000.

Generally speaking, in the countries to the South of the Mediterranean**,** the liberalisation measures adopted over the past twenty years have meant that the markets fix prices, albeit relatively imperfectly. All the countries have now adopted laws that set the rules of competition and aim for market transparency. The last country to do so was Morocco, whose law on price and competition freedom adopted in May 2000 came into force in July 2001. Nevertheless, exceptions still exist with regard to price fixing in all of the countries and the era of subsidies is still not over.

The price of seed oils in **Morocco** – which had been fixed in order to protect local production – were liberalised in 2000 under pressure from operators in the field (processors and importers). Customs duties were accordingly reduced to the minimum (2.5%) to minimise production costs. But local producers are still protected by production price guarantees, since the Treasury pays processors the difference between the guaranteed production price and the import price. This concession for oil seeds has led to similar demands from operators in the soft wheat and sugar sectors who wish to have the same advantages. In terms of inputs, Morocco subsidises the price of barley, compound feedstuffs and the transport costs of cattle feedstuffs as part of its programme to combat drought. Subsidies were also given to certain types of fertilisers in 2000 in the form of a reduction in the prices charged by the State company making these products.

As regards subsidies for consumer prices of foodstuffs, Morocco supports soft wheat, seed oil and sugar. The total amount of subsidies for these products amounted to some 1.7% of the country's GDP in 2000.

In **Algeria,** only wheat production enjoys support, with the State paying collection and distribution bodies the difference between the guaranteed prices and import prices when the latter are lower than the former. It should be pointed out that guaranteed prices have not changed for some years. On the consumption side, only flour continues to be given support.

In **Tunisia**, support for producer prices covers a greater number of products than in Morocco and Algeria. It takes in the various kinds of wheat, olive oil, milk and barley. Only barley saw its price increase in 2000.

In **Lebanon,** the government heavily subsidised producer prices for wheat and sugar in 2000. A decree adopted in 2001 abolished the producer subsidy for sugar and replaced it with a direct payment which varies in line with the surface area cultivated in 2000.

10.4 – Rural development and environmental policies

The application of the Rural Development Regulation takes in most of the actions being carried out in this area by the Eurospean countries. Nevertheless, the question of water in **Spain**, which became even more critical after the 1999 drought, is covered by a specific policy overseen by the central government, whereas application of the agricultural policies is very much decentralised and is generally dealt with by the Autonomous Regions.

Undoubtedly, one of the most relevant aspects that will condition the trend of an important part of the irrigated agriculture in the future – as well as other economic sectors - is the final stage of the National Hydrologic Plan (NHP). The NHP, which tries to confront the perennial problem of water scarcity in Spain, will become the compulsory referent for any decision about water resources management in the future, since it picks up a national inventory of both available resources, and demands. It also contains a forecasting of needed hydraulic infrastructures in order to face the future growth of both existing and new uses.

The role of the NHP in the future of irrigated agriculture comes from its responsibility in the consolidation of some irrigated areas – mainly sited in Eastern Spain. Many of these areas correspond to intensive farming systems (fruit farming and horticulture) with a high lack of guaranties in water supply. In order to solve this problem, the Government has chosen a very disputed instrument: the transfer of water from other basins. Thus, two clear positions emerge around this debate. On the one hand, farmers and politics from demanding basins claim the necessity of water resources from other basins with water surplus in order to consolidate the economic growth linked to the climatic advantage. On the other hand, the later basins are against these transfers, putting forward two arguments: the environmental impact of needed infrastructures, and the necessity of more public investment in interior regions with a lower level of economic development.

As we have seen, the application of the Rural Development Regulation is extremely complex and differs from one country to another. It is further complicated by the application of the Economic and Social Cohesion policy in the so-called objective 1 or 2 areas, which cover most of the territory of the Mediterranean countries of the EU.

Box 10.2 - Rural development and socio-structural policy in Agenda 2000

With the implementation of the Agenda 2000 reform in the rural development context the interaction between the agricultural policy and the socio-structural policy has been changed, just as itwas in 1988 by the « Plan Delors » which provided a structure for this interaction.

In 1988, the agricultural structures policy and it principal tool, the EAGGF Guidance, had been included in the programming of socio-structural aid together with the policy for combating development differentials between the regions managed by the ERDF and the social policy (ESP). This time, by contrast, all of the aid for improving agricultural structures comes under the agricultural policy managed by the EAGGF Guarantee and the entire rural development policy, including aid measures for developing non-agricultural activities in rural areas or aid for revitalising the countryside by developing local heritage or improving collective infrastructures, now falls within the agricultural policy.

Rural Development Regulation 1257/99 sets out 22 measures that can be implemented by the member countries and which receive joint funding from the EAGGF Guarantee. These are structural agricultural measures and measures involving the development of other rural activities. The majority of the agricultural measures were already applicable throughout the Community. However other measures are either new or were hitherto restricted to regions whose development was lagging behind or which had specific structural difficulties (zones covered by objective 1 or objective 5b).

Countries submitted a **rural development plan**, either at national level or region by region, setting out which measures they were actually implementing and according to which rules. These were approved by the Commission in the course of 2000. In addition to this RDP, they also submitted Operational Programmes for those regions covered by the socio-structural policy (new objectives 1 and 2).

The Rural Development Regulation allows the States quite some leeway when deciding whether to include the proposed measures in either the Rural Development Plans or the Operational programmes. However, it does lay down certain rules. Thus, of these 22 measures, the four so-called « CAP accompanying measures », the agri-environmental measures (the only measure on the list which must be implemented by all the countries), early retirement for farmers, aid for afforestation of agricultural land and the specific aids for mountain regions, less favoured regions and land affected by particular environmental constraints, must be included in the RDP. One of the objectives of Agenda 2000 was to clarify the rural development policy and make it more coherent. Nevertheless, the interaction between these various components has made the new policy considerably more complicated, as demonstrated by the fact that the French National Rural Development Plan is a document of over 300 pages, with as many annexes.

As regards the socio-structural policy, the **3 objectives** adopted in the context of Agenda 2000 are worthy of attention:

Box 10.2 (contd.)

- Objective 1: Regions whose development is lagging behind : regions whose GDP per inhabitant is less than 75% of the Community average, the most remote regions and Nordic regions (formerly objective 6). These regions together account for 22% of the total population of the Union : in the Mediterranean, the whole of Greece, the most Southerly regions of Italy, much of Spain and Portugal with the exception of the regions close to Lisbon. Over the period 2000-2006, Community aid to the regions will amount to 136 billion Euros, or 70% of the entire socio-structural fund, including 8 billion allocated to regions that were previously included in the objective but which are no longer covered.
- Objective 2: Regions facing specific reconversion problems : fragile rural areas (formerly objective 5b, but with more restrictive zoning, since it is limited to 5% of the total population of the Union), zones undergoing socio-economic change in industry and the services (formerly covered by objective 2), urban areas in crisis, zones depending on fishing. In all, 22.5 billion Euros has been earmarked for them (plus 3 billion in transitional support for former 5b zones that have not been renewed), equivalent to 11.5% of the total.
- Objective 3: Adaptation of education policies and systems in those areas not covered by objectives 1 and 2 (24 billion, or 12.3%).

In fact, the countries and the regions within some of them can choose to apply some of the measures from the list proposed by the RDP across the whole of the country and others as part of the Operational Programmes which form the implementation framework for specific types of aid in zones covered by objectives 1 and 2. Accordingly, all 22 measures of the RDR have been adopted in France ; 8 are applicable as part of the national RDP, just 6 within the Operational programmes - called « Documents Uniques de programmation » (Single Programming Documents) or DOCUP in France - and finally 8 of these measures are included in the national RDP and may also be included in the DOCUP in the regions and thus provide additional funding for the same purpose (as in the case of the land improvement measures for example). Given the number and variety of possible schemes and the differences from one country to another regarding levels of funding, it would be rather difficult to make a combined analysis of the policies of the five EU Mediterranean countries. Furthermore, the actions described began only in 2000, whereas a number of earlier pluri-annual programmes are still running : for example, the majority of agri-environmental contracts signed after 1995 are still continuing.

In **Spain**, where the overall discussion of the programme was drawn out and difficult as a result of the major role played by the Autonomous Regions in this area, Commission approval for its programmes was not secured until very late in the year. For the moment, only implementation of the 4 « accompanying measures », covered by a national programme, has been scheduled and national funding committed.

These four programs – agri-environmental measures, incorporation of young farmers, agricultural land afforestation, and income support in disfavoured areas - mean a public investment of 2350 billions Ptas. (about 14 billion €) during the 2000-2006 period.

Thus, at the end of 2000, Government passed the Royal Decree 3482/2000 of 29 December, regulating income compensations in certain disfavoured areas. The rest of programs included in the Eurospean Regulation were transposed into the Spanish legislation at the beginning of 2001. Royal Decrees 5/2001 and 6/2001 of 12 January regulate respectively early retirement of farmers, and agricultural land forestation.

The new framework for the application of the agri-environmental measures, which will substitute the former legislation based on the Regulation 2079/92, appears in the Decree 4/2001 of 12 January. It establishes nine different programs pursuing more friendly agricultural practices. They are the following:

a) Extensification of agricultural production
b) Indigenous varieties under risk of genetic erosion
c) Environmental Techniques for rationalisation of the use of chemical products
d) Control of soil losses in fragile environments
e) Protection of flora and fauna in wetlands
f) Special management systems in areas of high environmental value
g) Efficient use of water
h) Landscape protection and fires' prevention
i) Integrated management of cattle farms

Other ministry's lines of action are the aids for structural adjustment and farm modernisation (where 18419 millions of Ptas. were funded), and training programs for farmers, and associative development.

The other programmes are organised by the Autonomous Regions, as are the Operational Programmes, which have not advanced as far.

In **Portugal,** the implementation of the Rural Development Plan has been the object of an administrative procedure and much in-depth reflection, as described in the CIHEAM 2000 report, to be concluded this year.

The Portuguese Agriculture Ministry wishes to use this application to put forward a coherent strategy for agriculture and rural development for the period up to 2006 based on a paradigm shift, i.e. the inclusion of targets linked to rural development and the need for dovetailing the agriculture-land-environment components. The EU has drawn up a political framework for the period 2000-2006 which applies to all the instruments co-financed by the EU and Portugal and also for nearly all the CAP Common Market Organisations into which this strategy is to be incorporated. The programmes will thus all strive to promote the same objectives.

One **general objective** is to encourage a sound relationship between agriculture, modern productive activity and competition and the sustainable development of rural land in environmental, economic and social terms.

6 specific objectives :

- Improving the competitiveness of agricultural and forestry activities and sectors, whilst meeting concerns for the environment and economic and social cohesion;
- encouraging multi-functionality in farm holdings by compensating them through the provision of agri-environmental or other services of collective interest, thereby contributing to their internal diversification and economic viability;
- encouraging quality and innovation in rural and forestry production, aiming for a sustainable increase in productivity and meeting the new consumer requirements with regard to quality and food security;
- development of the specific potential and economic diversification of rural areas;
- improving the living and working conditions of farmers and the rural population by bringing in young people, improving qualifications, the promotion of employment and equal opportunities, protecting incomes and guaranteeing access to resources and services essential to human development;
- encouraging farmers and other stakeholders in the rural environment to become better organised, form associations and take initiatives by considering them as crucial players and partners in the definition and implementation of the new development strategy.

In other words, the Portuguese government is maintaining the principle that a part of agriculture is an economic activity like any other and must therefore be competitive. This competitiveness will help develop rural areas, some of which are threatened by desertification. But it is also accepted that farming has positive external effects on the environmental and social spheres and that these external effects may, under certain conditions, justify support for production systems.

In the context of the CAP and with help from the same, this general programme breaks down into three programmes:

- A National Rural Development Plan known as “RURIS”, which includes the 4 “accompanying measures” of the RDR;
- an Operational Programme (for objective 1, which covers the entire country with the exception of the region closest to Lisbon) known as “AGRO” that is the same for all the regions of mainland Portugal and corresponds to three of the RDR measures;
- finally the measures belonging to each of the operational programmes for the regions, covered by the acronym “AGRIS”, which come under the three other

measures of the RDR and relate to diversification in small-scale agriculture, sustainable and ecological forest management and incentives for local initiatives in agricultural and rural development.

The **French** Rural Development Plan, implementing the Rural Development Regulation, was endorsed by the Eurospean Commission in September 2000. This is a national plan and as such sets out a series of measures applicable across the entire country. The main tool for implementing this plan is the "Rural Farm Contract". The principles and rules of these contracts were set out in the 2000 CIHEAM Report. Only a few « pilot » RFCs were carried out in 1999 without Eurospean funding. The year 2000 was a transitional year when the various RFC options were tried out and at the end of the year, the total number of contracts signed amounted to barely 2000. The real breakthrough came about in the second half of 2001, with at least 20 000 signatures envisaged for the end of the year.

The work carried out jointly in 2000 in each département by the administration and the professional farming organisations thus primarily involved the drafting of specifications and standard contracts tailored to the specific requirements of a small region or sector. These standard contracts were subsequently validated by the Ministry of Agriculture, which ensured that they complied with the rules of the RDR and the criteria governing the RFCs. The amount of aid, which can take the form of investment subsidies or annual payments (the majority of contracts provide for both), has also been approved and those farmers adopting the scheme have subsequently been able to sign individual RFCs. The number of contracts signed varies greatly from one region to another, as does the pace at which local specifications are being drafted. Moreover, certain zones are not covered by specific contracts.

It should be noted that there are also general standard contracts for the production of cows' milk, pasture-fed beef and veal, pig production and bee-keeping. In the case of beef and veal for example, a simplified national standard RFC can be signed by any producer using mainly natural pastures who undertakes to obtain quality certification and applies to his pastures one of the agri-environmental measures envisaged for this purpose at national level and which is intended to extend the use of such pastures. This simplified standard contract makes no provision for investment aid.

A first study carried out in October 2001 taking in all the contracts signed at that date (i.e. 14,000), shows that the average amount of aid obtained under the RFCs was 250,000 FF per contract, of which 69,100 F was for investment aid (50,000 from the economic component and 19,100 from the environmental and territorial component) and 181,500 FF in annual payments (i.e. 36,300 a year). The holdings that have signed up for the RFCs are larger than the average (72 ha on average) and include a high number of company-owned farms (42%, compared with 16% of the total number of holdings). The Ministry of Agriculture turned its thoughts in 2000

to providing RFCs suitable for small and medium-sized holdings, particularly in the least favoured areas.

As is the case in the rest of the EU, the aim in developing rural areas in **Italy** is to encourage the development of a marketable commodity that is ecologically sustainable, together with activities associated with production, such as the services helping with social development in rural areas, and to help defend values such as bio-diversity, the ethics of production and the quality of life and the environment. To this end, priority is being given to the contractual relationships between the farmers and the public administration already introduced as part of the CAP agri-environmental measures. In order to encourage these objectives, the last budget broadened the Fund for the development of multi-functional agriculture set out in the Guidance Act. These subsidies are intended to develop produce which is of benefit to the environment and the countryside and forms part of local traditions, but which is not very productive in terms of yield. This includes items such as local quality products, and regional and organic products.

Box 10.3 - Italy is issuing a new Farm Guidance Act

Act of delegation No. 57 of 5 March 2001 has added a new dimension to the process of modernising the agricultural sector. The Farm Guidance Act provides a linkage for better cohesion between Italian legislation and the Common Agricultural Policy.

The first important point is the change in the definition of farm operator provided by article 2135 of the civil code. The farm operator is now defined as a person carrying out an activity involving cultivating the soil, forestry, rearing livestock and associated activities based on a biological cycle or a major phase of such a cycle. The definition of associated activities is henceforth based on the principle of the predominant use of the equipment or resources of an agricultural holding, a principle which replaces the traditional principle of the « normality » of activities within the agricultural context. It is clear that the associated activities need not take precedence over the farming activity which obviously continues to be the principal activity.

Moreover, the decree considers that agricultural activity covers « farm operators' co-operatives and their consortia when they are using their members' products to carry out their activities or if they mainly supply to their members goods and services for monitoring and developing the biological cycle ». This is also a major new departure for the future development of the rural sector because it includes under farm activities the supply of goods and services to farmers who are members and this has obvious advantages for consolidating the productive sector.

Finally, the farm operator in the fisheries sector is included under farm operators for tax and social security purposes.

Box 10.3 (contd.)

Another new feature of the guidance law deals with providing hospitality and direct sales. In fact, the text allows farm operators to carry out an activity of this kind anywhere in the country with administrative obligations that have been limited and simplified to ensure the support and development of local farms by making the most of typical, organic and quality produce and by carrying out activities that help develop and maintain the countryside and forests, and ensure the continued conservation of water and geological resources.

The new act will also make it possible to regulate all of the activities that are covered by the term multi-functionality.

The wording of the act also covers farm contracts, setting out rules for the right of pre-emption in the event of a new rental agreement, the use of state-owned land for agricultural purposes, the properties of local authorities and other public institutions. It also makes provision for the relaxation of obligations concerning owner-occupation.

Finally, the text deals with strengthening the agri-food sectors from the structural point of view and as regards the quality of products:

- Extending to the food industries certain provisions for help in reducing production costs.
- Amending the rules on inter-professional organisations ; they must acquire a specified legal form in order to be recognised.
- Redefinition of the rules on producer organisations.

Negotiated planning is becoming an essential part of national rural development policies in Italy, particularly since it is helping to develop innovative procedures for co-ordination between public and private players and for the involvement of the different elements within society. Within this context, the « Regional Pacts » take on particular importance because of their close link with the region and the involvement of a wide range of elements of society : these pacts are defined as being « agreements between public and private stakeholders for defining different types of intervention for a co-ordinated approach for promoting local development in the depressed areas of Italy in accordance with the objectives and options set out in the framework of the Community structural funds ». After concentrating primarily on the agri-industrial sector and rural development initiatives at the outset, these initiatives have recently been extended to farm holdings and fisheries. In all, 73 regional pacts were approved for the agricultural sector alone between 1999 and 2000 for a total of 2,521 billion Lira.

The government is thus continuing its efforts to help with setting up young farmers and developing their holdings as a means of creating jobs in the rural sector, particularly in the Mezzogiorno.

Other measures involve fiscal policy and relate to the special arrangements for deducting VAT which will also be applied in 2001 and the regional tax on

production activities (IRAP) which will be applied at the reduced rate of 1.9% for those working in the agricultural sector.

In the sphere of farm credit, specific and subsidised loans have been substantially cut back following an express ban at Community level The numbers of those resorting to ordinary types of loans are also increasing because of the general increase in rates arising from the Eurospean Central Bank's monetary policy. More precisely, rates on loans of under 12 months have risen from 4.80% to 6.35% in the space of a year. Nevertheless, there are signs of a cyclical variation which has increased financial costs for companies but has not discouraged businessmen from taking out loans. The most detrimental effects of a situation of this kind have been felt by companies that have had to face the double burden of energy costs and rising prices on purchases of commodities and semi-finished products imported from the dollar zone.

Relations between agriculture and the environment are coming under ever greater scrutiny in Italy. The rules governing eco-conditionality resulting from implementation of the « horizontal » EC regulation No. 1259/99 of Agenda 2000 were published in 2001. The purpose is to reduce community aids for all operators who do not meet the specified criteria. The reduction will amount to 1% or 8%, depending on the seriousness of the infringement. These reductions apply to the major crops sector and in olive plantations where farmers must maintain permanent water drainage channels and put in water drainage channels on slopes For their part, livestock breeders must build storage facilities for liquid effluent.

Still on this subject, a fund was set up as of 1 January 2001 for the period 2001/2003 in order to encourage the development of quality agricultural production that protects the environment and reduces risks for human and animal health. It is partly funded by public subsidies and an annual subsidy levied on companies selling phytosanitary products and fertilisers. This fund will finance both regional and national annual projects supporting the expansion of organic farm produce and information for consumers on food produced using organic farming methods.

The main event in **Greece** in 2000 was also the implementation of the Rural Development Regulation and the Structural Funds. The whole of the country is covered by Objective 1 and the Rural Development Plan thus mainly contains the 4 « accompanying measures » for which the earlier programmes are being continued. By contrast, the implementation of the Operational Programmes has meant institutional changes and more in-depth consideration.

The Ministry of Agriculture has set three main strategic targets for the period 2000-2006, namely, the improvement of competitiveness for Greek agriculture, the sustainable and integrated development of rural areas and the maintenance and improvement of the natural environment and resources. These three main targets were translated into 9 development approaches under the forthcoming

Operational Programme. These include investment in farm holdings, in food and wood processing and marketing, setting up young farmers, the provision of irrigation and the implementation of rural development (multi-sectoral) programmes. The Regional Operational Programmes – Rural Development Section (ROPs) for the period 2000-2006, will promote agricultural and rural development in Greece, mainly via the implementation of small land-improvement plans, the restructuring of agricultural production, the protection of the natural environment, the re-location of livestock units, etc...

During the year 2000, most of the efforts of the Greek authorities regarding these programmes focused on the finalisation of the laws required for implementation, the specification and approval (by the Monitoring Committees) of the Programming Complement and the establishment of the new rigorous management and control system for the operational programmes. 4 management (OP Rural Development, Leader Plus, OP for Fisheries, Rural Development Plan-Guarantee Section) and 1 payment authority (for the last programme) were accordingly established in the Ministry of Agriculture. After the recent approval of the Programming Complement, the OP are now ready to be implemented.

Another field of intervention was water management. Taking into account the crisis situation in water reserves and the report of the national Committee for Desertification, the Ministry of Agriculture has designed a specific programme, with both qualitative and quantitative objectives. It includes the implementation of water-saving projects, at farm and collective levels, the promotion of irrigation projects, a significant increase in the price of water, a stricter application of the codes of good farming practices, and the implementation of the agri-environmental measures dedicated to the improvement of water quality.

At the same time, a number of decisions were made concerning the relations between agriculture and the environment:

- The official ministerial approval of the action plans for 4 areas which are characterized as nitrate zones and the specification of action plans for 4 more areas;
- the issuing of Ministerial Decisions on the implementation of the agrienvironmental measures in period 2000-2006;
- the issuing of a Ministerial Decision on the New Codes of Good Farming Practices
- the designation of a coherent framework for the implementation of a detailed soil map at the national level;
- the specification of guidelines for the design of comprehensive action plans in agricultural ecologically-rich areas;
- the amendment and modernization of the National Regulatory Framework for the Environment (EU Reg. 2200/96).

The problem of integrated rural development is a relatively new one in **Albania.** The main difficulty lies in the transition from a policy for developing agricultural production, to a policy of rural, local and regional development, taking explicit account of the pluri-activity and muti-functionality of farming activities. All of this calls for vertical and horizontal co-ordination between a number of institutions and Ministries which are involved in one way or another in rural affairs.

Box 10.4 - Rural development in Albania

Programmes and projects began to be carried out in rural areas in Albania in response to political, social and economic changes at the beginning of the 90s. They comprised a broad range of structural and rural development measures, the latter being intended to :

- increase investments in farm holdings,
- encourage agricultural production methods that would respect the environment,
- diversify economic activities in rural areas,
- manage water resources,
- encourage forestry, including re-afforestation, investment in private forestry operations, processing and marketing of forestry products ,
- renovate villages and safeguard the rural heritage,
- improve and re-parcel land and draw up and update land registry records,
- develop and improve rural infrastructures,
- improve vocational training.

Changes in the Albanian countryside have gathered pace over the last 8 years, especially in the wake of the introduction of freedom of movement for the population. The implementation of the « Land Act » (1991) particularly influenced these developments. Its effects are obvious, particularly as far as the countryside is concerned. We are currently seeing characteristics specific to three types of rural areas emerging:

- **A rural area undergoing intensive urbanisation** (around the major towns in the western part of the country),
- **a balanced rural area** (in the areas with favourable natural and economic conditions, for example Myzeqe, Fusha and Korçe),
- **a rural area with a declining population and in economic recession** (particularly in the north and north-east of the country).

It has been reported that over the last 30 years and more particularly during the Planned Development Period which began in 1963, special efforts have been made for Rural Development, in **Turkey**. In each Five Year Development Planning

Period, particular goals and instruments of policy for both agricultural and rural areas development have been specified.

Integrated Rural Development Project approach and some typical rural development projects have also been implemented in line with the targets given in different Five Years Development Plans.

By the end of 2000, 4.7 million hectars of 8.5 million hectars is expected to be irrigated. 3.7 millions of this will be public irrigation. By the begenning of 2000, Asagi Firat I. Merhale and 118.000 hectars of Sanliurfa-Harran Plain have been irrigated.

A notable feature of policy developments, particularly, in Seventh Five Year Development Plan of Turkey, was the concern of sustainable agricultural development which aims at ensuring the sustainability of agricultural resource use. That is, to improve the environmental performance of agriculture, by enhancing beneficial and reducing harmful environmental effects.

Taking into consideration of necessity for the combination of Agricultural and environmental policy measures which need to be carefully designed and implemented and evaluated to ensure that they improve environmental quality and contribute keeping it for the next generations, there is still need for more adjustments and regulations. Because the farming practices, particularly relating to the use of fertilizers, pesticides, irrigation systems and livestock waste, directly had affected to the environmental quality and they have also been affected by environment to larger extent, in Turkey, especially in recent years. Non-farm usage of farmlands, water and air pollution, pesticides caused pollution, degradation of farm lands higher level of soil erosion are the typical examples which should be emphasized as the environmental issues related with agriculture.

In the three **Maghreb** countries it is clear once more that rural development activities essentially focus on agriculture, conserving natural resources (forests and land, water) and, to a certain extent, education and health. Rural industrialisation in particular and the development of non-agricultural activities in general are rarely to be found in the policies governing these zones. Nevertheless, it can be seen that in **Algeria**, the Plan National de Développement Agricole (PNDA) (National Agricultural Development Plan), launched during the second half of 2000, reflects a clear desire to encourage the setting up of small businesses linked to agriculture (consultancies, companies building rural infrastructures, small storage and processing businesses). Moreover, the country has other programmes providing State aids relevant to the rural environment. These include the programme entitled Travaux d'Utilité Publique à Haute Intensité de Main-d'œuvre (TUPHIMO) High Labour Intensity Public Interest Projects)(financed partially by the World Bank), the programme providing support for the creation of businesses by young people through the Agence Nationale de Suivi pour l'Emploi des Jeunes (ANSEJ) (National Youth Employment Monitoring Agency), a micro-credit scheme, the

programme for rural employment carried out for four years in a number of wilayate in the West of the country and financed by a loan from the World Bank, a programme which has been extended for a further two years.

In Morocco, the «2020 rural development Strategy» drawn up the previous year by the Government, was confirmed by the National Agriculture and Rural Development Symposium that met in Rabat in July 2000. Three integrated rural development programmes have been identified to implement this strategy (rainfed agriculture zones, small and medium-sized water projects (petite et moyenne hydraulique - PMH), conservation of human resources). But nothing concrete seems to have been undertaken with the exception of the PMH programme which received a 32.6 million dollar loan from the World Bank in 2001.

As regards the environment, the policies carried out in this area mainly deal with soil protection, forests and water resources. There is a great degree of similarity in these policies in the three Maghreb countries.

In 2000, **Morocco** extended its large-scale anti-drought programme introduced in previous years. This programme appears to deal only with the effects and does relatively little about the deep-seated causes which mean that the recurrent droughts have such a detrimental effect on the economy and the population. Nevertheless, Morocco is continuing with its traditional investments in forests and the mobilisation of water resources. But its resources for these are very limited.

In addition to the Full Rural Employment project financed by the World Bank, one of whose main objectives is to fight against erosion in a certain number of catchment areas, the policy for protecting the soil, the vegetation and water is mainly reflected in the activities carried out as part of the National Agricultural Develoment Plan (Plan National de Développement Agricole) in **Algeria.** One of the PNDA programmes involves the mobilisation of water resources. It offer payments to farmers (located outside irrigated areas and subscribing to the previous programme) to buy pumping and localised irrigation equipment (and also for reel and sprinkler irrigation equipment) ; to carry out small and medium-sized drilling projects, sink wells, build collector basins, small reservoirs ; maintain or rehabilitate traditional wells, “foggaras” and secondary networks ; install or re-build irrigation and drainage networks, particularly on land planted with citrus trees and date palms. Another PNDA programme covers the steppe areas. The aim is to promote sustainable rangeland management on the basis of a partnership with local people. A number of technical measures are being or will be financed from public money : the rehabilitation of the most damaged rangelands by planting (target 74,500 hectares) and seeding ; preventive measure to protect rangelands under threat of being damaged (around 1.5 million ha) ; increasing the number of watering places in the network where cattle can drink in order to reduce the pressure on rangeland close to existing watering places; increasing the number of water projects to increase the capacity for storing flood water. The situation of the forests continues to worsen, in spite of the ambitious PNDA programmes. More

surface area has been destroyed by fire than has been reafforested. It is true that the forestry administration is more focused on planting « useful » trees (fodder plants and fruit trees), with the result that more than 27,000 ha of fruit trees were planted in 2000, compared with 5,700 in 1999. The action undertaken by the Forestry administration in this area has been enhanced by the programme for development through concessions whose subsidies are largely intended for fruit tree growing. It would appear that this programme has made its possible to plant close to 33,000 hectares during 1999 and 2000.

For its part, **Tunisia** is continuing with its programme of building small reservoirs. At the end of 2000, the number of mountain lakes created stood at 602, of which 379 were intended for agricultural use, 75 for supplying groundwater and 148 for protecting large dams. These constructions have a total storage capacity of 54.8 million cubic metres. At the end of December 2000, they were 37% full, i.e. 20.3Mm3. At present, 140 mountain lake are either under construction or in the study phase. They will make it possible to store a further 1.67 Mm3.

The main objectives assigned to these installations at the outset were to combat erosion, protect installations already completed, supply groundwater and finally for use in agriculture. Use by the agricultural sector has been the main justification for lakes since 1990. Thus of the 379 installations directly usable in farming, 284, or 75% are actually equipped to this effect and they are either operated individually (108 installations) or by management committees (148 installations) or by AIC (94 installations). Nevertheless, the surface area irrigated from these resources is still very limited.

10.5 - Conclusion

At a global level, 2000 was a year of continued growth, favourable global indicators and ongoing development of trade, this latter being a product of the aforementioned growth, together with liberalisation policies.

Trade in agricultural produce also played its part in this growth. For the countries of the Mediterranean, the effects of this situation were mixed. By and large, the countries to the North did well out of these developments, with the weakness of the Euro also helping to boost their exports. However, the biggest growth was seen on the import side and was the result of the overall growth in these economies and the rise in hydrocarbon prices. However, for the countries to the North, the decline in their balance of payments situation is a sign of the fragility of their economic growth.

With the exception of Algeria, whose revenues from oil and gas have risen this year, the countries to the South have failed to reap the benefits of this favourable economic climate. One of the key reasons for this was the weakness of their agricultural production, which still accounts for a significant part of these

countries' overall production and exports. In the Maghreb countries in particular, agricultural production was hit yet again by drought and yields were disastrous. In these circumstances, how could the countries to the South have derived any advantage from the upswing in trade, given that agri-food production, which is largely dependent on local raw materials, makes up a large part of their industrial fabric? It should be noted also that, although they are increasingly opening up their borders, these countries have not witnessed any sizeable growth in imports, owing to a dearth of solvent demand.

Once again, we see how very sensitive the economies of all Mediterranean countries are to climatic and environmental factors. And the countries to the North were not spared either, with agricultural production in Italy suffering as a result of floods in much the same way as France did in 2001, albeit in the Northern half of the country. However, the impact on the economy of these countries generally is slight.

As well as being greatly influenced by climatic conditions, the agricultural sector's sensitivity to agricultural policy measures was demonstrated by production trends in 2000. In the countries of the European Union, a key factor was the Agenda 2000 reform of the common market organisations which represented a further stage in the move towards lower guaranteed prices and a decoupling of aids and manifested itself in particular by a reduction in the surface area growing oilseeds and a drop in yields due in part to a less intensive use of inputs. In Turkey, although the withdrawal of the State seemed to mark time this year, the process nevertheless led to a decline in those areas of production whose public sector support is being cut back.

The general trend, therefore, is towards liberalisation of policies. The report of J.M.Garcia and N. Akesbi describe in more detail the role played by the WTO in this liberalisation and the positions of the different countries with regard to the forthcoming negotiations. Internal factors too, especially budgetary considerations, are fuelling this trend. In the candidate countries which one day aspire to join the EU, there has been a tendency to align their policies on those of the EU. Turkey, which has been mentioned already, is a case in point. The same trend can be seen in Albania although in this country, the importance of agriculture in terms of production and the working population is such that, although the sector is dilapidated and disorganised following the fall of the Communist régime, the policies needed to reconstruct its productive potential and institutions are stymied by the paucity of available resources.

The Common Agricultural Policy serves as a reference, either directly or indirectly for all of the countries on the northern shore; it also has well-known consequences for the countries to the South because of the trade in agricultural and agri-food products between these countries and those of the EU. We have seen how this policy has evolved in the area of the markets. Agenda 2000 represents a step forward but it is difficult to say at this stage whether its effects will be as far-reaching in reality as the texts suggest when it comes to integrating a true rural

development policy into agricultural policy around the theme of the multifunctional nature of agriculture, as analysed in the 1999 report.

In the other countries, this linkage between agricultural policy and rural development is less well developed; the policies we have placed under this heading have to do with the provision of basic infrastructures for rural regions, which even now continue to lag behind. They also focus as a priority on safeguarding agricultural production:

- Land policies, distribution of state or collectively held land, helping farmers to set up, organisation of collective lands and pastures;
- water resources policies, with a trend towards the development of small-scale equipment;
- organisation of structures to collect produce and of markets.

Finally, it should be noted that this last comment applies equally to the countries to the North; if we leave aside Albania and Turkey, which have already been mentioned, in Spain and in Greece, the development of equipment, especially for water management and the infrastructure required to support agricultural production continue to be priorities for their agricultural policies.

PART III

Employment and productivity in the Mediterranean agriculture

11 Mediterranean trade and labour productivity

11.1 - Trade, growth and the environment

Chapter 11 reviews the effects of the productivity gap in the Mediterranean basin which are a driving force for reforms in foreign trade policy in an international context. Agricultural trade liberalization is particularly affected by the agreement to reduce price guarantees and tariffs in traditionally protected sectors, such as foodstuffs and raw materials, which allow the expansion of global exports of foodstuffs. The growth of world trade that has taken place since the Marrakech Agreement could have a significant impact on agriculture as well as on the environment and trade itself. At the same time it is necessary to adapt new technology to different natural environments so that it can be developed in a sustainable manner. These changes could affect work productivity as well as other factors determining competitiveness in foodstuff trade in the Mediterranean.

First, the question of the relation between trade, growth and sustainability is addressed in order to discuss the role of labour productivity for improving technological progress in the present liberalization process. Second, the innovation level and the human capital of countries are used to approximate the origins of the productivity gap in the Mediterranean basin between the EU and the Southern and Eastern Mediterranean Countries (SEMCs).

Third, labour productivity is compared with income per capita and the Human Development Indicator to highlight the relationship between economic growth and technological change at the farm level. Fourth, an analysis is made of the evolution of total factor productivity in European farms and the consequences for agricultural trade in the Mediterranean. Finally, the last paragraph reviews the specialization process originated by the trade growth and ends with a reflection upon the possibilities of trade and international co-operation for improving labour productivity and promoting sustainable development.

Negotiations to liberalize trading activity while protecting the natural environment are behind changes in the global agricultural policy, which affect both competition and welfare. According to USDA calculations, eliminating global agricultural policy distortions would result in an annual world welfare gain of $56 billion (Burfisher ed. et al, 2001). Technological progress in the agricultural sector will be accelerated as the volume of tradable outputs increases. International competition tends to increase farm specialization. As farmers specialize, their willingness to adopt technical innovation increases. The adoption and extension of innovations have been the main source of labour productivity growth in recent history.

On the other hand, economic crises and political instability delay technological progress. In the past, farmers and companies have been affected by external shocks

such as the rises in oil prices and the changes in the parity of currencies with respect to the US dollar, which both crucially affect their economic outcome. The most frequent long term reaction of farmers to these factors is to introduce new technologies in order to increase productivity, while in the short term the same entrepreneurs adopt a wait and see attitude until uncertainty disappears. The practice of international trade is full of conflicts of interests between countries. Since agriculture is currently at the center of these disputes, significant effects can be expected as a result of new agreements in Mediterranean trade.

Economic growth and technological progress are part of the process in which increasing productivity permits an improved standard of living. Nevertheless a doubt continues to plague us: Are we heading towards a sustainable development time-wise and can the environment support this development. Are there limits to growth? (Sockey, N. L. 1998). One of the key issues to be addressed in order to determine the complex, dynamic interactions between trade, growth and the environment is the estimation of the relationship between growth of the standards of living and pollution levels.

The problem we are currently facing is whether we are truly on a road toward growth that is sustainable. Sustainable[38] means that we are not using up the natural resources that are available. Today there seems to be evidence that several aspects of our current growth model need to be revised in order to achieve sustainable development.

The northern countries have the responsibility to put efficiently these changes into practice for three basic reasons:

- They are mainly responsible for the present environmental damage.
- They have the technological and economic potential to change the growth model.
- They have the means to diffuse new growth models adapted to the need to conserve natural resources and they use technologies which are not aggressive to the environment.

Nevertheless, it should be mentioned that, although the EU has an environmental program, precisely under the slogan of *Towards a Sustainable Development*, a great number of the proposed objectives for 2000 have not been reached. Pending programs include e.g. the freezing of emissions known to produce the green-house effect, the limitation of noise levels produced by vehicles, the limitation of nitrogen

[38] Sustainable development "is the management and conservation of the natural resource base, and the orientation of technological and institutional change in such a manner as to ensure the attainment and continued satisfaction of human needs for present and future generations. Such sustainable development (in the agriculture, forestry and fisheries sectors) conserves land, water, plant and animal genetic resources, is environmentally non-degrading, technically appropriate, economically viable and socially acceptable" (FAO, Council, 1988).

emissions (which produce water percolation through its infiltration in subterranean water) and the reduction of nitrous oxide NO_x.

There was a similar occurrence in the United States. The Environmental Protection Agency (EPA) is trying to limit the increase in emissions and pass federal laws which would set stricter standards for air and water quality. These measures however, are being fought by pressure groups who only see these laws as an increase in their production costs. For this reason, they are trying to limit the jurisdiction to individual states, where they can apply greater pressure than on a federal level.

Therefore, even though the northern countries have set out towards sustainable development, we are still at the start of a changing model. The key question is whether we can manage to change the developmental model quickly enough to avoid the worst consequences for both the environment and the human race, or if nature itself will make a dramatic change.

11.1.1 - Growth and resources

The economy's rate of growth affects the use of natural resources. The more rapidly an economy grows, the more resources are consumed. In general, an increase in world trade accelerates economic growth. Given that many countries in the Mediterranean Basin have entered into a model of continuous growth, we are consuming natural resources at an ever-increasing rate. Furthermore, if we continue with this model, certain natural resources (i.e. forests, fossil fuels, marine animals, etc.) will eventually be depleted[39]. Environmental economics has generated models that would allow the rate of exploitation of a resource to be adapted to its rate of generation, which would thus provide a supportable use of the resource. In many cases, the use of certain techniques can affect the conservation of the resource (e.g. the use of fishing nets which damage the sea bottom and affect the quantity of food available for the fishing banks; lumbering operations, replanting and conservation of forests affect the speed of renewal). In these cases it is vital that the crucial minimum level of biomass not be surpassed, which would cause the ecosystem to stop reproducing spontaneously, and to eventually degenerate.

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[39] Normally, it is understood that environmental economics distinguishes between renewable and non-renewable resources. Non-renewable natural resources are those products such as minerals, which exist in limited supply on the planet and therefore, when they are used up, economic activities which rely on those resources for raw material can not be continued. Optimists think that technological change will solve the problem. Nevertheless, the economic models available do not assure that this process can be carried out smoothly; and could cause important economic crises if governments do not predict the moment of depletion early enough or if companies do not invest in technological alternatives quickly enough.

Technological change and natural resources uses:

In general, we can see that the technologies used in the productive process are a strategic element for the conservation of natural resources. Nevertheless, there is no scientific basis to justify a technological optimism. In other words, we cannot be sure that innovations will arrive on time to solve environmental problems. Experience does show however greater investment in R&D, leads to greater possibilities of obtaining results.

The industrialized nations already have important environmental research programs in place. Some countries, such as those of the European Union, include this research in the supranational programs financed by the European Commission. Developing countries, though they may lack the capacity to carry out independent lines of investigation in different areas, should concentrate their research efforts on adopting technologies generated in the north and applying them to their own social and geographical conditions. Adaptation and rapid diffusion of new technologies are two key elements for the conservation of nature in the southern hemisphere.

This is an important task, from both an environmental as well as economical point of view, since the majority of technologies are based on taking advantage of the abundant natural resources in a given geographical area, and on saving scarce resources, yet the conditions where these technologies are later employed can be very different from the original concept. This underlines the need for autonomous development in the area of technological applications.

It is also important to make sure that the technologies being used by new investment projects be less aggressive to the environment, instead of accepting that certain industrialized countries export their polluting industries south, taking advantage of the more lenient quality standards in developing countries.

This is one reason why many environmental activists have turned their attention to the WTO as a means of preventing polluting industries from settling in the south and later exporting their products north.

One proposal consists of imposing a border pollution added tax on imports being determined by the environmental tax levels of the country of destination. This way industries would lose much of their incentives for moving their polluting industries to countries with less stringent quality standards, since by exporting to developed countries they would have to pay for the pollution (externality) generated by production just as if the product were produced in the country of destination (San Juan, 1997). Nonetheless, in order for this to solve the problems of developing countries which receive investments from polluting industries, the WTO would have to agree to discriminate products by the techniques used in their production process. This is a step which, at least for the moment, seems far from achieving a widespread consensus.

Faced with this situation, it remains vital to set taxes, environmental quality standards or transferable permission systems for emissions in all countries in order to reduce pollution. Many governments resist this need since they see it as a loss of potential investments. For this reason it is important to introduce a system of ethics for future generations. This means a calculated system of economics that keeps in mind not only the needs of the present generation but also those to come. To achieve this, requires a change in social values which would allow a balanced use of natural resources between present and future generations. This requires the ability to answer difficult questions such as: Could present generations destroy the forests of a country that were the only way to feed the population? Or conversely: Should we respect natural resources and let present generations go hungry?

The economic perspective should be one that achieves an efficient use of resources in order to satisfy the needs of present generations while, at the same time, conserving natural resources to the greatest extent possible.

To reach this objective, environmental economics is developing instruments which allow an efficient use of available resources. This entails trying to satisfy needs, which in principle are unlimited, with scarce resources (this was already the focus of classical economics). What environmental economics tries to do however, is to introduce environmentally generated externalities and the ethics of future generations together with the concept of efficiency. Currently, the objective is environmental efficiency. This translates into growth (to increase economic well-being) with the preservation of nature (for future generations).

A productive process is considered environmentally efficient when it uses natural resources in a way that is technically more effective and economically more efficient in order to reach an optimum equilibrium. In other words, a situation in which it is impossible for someone to benefit without someone else being hurt.

This optimum must include externalities generated by economic activity in its calculations; both the positive externalities (profits) for the natural environment as well as the negative (damage), thereby obtaining a final balance which would be either subsidized [positive externalities] or taxed fiscally [negative externalities].

Theoretically, trade should increase the level of society's economic well-being around the world when it is practiced under the conditions of perfect competition. This means allowing each region to specialize in those activities where it has a comparative advantage, exporting those products and importing the rest. This should lead to a savings in global resources. Transportation costs, including the negative externalities which are generated, can be reduced through the introduction of clean, energy-saving technology. It seems reasonable to expect that the profits from trade offer enough margin to make this change a viable one. Nevertheless, a global institutional framework is needed to propitiate it. It is equally necessary to introduce economic instruments of pollution control on a

national scale in order to reduce the pollution per unit of manufactured products. (Gale, R., Lewis and Mendez, J.A., 1998).

The WTO is trying to achieve a liberalization of world trade within a framework of norms which would provide a coherent set of playing rules for all countries. Nevertheless, the ecological organizations have not been allowed to participate in the WTO meetings on several occasions. Some of these, such as the non-governmental organization World Wildlife Fund (WWF), are quite critical of the WTO who they see as only being interested in issues related to free trade and not at all disposed to accept measures for nature conservation. Recently, the WTO has shown a growing interest in discussing its positions with the non-governmental organizations, being quite conscious of the high cost of the ever present "anti-globalization rallies".

The WWF and other ecological organizations have condemned the decision adopted by a group of experts which supports the complaints of India, Malaysia, Pakistan and Thailand against the United States law which bans the import of shrimp caught using techniques which harm turtles and dolphins and puts other species at risk[40].

The current problem is that the WTO norms favor the preservation of free trade and international competition instead of giving more priority to the worldwide conservation of nature. On the other hand, the WTO fears that environmental standards or other regulations intended to conserve nature will, in practice, be used as non-tariff barriers to prevent foreign competition.

11.1.2 - Tomatoes in the European Union

Spain and the Netherlands had recently experienced a situation representative of the complex relationship between trade and environmental quality, that is, how sensitivity to environmental issues can be used to protect markets. Dutch producers reacted against the growing loss of market quotas of their exports to Germany. The Dutch lost clients due to the superior quality of the Spanish tomatoes which are not grown in hothouses, but rather outside, or in Canary Island style greenhouses where only netting is used to protect the plants from exposure to sun and dry wind.

Nevertheless, the Dutch producers became aware of the fact that Spanish farmers used a pesticide, methyl bromide, which although approved, can leave clinically

[40] Pressure from ecological organizations in both the national and international arena however, has brought about obligatory use of labelling which guarantees that the fishing methods used are not harmful to sea turtles or dolphins. These groups have also managed to have regulations put into effect as to the commercial use of products originating in tropical forests.

traceable residues in tomato skin. Accordingly, the producers were able to persuade the most important German supermarket chains to advertise that they sold only pesticide-free tomatoes. This situation favored the Dutch who are able to control insect plagues though use of temperature and humidity control inside the greenhouses. Nevertheless, these greenhouses have to be heated, requiring energy consumption which generates gases harmful to the ozone layer.

Yet another example of trade dispute with an environmental undertone is that in the World Trade Organization between the United States and the EU regarding meat imports.

11.1.3 - Hormones in meat: The United States versus the EU

The European Union prohibited the use of growth hormones in meat producing animals and simultaneously prohibited meat imports with traces of hormones, particularly affecting imports from the United States. In this way, the EU made an effort to favor extensive grazing livestock as well as to preserve natural pastures in mountainous areas or in other less than favorable conditions.

The United States filed a complaint with the World Trade Organization based on the fact that the requirement had no scientific foundation and that growth hormones posed no hazard for consumers, and as a consequence, the measure was of a purely protectionist nature in favor of European livestock. The expert panel of the World Trade Organization ruled against the European Union and authorized reprisals by the United States. At present the European Commission is awaiting the results of scientific research which would back claims regarding the effects of hormones in meat on consumers.

These examples underline the fact that the protection of the environment is frequently manipulated by private interests attempting to compensate for their own lack of competitiveness in international markets[41]. At any rate, this should not be seen as a reason for the World Trade Organization not to intervene in cases in which international trade affects conservation of natural recourses.

Nevertheless, developing countries, paradoxically those who export more natural resources, and thus have a greater interest in their conservation, in practice act in opposition to environmental regulations since they fear that industrialized nations will use the measures to limit their access to the markets of industrialized countries.

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[41] Halibut: Canada versus Spain. This is yet another case of supposedly environmentally related measures utilized to eliminate competition in imports. The particular case in mention began with Canada prohibiting the fishing of halibut by Spanish boats in international waters near the Canadian coast. Canada lost the case and had to pay compensation to the Spanish fishermen as the courts regarded the measure as illegal since the waters were international.

International trade drive, when the markets function in perfect competition, to an optimal distribution of resources which favors growth. As a result, the regulations of the WTO should be focused on correcting the inefficiencies caused by poor functioning of the institutions. This has provoked unequal trade and misguided incentives for environmental protection. In this sense, commercial regulations should also provide the proper incentives for environmental protection, ensuring that the regulations are based on propositions with a solid scientific base and not masking protectionist interests. The institutional framework needs to create proper incentives in the direction of friendly technical change.

It is likewise of great importance that costs and benefits of environmental regulations be adequately evaluated, using technologically effective instruments to resolve environmental issues and be economically efficient so as not to misuse scarce resources. This means obtaining environmental goals at minimum public cost, safeguarding in this way the competitiveness of the company and the proper functioning of national and international markets.

Environmental regulations do not always imply an efficient solution to problems. For each environmental issue, it is necessary to select the appropriate economic control instrument. In this way, a balance can be reached between the improvement of social well-being and the protection of the environment, between free trade and safeguarding the rural world. This is the essential task of agricultural economy and natural resources management at present.

At the end of 2000, the summit of the EU established its position as negotiator for the current Millennium Round Council (2000). WTO Negotiations on Agriculture: Outline of European Commission (EC) Comprehensive Negotiation Proposal. Conclusions of the Agriculture Council (20-21 November 2000).

In general the EU position is that *"the objective should be to increase market access to the benefit of all WTO Members. This is particularly important for the European Commission, which are one of the largest exporters in the world. The EC propose that the formula for tariff reductions should be a commitment as to the overall average reduction of bound tariffs and a minimum reduction per tariff line, as was the case in the Uruguay Round."*

This document converts some of the recommendations of the report for the European Parliament by Garcia-Alvarez-Coque, J.M. et al. (2000) into proposals for the trade negotiations. Here it clearly states that the transformations of the CAP are going to be stimulated in a large measure by the need to reach agreements in trade negotiations. But given that these advance slowly, it is possible to modulate aid to European farms so that the transition to greater freedom of trade interchange of foodstuffs is produced so as to minimize social costs in the rural world. Achieving these goals requires a precise knowledge of the variables which influence the production decisions of the farmers. The effects of the changes in trade regulations send direct signals to farms via market prices.

In the Southern Mediterranean countries the most important effects are yet to be seen because of the amplification of access to European markets. There are two key elements to this point: tariff reductions (including the elimination of the variable tariff, the quotas[42] and calendars) and most-favored trade agreements of each country with the EU. At present it seems more logical to wait and see the principal trade benefits of the tariff reductions and the generalized elimination of quotas and calendars. Nevertheless, the countries of the Southern Mediterranean compete in other areas, particularly with the exporter countries of America. In this competence, the capacity to generate stable trade networks will be a key element. Once the commercial net starts to extend, the pressure to increase productivity by adopting technological change at the farm level (and also on the first packing and processing stages) will rise.

11.2 - Mediterranean basin: labour productivity gap

The modernization process in agriculture has induced and, at present continues to foment a reduction in the number of those employed in agriculture. This process is related to technological changes brought about in agriculture, the speed of which depends on exogenous factors, particularly the rate of technological change and the growth of work opportunities of non-agricultural sectors.

The rate of growth of the EU economy has been higher than the SEMCs, so the possibilities of growth in agricultural labour productivity have also been much higher in the EU. During the period 1986-99, the rate of growth of labour productivity of the EU economy was 1.9 percent. That rate can be broken down into 0.7 points of growth of the capital per worker and 1.2 points contributed by technological progress. That gives us an idea of the important role played by an economy's technological progress in the increase of labour productivity (Myro y Perez, 2000). The long cycle of economic expansion created the appropriate conditions to lower the unemployment rate of the EU economies. The number of agricultural workers in the EU-15 decreased sharply: -29% from 1987 to 1997.

The structural policy of the EU likewise permits investments in public capital and other specific measures (structural funds, less favored areas, etc.) that also foment improvements in productivity which are added to those obtained by reduction in agricultural employment.

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[42] With regard to Tariff Rate Quotas (TRQs), the European Commission (EC) believe that "*they have contributed positively to increased market access. However, as the WTO Secretariat analysis shows, there is a number of shortcomings in their administration that should be resolved, as they may negatively affect quota fill.*" (Council, 2000). Auction seems to be the best way to allocate imports under the TRQ system to avoid trade distortions when eliminating traditional quotas (Skully, 2001).

The gap in the labour productivity level between the EU-Mediterranean countries and the SEMCs is typically related to the level of industrialization of each economy. Frequently the most advanced countries in their industrial level exhibit a level of work productivity above the developing countries. The increase in agricultural productivity level has been related to the rate of growth of the industrial sector for several reasons:

- The industry generates employment opportunities that reduce the agricultural labour supply in rural areas.
- Agricultural wages rise as a consequence of labour scarcity.
- Labour becomes more expensive relative to machinery, agrochemicals, and land. Thus, the changes in the relative prices of material inputs/labour creates economic incentives to introduce mechanical, biological and chemical technologies. Technological progress increases labour productivity.
- A similar process is followed in the livestock raising sector. Biotechnology and processed feed for livestock increase productivity in poultry, dairy and meat production. Biotechnology substitutes land and labour inputs for capital and food stuff.
- Simultaneously, as industries increase the range of agricultural machinery, agrochemicals and biotechnology become available in the home market. Competition within the national industry and from import machinery drives the capital and material input prices down and raises technological level. The degree of openness of the economy is important in order to facilitate these processes.
- Agricultural workers need to increase skills to be able to use the new technology. Therefore, through special training (education) or *learning by doing* the result is an increase in human capital.
- The food industry and the export sector have to fulfill the standards of the new commercial system. Supermarkets and big commercial centers require standard food to be processed and packaged to allow for storage, mass distribution and to satisfy consumers' preferences. Exports to industrial countries also experience similar or even higher pressure for standardization.
- Therefore, the development process leads to an increase in labour productivity due to the increase in physical, human and technological capital.
- In developing countries however, if the process is somehow cut off then labour productivity begins to lag behind. At this point, the consequences are a lack of competitiveness and low agricultural wages.
- If the low labour productivity brings about a poor standard of living for agricultural workers, the danger of stagnation increases. An external force is then required to escape this undesirable situation. One example of that necessary external push could be external trade working jointly with technological and financial development assistance. Imports can provide the embodied technology necessary to push technological change. In the long run however, the process must be financially balanced. Thus, developing countries in the Mediterranean need to find a way for their financial support to reach the

newer economic sectors as the liberalization process goes ahead. Because of their geographical situation the tourism sector can be an important source for financial development in SEMCs, though it is obvious that possibilities of growth in these sectors are closely linked to the perception of stability by the principal demanders coming from the northern countries.

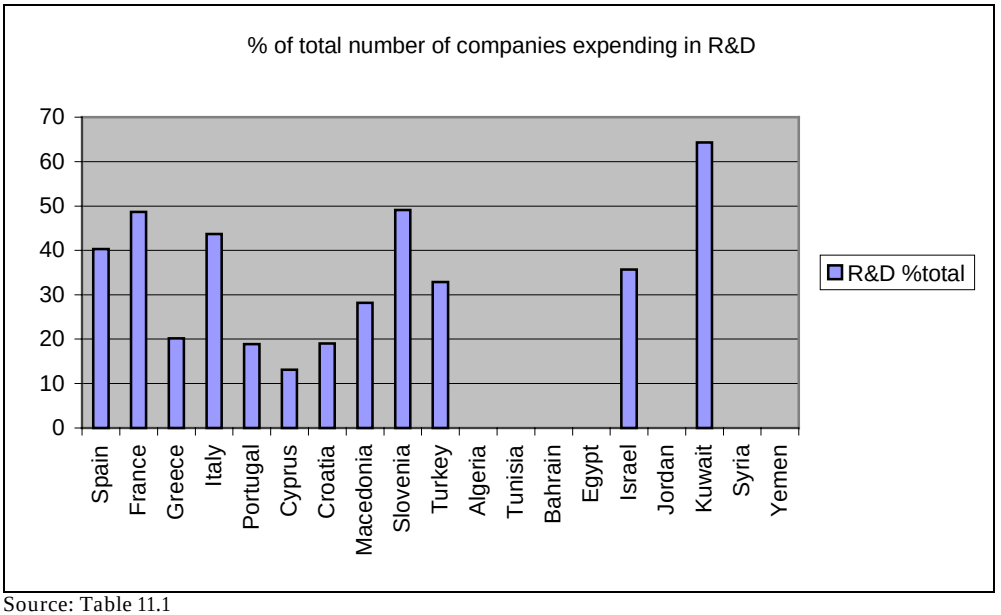
In any event, when compared to industrialized countries, labour productivity increases slowly in developing countries as does the size of the innovation system which thus leads to a permanent technological dependence.

11.3 - Technical progress and the innovation system

In the developed countries of the EU, the agricultural sector has enjoyed high levels of commercial protection and financial support to improve capitalization of farms. The level of general education and the number of agricultural degrees per agricultural worker is relatively high. The system of science and technology provide not only adaptation of the available technology to the specific characteristics of the national agriculture but also innovations. France, founding member of the current EU, is a typical example of this process.

The graphs show the significant gap in human capital between the north and south. The figure provides clear evidence of the need to increase regional cooperation in research and development. In addition, programs should try to extend the number of private companies that expend resources in R&D due to the relevance of the development of new activities linked to new technology. These new technologies will rapidly change the way in which companies operate; which is happening right now in fact, in the developed countries. The geographical positioning of the agricultural producer can be substantially modified by factors such as access to market information, access to technical information on-line, the speed of response to consumer demand or the specialization in certain kinds of products. This development will quickly change the possibilities of increasing productivities and pass that value on through the commercial channels.

Chart 11.1 - Private companies with research and development budget



Source: Table 11.1

Chart 11.2 - Human capital in the innovation system

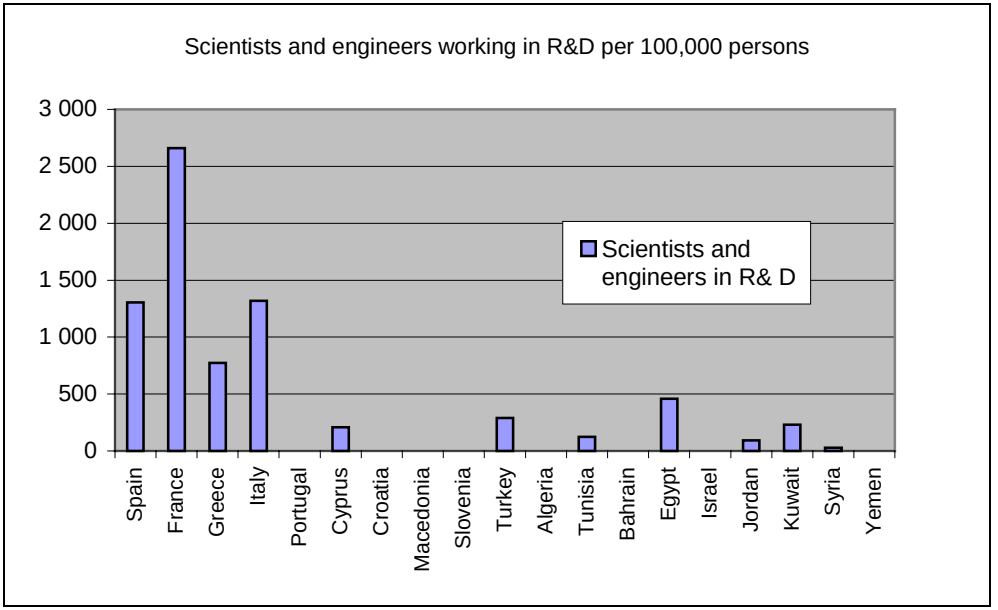


Table 11.1 - Education, research and development in Mediterranean countries

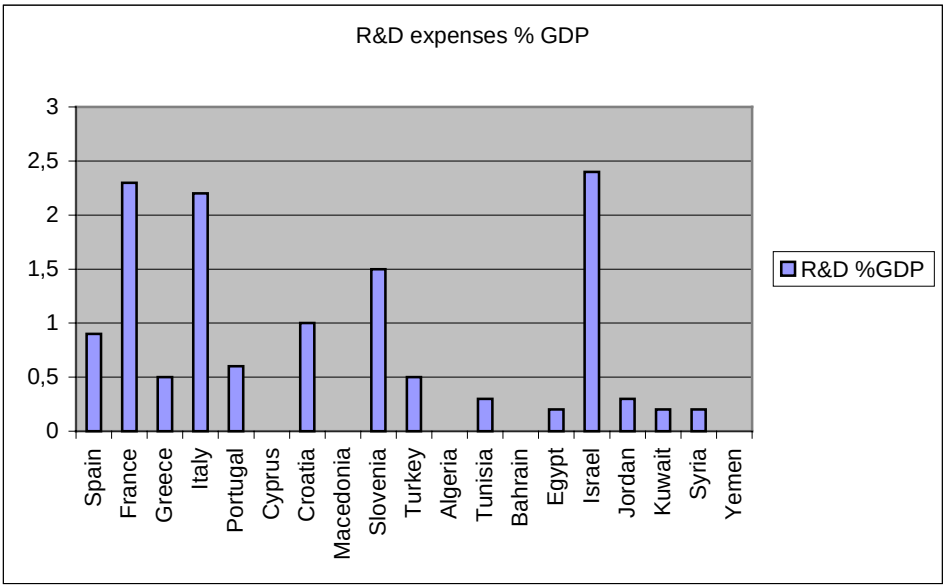
	Technological Advance Index	Average education years (up to 15 years or more)				R&D budget		Scientific and Engineers
						% GDP	% of total number of firms	per 100.000 persons
		1970	1980	1990	2000	1987-97	1987-97	1987-97
NORTH								
Spain	0.481	4.8	6.0	6.4	7.3	0.9	40.3	1.305
France	0.535	5.7	6.7	7.0	7.9	2.3	48.7	2.659
Greece	0.437	5.4	7.0	8.0	8.7	0.5	20.2	773
Italy	0.471	5.5	5.9	6.5	7.2	2.2	43.7	1.318
Portugal	0.419	2.6	3.8	4.9	5.9	0.6	18.9	1,182
Cyprus	0.386	5.2	6.5	8.7	9.2	..	13.1	209
Croatia	0.391	..	..	5.9	6.3	1.0	19.0	1,916
Macedonia		..	..	..	..	..	28.2	1,335
Slovenia		..	..	6.6	7.1	1.5	49.1	2,251
Turkey		2.6	3.4	4.2	5.3	0.5	32.9	291
SOUTH								
Algeria	0.221	1.6	2.7	4.3	5.4	..	..	
Tunisia	0.255	1.5	2.9	3.9	5.0	0.3	..	125
Bahrain		2.8	3.6	5.0	6.1	..	..	..
Egypt	0.236	..	2.3	4.3	5.5	0.2	..	459
Israel	0.514	8.1	9.4	9.4	9.6	2.4	35.7	..
Jordan		3.3	4.3	6.0	6.9	0.3	..	94
Kuwait		3.1	4.5	5.8	6.2	0.2	64.3	230
Syria		2.2	3.7	5.1	5.8	0.2	..	30
Yemen		..	0.3	1.5	..	..	..	..

Source: PNUD 2001.

The PNUD (2001) data present important areas in which the technical cooperation can be potentially useful to increase productivity. The average school enrollment has improved significantly in the Mediterranean countries and the change is still more impressive in the south.

The budget of research and development (R&D) as a percentage of the Gross Domestic Product GDP, shows an significant gap between the leading regional group (Israel, France and Italy) above two percent and the rest. The intermediate level is around one percent (Spain, Croatia and Slovenia) and the rest of Europe where only around half a point of the GDP is spent on R&D (Portugal, Greece and Turkey). The southern Mediterranean countries (except Israel) show little R&D effort in the public sector, which can thus be identified as the origin of a lack of technical progress.

Chart 11.3 - Research and development effort of the public sector by country



Source: Table 11.1

The gap in the number of Scientists and Engineers devoted to Research and Development (R&D) activities per 100.000 persons in each country is quite significant in the Mediterranean basin. As France accounts for 2.659 persons working in R&D activities, and in general, EU Mediterranean countries are above 1.200, the SEMCs fall below 300 when using the 1987-97 average data. In the agricultural sector, improvements in productivity can be obtained not only through real innovations, but also by adapting the available technology to the specific conditions of certain regions. Additionally, solving crop production problems or livestock raising deficiencies can contribute to increased productivity. Thus, it is necessary to find ways to increase technical and financial support to SEMCs by reaching regional agreements in the Mediterranean.

The main conclusion, from the descriptive point of view, is that the labour productivity level in agriculture is, broadly speaking, related to the *per capita* income level. In other words, labour productivity is an endogenous variable of the development level. Furthermore, if we use, as a *proxy* variable of the development level, the recently published Indicator of Human Development (HDI) of the PNUD (2001), the relationship seems to be quite suggestive. The first column of Table 2 shows the ranking of the forting Mediterranean countries with FAO data on agricultural labour productivity for 1996-98. The second column refers to the

PNUD Indicator of Human Development. Columns 3 and 4 show the index level of HDI and agricultural labour productivity relative to the leader of the group, that is as a percent of the French level.

Table 11.2 - Labour productivity level and human development

Country	1 Productivity level Ranking 96-98	2 Human Development HDI-98	3 HDI-98 France = 100	4 Labour Productivity Index France = 100
Albania	9	0,713	77,8	5,0
Algeria	7	0,683	74,5	5,3
Egypt	13	0,623	67,9	3,2
France	1	0,917	100,0	100,0
Greece	X	0,875	95,4	X
Italy	3	0,903	98,5	54,3
Lebanon	2	0,735	80,2	74,3
Morocco	10	0,589	64,2	5,0
Spain	4	0,899	98,0	36,6
Tunisia	6	0,703	76,7	8,0
Turkey	8	0,732	79,8	5,0

Source: Own with data from FAO 2000; PNUD 2001 and table 11.3.

The EU Mediterranean countries with the highest labour productivity show an HDI of around .900 while the SEMCs with lower productivity are below an HDI of .770. The table presents the ranking of similar countries, but the gap between them and the leader is even more significant in terms of labour productivity (see column 4).

Some countries present lower productivity levels than we might expect given their correspondent HDI, such as Jordan, Macedonia, Turkey and Libya. In fact, the agricultural sector results seems to separate from the benefits of the educational efforts of these nations. Another hypothesis is that expenditures in research and development (less than 0.5% of the GDP in this group versus 2.3% in France) are not enough to raise productivity standards.

In the long run, productivity levels in agricultural will increase only as a part of the developing process. Frequently, political stability, democracy and economic growth are part of the same process. Education and social securities systems (including medicaid) certainly contribute to labour productivity growth. However, for SEMCs the main problem is how to enjoy the benefits of trade liberalization (specialization, correct resource allocation, etc.) without paying a high social price in terms of unemployment and output losses in certain activities.

Historical experience shows that gradual implementation of trade liberalization measures, together with the appropriate financial support, plus international technical cooperation, can lead to efficient results. However, some economists argue that the actual liberalization process is asymmetric and that financial support to developing countries is far from the amount required to be effective.

The new programs have to include an awareness of the present situation in which trade liberalization and environmental concerns become relevant points on the international agenda. The modernization of agriculture in the EU allows a sharp increase in labour productivity but is also responsible for a number of environmental problems. The current awareness of the need to preserve natural resources is promoting the development of new rules of fair behavior. Some traditional techniques can still be environmentally friendly and certainly the consumer has shown a willingness to pay more for ecological products, thus creating opportunities for traditional farmers. However, in order for these crops to be of value, it is necessary to create institutions that certify the origin and quality of "green products".

The EU has created rule of origin and certification agencies, but for the SEMCs exporters there is a need to create similar institutions that certify the "ecological qualities" of the products in international trade. The NAFTA (North America Free Trade Agreement) experience shows that for the southern exporter country (Mexico), the creation of clear quality standards is the best option in order to avoid the use of environmental regulations as a tool to protect national markets from the northern producer. The short run effects tend to be the costs of adapting to ecological or sanitary standards (technical regulations), the long run effect however, is the creation of trade opportunities in markets with high income elasticity and high growth potential.

11.3.1 - Labour productivity differences in the Mediterranean basin

To examine the productivity differences in the Mediterranean basin, given the difficulty of obtaining more precise measurements for overall countries, we first use the average labour productivity. In accordance with the available data (FAO, 1999) the average labour productivity gap among European Union (EU) member countries and the other Mediterranean countries (SEMCs) is quite significant. The EU remains at over 13.5 thousand US dollars in 1995 whereas the SEMCs shows figures of under 3.2 thousand US dollars in 1995, with the only exception being Lebanon.

Furthermore, this productivity gap demonstrates a clear tendency to widen. Notably, France and Italy present average annual rates for the period 1979-81 to 1996-98 of over six percent (above the EU-15 average of 5.8%) which contrasts with the (SEMCs) rates of below five percent (Tunisia, Egypt and Morocco 4-5%) or even below 3.4% (Albania, Algeria, and Jordan).

However, certain EU Mediterranean countries also present poor results. Even using the most recent Eurostat (2000) data for the last six years (1995-2000), the increase in labour productivity in Portugal, 2.6% and Spain, 2.8%, is relatively poor. This is especially significant when taking into account the fact that Eurostat corrects for part time agricultural workers by converting labour force into agricultural work units (one AWU is equivalent to a fulltime agricultural worker). In addition, the real added value is divided by a number of AWU agricultural work units which shows a sharp decrease (the number of AWU decreases -47% for Portugal and -32% for Spain in the period 1987-97). Finally, Greece[43] and Turkey do not show significant productivity increases in agricultural labour productivity.

Table 11.3 shows the agricultural labour productivity gap in the Mediterranean basin. Agricultural labour productivity refers to the ratio of agricultural value added, measured in constant 1995 US dollars, to the number of workers in agriculture.

Table 11.3 - The agricultural productivity gap in the Mediterranean basin

Country	Agricultural labour productivity					Productivity level Ranking 96-98
	79-81	96-98	96-98/79-81	96-98/79-81	1979-81=100	
US $ 1995	Agricultural Value Added/ Worker		Variation rate	Annual rate	Index	
Albania	1.223,0	1.847,0	51,0	3,4	151,0	9
Algeria	1.411,0	1.943,0	37,7	2,5	137,7	7
Egypt	721,0	1.189,0	64,9	4,3	164,9	13
France	14.956,0	36.889,0	146,7	9,8	246,7	1
Greece	8.804,0					
Italy	9.993,0	20.031,0	100,5	6,7	200,5	3
Lebanon		27.409,0				2
Morocco	1.146,0	1.836,0	60,2	4,0	160,2	10
Spain	9.634,9	13.499,0	40,1	2,7	140,1	4
Tunisia	1.743,0	2.959,0	69,8	4,7	169,8	6
Turkey	1.852,0	1.851,0	-0,1	0,0	99,9	8
EU-15	**100,0**	**187,7**	**87,7**	**5,8**	**187,7**	
Med. average level US $-95	5.143,7	8.302,9				

Source: Own with data from FAO: Statistical Year Book 1999 and EUROSTAT.

[43] The Eurostat data using the *Economic Accounts for Agriculture* (EAA) methodology show a labour productivity rate of –0.5 for 1995-2000 in Greece. See Eurostat advanced data for 2000. Nº 142/200.

The labour productivity level ranking for the average years 1996-98 for the fourteen Mediterranean countries with available data show that:

- The EU Mediterranean countries are placed in the top four top positions. The exception is Lebanon which, according to the FAO data used here is second in the ranking.

The low productivity level group is integrated into the SEMCs but we can differentiate two subgroups between them:

- The first one includes countries with labour productivity levels in the range of US$ 2,000-1,800 of value added per worker: Algeria, Turkey, Albania, Morocco, Tunisia.
- The second one includes countries with labour productivity levels under US$ 1,500 like Egypt.

11.3.2 - Total factor productivity

As for the EU nations we currently have the Total Factor Productivity calculation based on the RICA data[44] (Table 11.4). These data are gathered for commercial farms, without taking into account smaller farms, thus we can expect that the calculated TFP results will be, in general terms, higher than similar calculations using macroeconomic data which refer to overall agricultural production.

The data on this section do not include the three "newest" members of the EU-15 in order to maintain the homogeneity of the comparisons during the period because, as is well known, Austria, Finland and Sweden became members of the EU in 1995. In the Mediterranean, in order to understand the productivity differences we had to keep in mind that Italy has benefited from the high levels of agricultural support of the Common Agricultural Policy since 1952, whereas Greece joined the Union in 1981 and Portugal and Spain in 1986.

The output and inputs are measured as usual at constant prices in Euros (using 1 Euro = 1 ECU) as the purchasing power standard. Labour force is measured in hours or workday effectively worked. Family labour remuneration is calculated using the average agricultural wage of the country and hired labour at wages paid by farmers using the farm account data. Land is measured in hectares and grouped according to qualities using the market prices or the land value in the account balance.

[44] Calculations of TFP based on "commercial farms" account data from RICA, see Decimavilla and San Juan, 2000.

In the first place, we refer to the results from a productivity ranking obtained between 1986–96 using the Translog inter-spatial productivity index (Decimavilla and San Juan, 2000). The figures from the sample of farms from twelve European countries of the FADN show that:

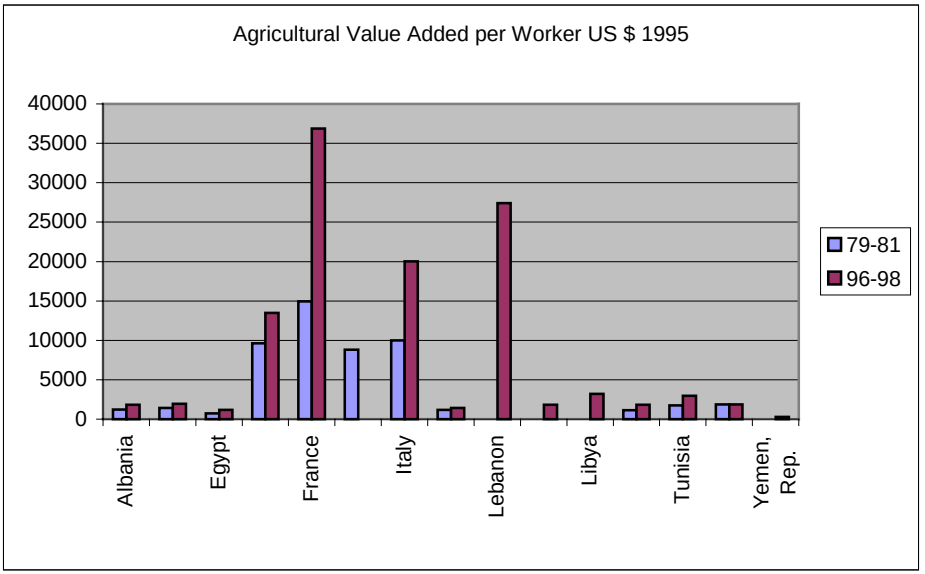
The Mediterranean countries of the European Union present an average total factor productivity (TFP) for the period of 1986–96 which is lower than the European Union average. The only exception is France.

Even so, France has a TFP similar to that of Denmark, Luxembourg and the United Kingdom, but this group is on a second level behind the group leaders, Belgium and Holland. Belgium has the highest productivity levels (130.09) when compared to the average (EUR12-100), followed closely by Holland (126.95). Spain and Italy approach but remain below the European Union average. They can be differentiated from the German farms, which aggregately, are slightly above the TFP average. Greece takes the last position in the European TFP ranking, close to Ireland and Portugal, which are considerably below the European average.

From the Mediterranean point of view we can then classify the countries according to the average TFP of the period in three levels: the upper level with France above the EU average; the middle level around the EU average TFP level including Germany (slightly above the EU average), and Spain and Italy (slightly below the EU level). The lowest total factor productivity level includes Greece and Portugal.

As far as the TFP growth rate during the period under study, using the translog inter-temporal index, France (behind Belgium and Holland) obtains the highest growth rate in total factor productivity for the Mediterranean countries in the European Union during the period being studied. Spain is below the European average in its productivity growth rate, but is growing faster than Italy. Greece has the slowest TFP growth, but is ahead of Portugal.

Chart 11.4 - Agricultural labour productivity. Mediterranean basin



Source: Table 11.3.

Table 11.4 - Total factor productivity level and agricultural wages

Country	TFP index EU=100 TFP 86-96	Average wage index EU=100 W/L 86-96	Wage rate w Rate 86-96 W/L	Wage index W EU=100 W index	Wage constant prices PPP in Euros W € 1986-96
Germany	108.8	94,5	6,4	106,7	11.320,0
Belgium	130.1	92,9	6,3	127,3	13.504,0
Denmark	119.8	62,5	4,2	148,3	15.730,0
Spain	92.6	145,8	9,9	82,0	8.702,0
France	124.5	64,7	4,4	135,4	14.363,0
Greece	77.7	16,8	1,1	38,5	4.085,0
Netherland	126.9	61,7	4,2	157,1	16.665,0
Ireland	84.8	72,8	4,9	97,0	10.288,0
Italy	89.9	41,4	2,8	115,5	12.255,0
Luxemburg	114.6	93,9	6,4	107,8	11.437,0
Portugal	60.6	161,2	10,9	49,1	5.209,0
U.K.	113.8	77,5	5,3	142,2	15.086,0
EUROMED	96,2	86,0	5,8	84,1	8922,8
UE-12	100,0	100,0	6,8	100,0	10608,0

Note: TFP inter-spacial translog index. All values at constant prices in Euros and Power Purchasing Parities. Average 1986-96. Euromed countries: Spain, France, Greece, Italy and Portugal.

Source: Decimavilla and San Juan, 2000.

It can be said that France, like other industrialized countries which made the agricultural modernization early and integrated into the common agricultural policy at the beginning, has a higher TFP growth rate. The introduction of technological change in their farming can be interpreted as an answer to the family farmers hiring labour at wage levels above the European average.

In Spain, the wage levels are still low but have risen to a rate which nearly doubles that of the Mediterranean countries in the European Union. Italy shows wage levels above the average but with a slower growth rate than the EU. Finally, we have the case of Greece with low, but quite stable wage levels; a situation which seems to offer few incentives for the introduction of technological change.

11.3.3 - Specialization and technical change

Therefore, this allows us to set forth the hypothesis that integration into the European Union can lead to different results depending on the degree of specialization of the farms.

Integration into the European Union eliminates barriers to trade and allows an acceleration of productive specialization in competitive operations. However, the integration of protection mechanisms in the CAP allows exploitation oriented towards continental agriculture (cereals, meat and dairy cattle) to increase their level of protection. This seems to slow down the technological change and the specialization process.

In this sense, Spain constitutes an interesting case study on the co-existence of two types of agriculture (continental, more protected and fruit-vegetable, more competitive).

Our work which analyses the Spanish case (Mora and San Juan, 2001) has shown an empirical contrast with interesting results: Competitive agriculture has specialized more intensely than continental agriculture. So we can conclude that competition strengthens specialization. Thus, as specialization accelerates technical change, the conclusion is that we can expect an acceleration of the technical progress when liberalization or regional integration allows farmers access to larger, wealthy markets in which they are competitive.

This effect can also be observed with the delay of full integration (from the Spanish integration in 1986 until the start up of the single market in 1992) of fruit and vegetable products, while the continental products (not being competitive in the European Union) had a rapid integration. Fruit and vegetable agriculture shows a higher rate of technical change than continental, widening the gap since 1992. Its specialization process has also been more intensified. Therefore in the supported crops regions, and even taking into account that with the CAP reforms the level of

support decreases, the specialization process seems to have frozen in the continental area of protected productions.

The results seem to show therefore, that the trade liberalization process has had a greater effect on production specialization and technical change in farms than certain Common Market Organizations. Nevertheless, it is important to point out that this effect is shown in Spain's case, which is that of competitive agriculture and thus, less protected, but with an increasing market due to its focus on exportation. Meanwhile, less competitive (continental) agriculture has increased its levels of protection with integration into the CAP.

Seen from the southern Mediterranean perspective, several options could be set forth:

The trade liberalization underway creates incentives for specialization and thus, for technological change.

- The speed of this process of technological change is highly dependent on the rate of increase of agricultural wages. When both wages and the proportion of the wage-earning population are greater, there will be more effect on growth in non-agricultural employment to drive technological change.
- Trade liberalization can also create the loss of agriculture in the domestic markets for the local farmers in non-competitive productions or in those whose competitiveness is based exclusively on the employment of inexpensive labour.
- There is growth potential in the export of fine fruits and vegetables.
- The geographical situation allows for productive specialization in the southern Mediterranean based on cost and localization advantages.
- Sustainable economic growth is going to be a key factor in the future. Growth based on the conservation of resources allows market expansion not only in high income sectors (organic, ecological products etc.), but also in other sectors of the economy (such as tourism) which generate more demand in agricultural products from local markets.

11.4 - Labour productivity and trade

In the Mediterranean, work productivity is rapidly growing in the European Union countries. The EU remain large food exporter. For countries in the South Mediterranean, Cost Advantages and positioning could be important factors for countries in the South in the production of fruits and vegetables with expanding markets. Nevertheless, countries such as Chile, the United States, New Zealand and Australia, as well as the European Union seem to have been the principal beneficiaries of the expanding fruit trade in the nineties (OECD, 1996).

Therefore, the countries in the Southern Mediterranean find themselves facing an important challenge if they wish to improve their competitive position in the world markets. Improved productivity in production and the commercial exportation networks are going to be, among others, critical elements when it comes to determining their competitive position in this arena.

The liberalization of trade is generating growth opportunities in agricultural trade. On one hand this growth must be compatible with the conservation of natural resources in the Mediterranean basin. On the other hand there is demand to *level the playing field* in the working conditions of export activities. The pressure to improve social conditions will increase in the future both for the commercial interest of the developed countries and the historical trend to improve working conditions in the developing countries. The labour force is reaching higher educational levels and that is part of the reason why the labour productivity can increase. At the same time, as was pointed out in Chapter I, labour costs take on a less important role in the competitive position (CIHEAM, 1998) but inside the so called non-price factor, labour productivity is one of the most relevant. In fact, improvements in quality frequently require technological progress. The construction or extension of logistical networks to improve the market access of exports to developed markets includes the communication of consumers preferences. These preferences go through the supermarket marketing managers to the commercial cooperatives or export companies that normalize the quality, package and calendar of the product, thus becoming a way to encourage technological progress at the farm level which then becomes quite relevant when exports increase.

In Chapter I the evolution of the agricultural international trade in the Mediterranean basin has been analyzed. If now we include the total food, drink and tobacco, we obtain an enlarged view of the export puissance of the EU.

During the last five years, the EU food imports from third Mediterranean countries has risen at an average annual rate of 3.4 percent, while exports have increased at 5.5 percent. Thus the commercial imbalance against SEMCs widens. It is also worth pointing out that competitiveness is not only based on farm productivity. The industrial and commercial complex increases the productivity gap in the Mediterranean region.

Also, the enlargement of the EU increases productivity growth as a consequence of the creation of trade. The new Mediterranean members increase labour productivity, especially Spain whose commercials farms account for a 9.9% on the value added per hour of total work during the 1986-96 period. This means 3.1 points above the EU average and 5.3 points above the EU-Mediterranean average.

Table 11.5 - Food, drink and tobacco balance - European Union 15 / Mediterranean countries

Year	Imports	Exports	Balance
	Food, drink and tobacco billion €		
1992	3 142 112	3 891 260	749 148
1993	3 045 554	4 869 793	1 824 238
1994	3 442 617	5 053 452	1 610 835
1996	3 712 717	5 489 724	1 777 007
1995	3 445 748	5 562 671	2 116 923
1997	3 874 971	6 040 478	2 165 507
1998	4 018 361	6 265 351	2 246 990
1999	4 139 282	5 950 238	1 810 956
2000	4 301 273	6 942 408	2 641 135
Average 92-00	3 747 565	5 771 764	2 024 199

Note: Non EU-Mediterranean countries included: Albania; Morocco; Bosnia-Herzegovina; Macedonia; Cyprus; Malta; Egypt; Slovenia; Gibraltar; Syrian A.R. West Bank/Gaza Strip; Tunisia; Israel; Turkey; Jordan; Yugoslavia; Lebanon; Algeria; Libya; Croatia.

Source: Eurostat, New Cronos 2000.

The contribution of technological progress has great potential to push improvements in labour productivity. The inter-regional co-operation in the Mediterranean area is an interesting tool which must be re-evaluated. International institutions have shown a certain weakness up to now when it comes to putting mechanisms into place, which could offset the undesirable effects of expanding commerce. It is necessary to improve the rate of economic growth in the southern Mediterranean countries, thereby creating stable conditions that would speed up the flow of investments.

At the same time, the North–South income redistribution mechanisms must be strengthened. However, fiscal systems, which allow a progressive re-distribution of income for SEMCs countries, are also necessary. Both mechanisms are complementary and necessary in order to avoid an increase in migratory flow, which generates the strong and growing inequality in per capita income that exists at present. Income redistribution and educational training working together with international technical and financial co-operation can play an important role in accelerating technical progress. The PNUD, 2001 survey of the literature on investments in agricultural innovation clearly concludes that the rate of return of these projects is relatively high. Thus international co-operation must attempt to study the origins of the labour productivity gap and initiate projects designed to efficiently reduce those differences.

12 Comparison of Mediterranean agricultural systems productivities

12.1 - Introduction : concepts and methods

The global economy is going through a phase of growth in international trade, and agricultural commodities and agro-foodstuffs are also following that trend. The WTO negotiations are involving more and more Mediterranean countries which are either already members of the WTO or in the process of becoming members. There are regional groups at various stages of development, and the Barcelona process launched by the EU aims to promote a Euro Mediterranean free trade zone (EMFTZ), which is already being applied to non-agricultural products; the second phase of the process, which is supported by the MEDA 2 programme and is currently under negotiation, should include agricultural commodities.

The objective is thus to allow the national agricultural sectors of the Mediterranean third countries (MTCs) which have signed the Barcelona Agreement and the agricultural sectors in the countries of the EU to compete within a framework which is currently being defined; some of the products of these countries are complementary and others are more or less rival products. The aim of the negotiations is to prepare a framework which will promote access to the market of the two groups of countries and trade which will take account of the interests of all parties. For it has long been known that unfair trade brings discord and is not conducive to harmonious international relations.

The situation in the agricultural sector varies widely from one country to another as regards the economic circumstances of the individual countries and the complex policies to be managed. Agricultural development is based on the dissemination of technical and institutional innovations with a view to boosting employment and incomes in the agricultural sector but also in the agro-support and downstream industries in order to contribute to food security and to use - often fragile - natural resources with care in a social environment which has its own specific features; the issues involved in the agricultural sector are thus broader than those involved in industrial development.

Direct comparison of agricultural systems which have very different technical and organisational levels and use fragile natural resources requires more delicate adjustments than those which have prevailed in the free exchange of industrial products.

Comparison of labour productivity in the agricultural sectors of the Mediterranean countries gives a new perspective of the issues which are bound to arise when the EMFTZ is implemented in the field of agricultural commodities and agro-foodstuffs, particularly with regard to the management of agricultural employment;

in the MTCs the aim will be to provide work while increasing production at the same time, whereas in the EU the objective will be more to maintain the current employment level and to improve the quality of products without increasing the quantities produced. We would underline, incidentally, that studying productivity does not necessarily entail a "productivist" attitude; rather, it raises the question of how inputs can be used efficiently in order to avoid economic, social and environmental waste; we know that the value of technical innovations lies in their applications and that the latter depend on human decisions.

12.1.1 - Productivity

Productivity is an expression of the degree of technical advancement and, as such, it is an important key to knowledge of the economic and social aspects of societies. For, taken as a whole, technical advancement influences:

- The overall volume of production and thus the standard of living of the population;
- working time, labour skills and labour training, and thus the distribution of the working population over the various sectors;
- the pressure on natural resources which requires that choices be made to ensure that they are managed on a sustainable basis;
- the level of production costs, prices and thus purchasing power.

In principle, the liberalisation of trade works towards the more efficient application of technological advancement, but its implementation requires accompanying measures when levels of development are substantially different in terms of living standards, the skills of the working population, the availability of natural resources or levels of purchasing power. Furthermore, there is always irregularity in the intensity of the application of innovations, not only from one country to another but also from one branch of activity or sector to another, and this justifies an approach which combines accompanying measures with the methodical opening of markets.

Productivity is thus the measurable proportion between products and factors; it is defined as "the quotient of a product divided by one of the inputs" (Terminologie de la productivité, OEEC, 1950). Unless otherwise specified, productivity refers to labour productivity.

12.1.2 - Methodological bases

The determination of input productivity is calculated in principle by relating the physical quantities produced to the physical quantities of inputs used; this approach is difficult to implement, however, since most large-scale production

units engage in multi-commodity production; at the national level calculations per branch of activity or per sector refer at all events to groups of products. A distinction must thus be made between micro-economic approaches, which are based on production unit analyses and can delimit physical quantities more accurately, and macro-economic approaches, which are based on multi-product analyses expressed in value.

However, the concept of productivity related to a given input needs to be interpreted with due discernment, for that concept:

- does not involve any relationship of cause and effect between the input and the results and thus does not claim to provide a solution to the difficult problem of imputation,
- expresses only one - obviously partial - aspect of the relationship between production and the means employed in each of its forms.

Macro-approaches make extensive use of data expressed in value in order to delimit overall productivity, which is defined as the ratio between the total output obtained in a given time and all of the agents employed in that production, but this becomes complex to handle when the labour used in the inputs necessary to production (tractors, fertilisers, fuel, etc) have to be taken into account. It is more operational to consider the value added rather than the gross value of production and to relate it to the number of workers involved in the activity; this covers the concept of net labour productivity.

Comparison of labour productivity in the Mediterranean agricultural sectors calls for both the macro-economic approach and the micro-economic approach if meaningful conclusions are to be drawn. However, the presentation given in the present chapter will be based mainly on the macro-economic approach; it has not been possible to adopt the micro economic approach since no figures were available on farms and production units in several Mediterranean countries. As an illustration, the following text (see boxes) provides information on three productions in two small regions - one in the North West of Tunisia (Bouheurtma) and the other in the South West of France (Montauban).

12.1.3 - Broader issues

The Mediterranean agricultural sectors have certain features in common which need to be taken into consideration in order to obtain relevant results. The agricultural sectors in Mediterranean countries have, of course, many points in common, but compared to other agricultural groups:

- They are highly heterogeneous, due mainly to natural factors (soil, altitude, aridity, etc) but also to the diversity of production and farming techniques and

to the variety of crops sown and animals bred - factors which are determined by society and how it is organised.

- They have margins for potential progress in the case of most of their important products, particularly in the MTCs, which could be implemented by the normal use of technologies which have been tested in their natural context.

Agricultural development does not seem to be limited - at least in the MTCs - by the lack of fundamental innovations; it is more probably impeded by problems of adaptation, dissemination and organisation. It would be of advantage if comparisons of productivity could provide some considerations on these points.

The comparative analyses that has been carried out is limited by the degree of availability of information; it is based on macro-economic indicators calculated at the level of the agricultural sector as a whole within the Mediterranean countries for two periods (the 1986-89 average and the 1996-98 average).

12.2 - Comparative macro-analysis

The objective of the macro-analysis is to show the proportions between labour expressed by means of the working farm population (WFP) aggregate and other national aggregates relating to values such as value added by the agricultural sector (GAP) or physical quantities (quantities produced) expressed either directly or by means of a synthetic index such as the System of Index Numbers of Agricultural Production calculated by the FAO. Various other macro-ratios will be calculated in order to endeavour to assess the influence of other inputs (land and capital) on productivity.

12.2.1 - Overall labour productivity in the agricultural sector

The net productivity of the agricultural sector can be evaluated by means of the indicator of value added per member of the working farm population (GAP per member of the working farm population). This indicator depends on the development of the gross agricultural product (GAP) on the one hand and that of the working farm population (WFP) on the other; it also depends on the development of other variables which determine the GAP and the WFP - production structures, production techniques and means of production, degrees of intensification and market conditions.

Analyses of economic growth in industrialised countries have shown that the growth of their economies is generally accompanied by the diversification of activities, which is achieved by developing the secondary and tertiary sectors and by reducing the agricultural sector to some extent. This phenomenon is observed in the Mediterranean countries analysed, where it transpires that there are two groups:

- In the first group the share of agriculture in the overall GAP is decreasing, amounting to between 2% and 5% of GAP (France, Italy, Spain, Greece, Portugal); these countries realise relatively high values added per member of the working farm population ($8,000-$20,000 per member of the WFP, with the exception of Portugal) for the working farm population is decreasing there both in absolute figures and in relative value compared to the total working population. Here agricultural productivity per member of the working farm population is increasing due to the increase in value added but also due to the decrease in that population; this productivity nevertheless remains lower than in the other economic sectors, since the performances of the agricultural sector are below those of industry or the tertiary sector because of the characteristics specific to that sector (essentially biological activities which depend to a very large extent on natural phenomena).

Table 12.1 - Labour productivity in the agricultural sectors of the Mediterranean countries and in their economies as a whole (1996-98 average)

Country	GDP/ihtt $	AGDP/GDP %	ALF/TLF %	GDP/TLF $	AGDP/ALF $
	(1)	(2)	(3)	(4)	(5)
Albania					
Algeria	987	19.13	25.03	3103	2371
Egypt	1128	17.08	35.64	2997	1436
France	25115	1.84	3.90	56103	26450
Greece	11586	5.73	18.43	27071	8414
Italy	20813	2.54	6.16	47388	19516
Lebanon					
Malta					
Morocco	1253	16.11	38.66	3177	1324
Portugal	10755	2.26	14.09	21295	3420
Spain	14022	3.27	8.52	32555	12490
Tunisia	2051	13.88	25.71	5341	2882
Turkey	2952	15.27	48.21	6322	2002

Source: Own calculation.

(1) Gross Domestic Product (GDP) per inhabitant ($)
(2) Part of Agricultural GDP (AGDP) in the total GDP (%)
(3) Part of Agricultural Labour Force (ALF) in the Total Labour Force (TLF) (%)
(4) GDP per employee ($)
(5) Agricultural GDP per agricultural employee ($)

- In the second group agriculture accounts for a large share of the overall GAP, from 14%-20% (Morocco, Algeria, Tunisia, Egypt, Turkey); these countries realise values added of between $1,300 and $1,400 per member of the working farm population in relation to their general level of economic growth. Here the working farm population is still growing both in absolute figures and in relative value compared to the total working population; depending on the country, 25%-48% of the labour force work in agriculture. In this case productivity per member of the working farm population can only increase if the increase in value added is higher than the increase in that population. A drop in productivity per member of the WFP is also to be observed following an increase in value added which is lower than the increase in the WFP. As is the case with the first group, it is also observed in this second group that productivity per member of the WFP is far below that observed in the other sectors of the economy.

Chart 12.1

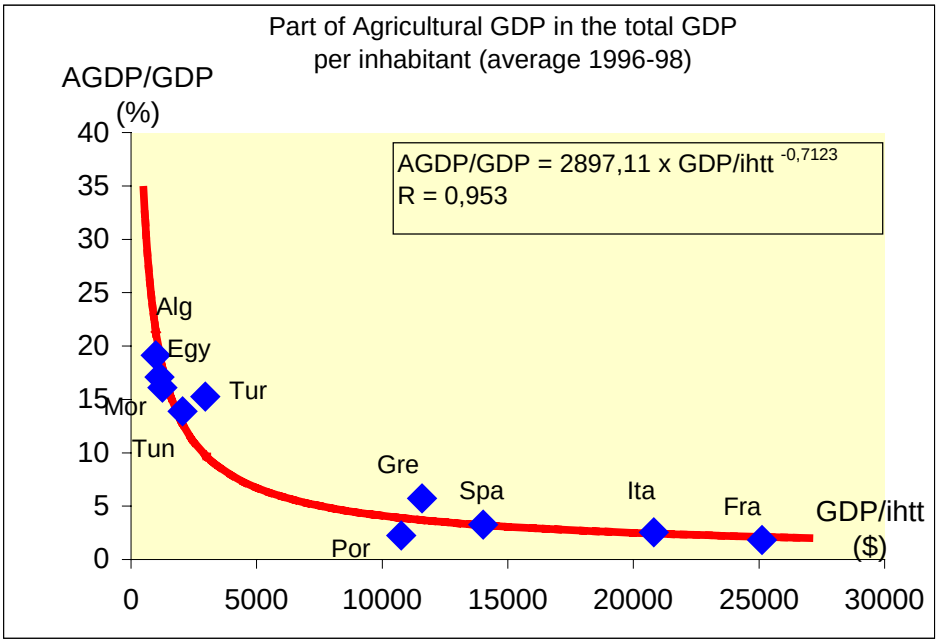
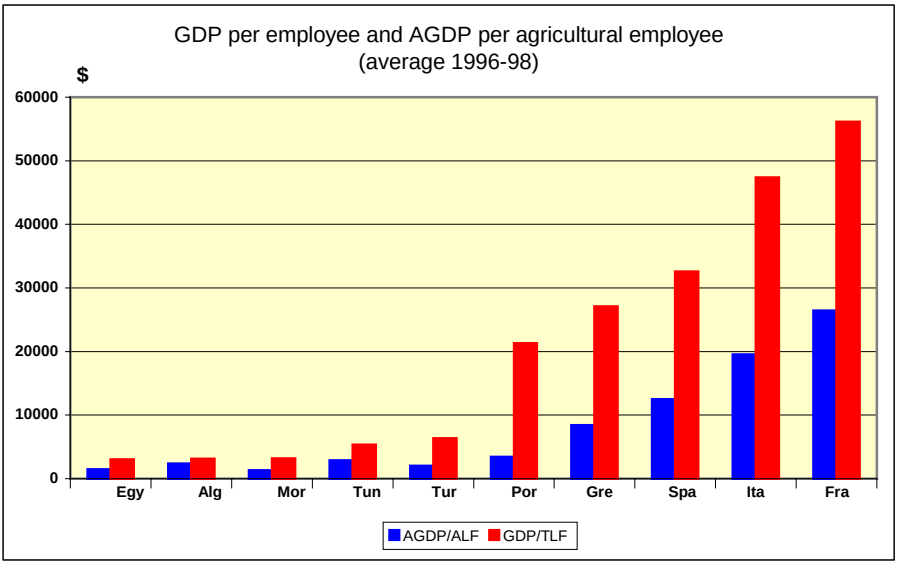


Chart 12.2



Note: GDP: Gross Domestic Product; AGDP: Agricultural GDP; ALF: Agricultural Labour Force; TLF: Total Labour Force.

12.2.2 - Land productivity

Net land productivity can be evaluated by the indicator of value added per cultivated hectare (GAP per hectare); this indicator depends on the development of value added on the one hand and of the area planted on the other; it also depends on the development of the other variables which determine value added and the area planted, namely structures, production techniques and means, degrees of intensification and market conditions.

Table 12.2 - Employment and land productivity in the agricultural sectors of the Mediterranean countries (1996-98 average)

Country	Cultivated area/ihtt	ALF	ALF/TLF	CA/ALF	AGDP/CA
	ha	1000 ihtt	%	ha	$
	(1)	(2)	(3)	(4)	(5)
Albania					
Algeria	0.3	2344	25.03	3.5	684
Egypt	0.1	8675	35.64	0.4	3780
France	0.3	1020	3.90	19.1	1384
Greece	0.4	832	18.43	4.7	1775
Italy	0.2	1550	6.16	7.1	2750
Lebanon					
Malta					
Morocco	0.4	4133	38.66	2.4	550
Portugal	0.3	701	14.09	3.8	910
Spain	0.5	1455	8.52	13.1	952
Tunisia	0.5	912	25.71	5.4	532
Turkey	0.4	14233	48.21	2.0	1003

Source: Own calculation.

(1) Cultivated Area (CA) per inhabitant (ha)
(2) Agricultural Labour Force (ALF) (in 1000 inhabitants)
(3) Part of Agricultural Labour Force in the Total Labour Force (TLF) (%)
(4) Cultivated Area per agricultural employee (ha)
(5) Agricultural Gross Domestic Product per hectare ($)

The influence of demographic trends on this indicator is decisive; it is related to the area of land available per inhabitant and per member of the working farm population.

It must be noted, however, that in the countries of the EU land use remained stable or even decreased in the last decade whereas in the MTCs the areas under crop have developed considerably to the detriment of pasture land and other forms of education, putting pressure on natural resources as a result. In this cultivation of more and more marginal zones, the development of an agriculture marked by shortages is to be observed in which supply falls very short of demand, tending to bring the average productivity per member of the working farm population down. Similarly, irrigation plays a lesser role in the MTCs than in the Mediterranean countries of the EU.

The Euro Mediterranean region is characterised by strong pressure on land which results in small acreages per member of the working farm population, although these acreages differ widely from one country to another depending on land availability, access to land and economic diversification. The acreage per member of the working farm population has thus dropped on average from 14 to 19 ha in France due to the decrease in the working population and to the structural policy pursued; it is 2 to 3 ha in the Maghreb and in Turkey and 0.4 ha in Egypt due to the large working farm population. However, the role played by intensification and choice of crop in Egypt and Italy must be borne in mind, since they obtain a high value added per hectare.

12.2.3 - Structures, production techniques and labour productivity

Labour productivity in agriculture is generally closely connected to production structures, which condition producers' choices regarding the products to be developed, the activities to be carried out and the means to be implemented. Most Mediterranean agricultural sectors are constrained by family structures, and small farms are predominant. Farms with less than 5 ha account for more than 70% of farms in several countries, but one must not be influenced by this observation since it is frequently the case that over half of the land that is cultivated or planted belongs to farms of over 100 ha. Here again major differences are to be observed from one country to another in connection with the level of diversification of the general economy and the extent of demographic pressure.

It is the scarcity of land compared to labour that often prompts farmers to opt for tree farming and horticulture on many Mediterranean farms. When farmers opt for capital-based intensification techniques (mechanisation, irrigation, use of fertilisers, etc) these choices are made for the same reasons, the aim being to develop the scarcest resources, mainly land and water. These choices seem to be being called in question to some extent at the present time, particularly in zones were negative effects on the environment are to be observed, and this opens the debate on the need to seek techniques which are more appropriate and which develop scarce resources and are at the same time environmentally sound.

Table 12.3 - Structures, production means and labour productivity of the Mediterranean agricultural sectors (1996-98 average)

Country	Farms<5 ha/ Total	Fertilizers/ area	Tractors/ area	Irrigated area/ Total area	AGDP/ ALF
	%	kg	T/1000 ha	%	$
	(1)	(2)	(3)	(4)	(5)
Albania					
Algeria		10	11	7	2371
Egypt		319	27	100	1436
France	26	258	66	10	26450
Greece	76	132	61	35	8414
Italy	76	170	134	25	19516
Lebanon					
Malta					
Morocco		31	4	13	1324
Portugal	76	84	58	24	3420
Spain	53	102	44	19	12490
Tunisia		19	7	8	2882
Turkey		63	30	15	2002

Source: Own calculation.

(1) Part of farms < 5 ha in the total number of farms (%)
(2) Fertilizers per hectare (kg)
(3) Tractors per 1000 hectares (units)
(4) Part of irrigated area in the total cultivated area (%)
(5) Agricultural GDP per agricultural employee ($)

12.2.4 - Productivity and use of capital

The use of industrial instruments reveals a wide gap between the countries of the EU and the MTCs. With the exception of Egypt (where crop-growing intensity is of the order of 4), fertiliser input per ha is less than 80 kg (and even less than 35 kg in the case of Algeria, Morocco and Tunisia), whereas it is very often over 100 kg in the EU (except for Portugal, where it is just over 80 kg). It is interesting to note that fertiliser consumption has been dropping significantly for the last 10 years in certain EU countries (France - 15%) or has been levelling off. In the MTCs a slight decrease in fertiliser consumption has been registered everywhere, which is perhaps the result of the abolition of the fertiliser subsidies that have been an accompanying measure in the structural adjustment programmes pursued by the MTCs under review.

With regard to tractors, a decrease in the number of tractors in relation to acreage has been observed over a 10-year period in France and Algeria, and stability is observed in Morocco. There has been a marked increase in many of the other countries. In the EU Mediterranean countries there are over 30 tractors per 1000 ha, whereas in the MTCs the figure is lower and in some cases substantially lower.

If one looks at the irrigated acreages using capital-intensive infrastructures, in 3 countries in the EU over 25% of acreage is under irrigation; Egypt is a very special case with 99.8% under irrigation.

It is thus observed on the whole that farmers in the countries of the EU use much more capital than those in the MTCs, but in certain countries such as Egypt and Turkey interesting transition situations are observed where capital and labour compete with each other because of a very dynamic demographic trend. In the countries of the Maghreb the fact that industrial instruments are only used to a very limited extent explains the low level of yields and raises questions concerning the organisation of agricultural services (extension services, credit, training, etc...).

Chart 12.3

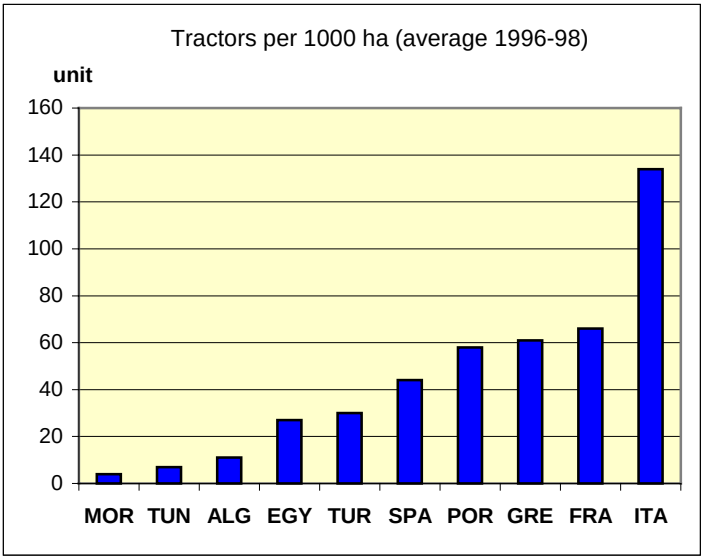


Chart 12.4

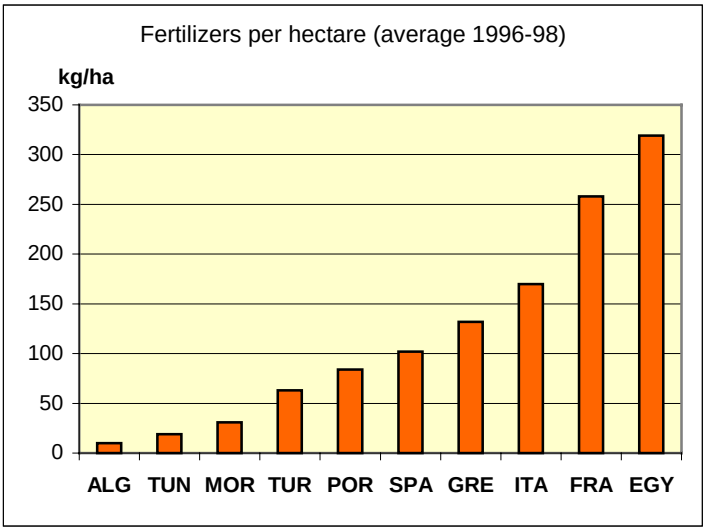
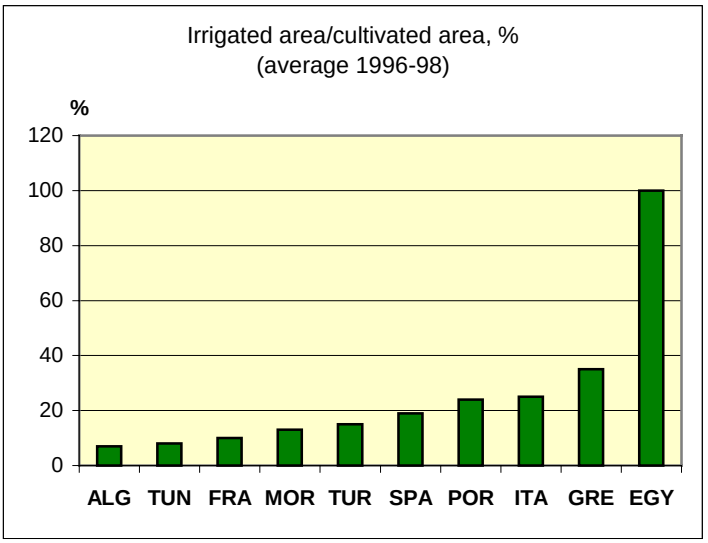


Chart 12.5

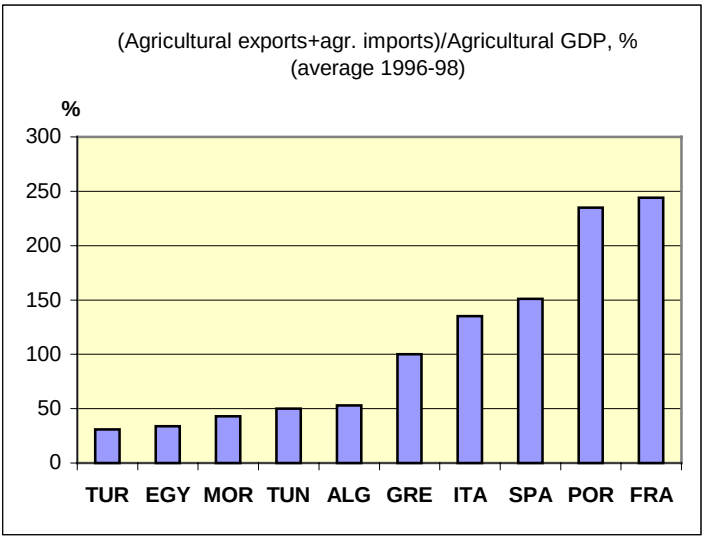


12.2.5 - Opening agricultural commodities to international trade

Openness to international markets:
The Mediterranean countries of the EU, in particular France, Italy and Spain, have played a significant part in the international trading of agricultural commodities over the past 10 years through both agricultural exports and agricultural imports. The MTCs, on the other hand, with the barely visible of Turkey and Egypt, carry little weight on international agricultural markets in terms of either exports or imports, although their demand for staples (cereals, oil products and sugar) account for a large share of the value of their imports.

If we take the sum of the values of agricultural imports and exports in relation to the GAP as an indicator of openness to international agricultural markets, we observe that the EU countries have greatly enhanced their openness (doubling it in less than 10 years), whereas the MTCs have been opening very little or have even been falling back - a sign of a change in agricultural production, which is being geared more and more to satisfying the domestic market. Input productivity can be increased where there are quantitative and qualitative margins for progress as well as internal or external outlets, and this can boost the demand for skilled labour. However, openness on the goods markets involves investments and the transfer of technology and experience, which will only be done if favourable conditions are created.

Chart 12.6



12.3 - Conclusions

Micro-analysis reveals several results which are important from the point of view of the difference in productivity between the EU countries and the MTCs.

First of all, there is a very marked difference in labour productivity between the EU Mediterranean countries and the MTCs, with productivity increasing in the EU countries in connection both with growth in production and the decrease in the working farm population and, on the other hand, generally a drop in productivity in the MTCs and an increase in the working farm population.

Then there are significant differences in labour earnings to the advantage of the EU, but this is justified by productivity and employment market control (urban unemployment does not have any significant impact on the WFP in the countries of the EU).

The MTCs have to contend with demographic pressures which are inhibiting growth, mortgaging living standards and threatening the sustainable use of natural resources. Wage costs are related to productivity but also to the situation on the employment market, and cheap labour does not encourage employers to replace any inputs (for example to substitute capital for labour) in order to increase productivity. The plethoric employment market in the MTCs keeps wages and salaries low compared to wages and salaries in the EU. Will low wages suffice at the present time and in the future to change the flows of agricultural commodities and provide a basis for significant investment?

Can the difference in productivity be reduced rapidly so that these countries can achieve a leap forward in production and win over new profitable markets without reducing employment, while, if possible, bringing a rise in employment by adding services?

The question of increasing agricultural productivity, which is necessary if farmers' incomes are to be increased, is a complex issue, particularly when it is related to the problem of agricultural employment. In the Mediterranean countries of the EU there is a marked downward trend in agricultural employment, also in absolute figures; in the MTCs, on the other hand, the working farm population is increasing in absolute terms whereas there is already pressure on natural resources. In the EU the fact that productivity is increasing through the incorporation of capital and innovations is logical in that agricultural labour is becoming scarce and labour-intensive products will diminish progressively unless specificity-related income can be developed (quality, local specialities, etc...).

In the MTCs the general level of incomes and employment is restraining the internal market and limiting value added and the creation of jobs in agriculture; at the same time the income attitudes of operators in the agro-support and downstream industries (which clearly reflect the sector's low negotiating power)

add to the opposition to change. Favourable development thus calls for greater openness to the international market in both the import and the export field; this should be brought about progressively and methodically in order to avoid any adverse effects or market failures, which could be caused by changes that are too abrupt and do not allow operators time to adapt to the new types of product and services that are to be supplied.

For in the situation of the MTCs growth and productivity is based on the rational use of natural resources which will lead to significant growth in value added without any appreciable reduction in labour, and this can only be achieved on high-return markets combined with internal economic growth and openness to foreign markets.

Opening markets methodically to international competition will disrupt income situations and offer new opportunities; technical and organisational innovations will enable operators to revise costs and margins in the sectors.

Technology transfers can help operators to master techniques more efficiently and to adapt at least some of their products to international standards (foreign markets and segments of the domestic market); this will then attract both national and foreign direct private investments.

But it is essential that these measures be accompanied by public investments in the fields of infrastructures (telecommunications, roads, ports, etc) and research & development.

These public investments, which are essential to any substantial increase in agricultural labour productivity and which are as much a question of arousing interest in general as of attracting the specific interest of the agricultural sector, will be costly for state budgets, which are ready difficult to balance; financing them could thus become a priority item for international public development aid.

Box 12.1 - Agricultural productivity in the Bouheurtma zone (Tunisia)

The Bouheurtma zone is part of a State irrigation area in the Jendouba Governorate in the north-west of Tunisia approximately 120 km west of Tunis. The total population of the governorate was 404,783 in 1994; this population is mainly rural, since the urbanisation rate is only 23.6% as against 59.2% at the national level; the literacy rate is also higher than the national average; it is 46.9% in the governorate as against 37.1% in the country as a whole. The level of employment in the agricultural sector is relatively high, accounting for 38.4% of the labour force as against 26% at the national level

The governorate had 24,800 farmers in 1994-95; the breakdown by age group reveals an ageing structure with 65% of farmers over 50 years of age.

Farms in the governorate are very small with an average farm acreage of 6.7 ha; the breakdown of farms by size class shows a preponderance of farms with less than 5 ha; these farms account for 85% of the total number of farms and cultivate 39.5% of the land.

The development of the number of farms in Tunisia shows an increase in the total number and particularly in the number of farms with less than 5 ha; comparison of the figures obtained in the farm structure surveys conducted in 1961-62 and 1994-95 reveals that the total number of farms rose from 326,000 to 471,000 - an increase of 44%; the number of farms with less than 5 ha rose from 133,000 to 251,000, i.e. an increase of 89%.

Table 12.4 - Distribution of farms by size class
Jendouba Governorate (Tunisia)

	< 2 ha	2 - 4,9 ha	5 - 9,9 ha	10 - 19,9 ha	20 - 49,9 ha	50 - 99,9 ha	≥ 100 ha	TOTAL
Number	8600	7500	5000	2700	900	100	100	24900
%	34.7	30.7	20.2	10.9	3.6	0.4	0.4	100.0
Area	6900	25100	34500	36300	27700	7700	30400	168600
%	4.1	14.9	20.5	21.5	16.4	4.6	18.0	100.0

Source: Enquête sur les structures des exploitations agricoles – 1996 – Ministry of Agriculture.

The Bouheurtma agricultural zone belongs to the upper semi-arid bioclimatic stage, which is characterised by a mild winter and a dry summer. The average annual rainfall is approximately 500 mm with a high degree of variability both within a given year and from one year to the next.

Animal farming is one of the main agricultural activities of the Jendouba Governorate; it involves the breeding of dairy cows based on the introduction of irrigated fodder crops.

The main details describing an average farm are set out below; they are based on a small selection of 13 sample farms in the irrigation area which engage in the breeding of dairy cattle. This selection is not intended to be representative; it is given merely as an illustration in order to show orders of size with regard to the principal variables for analysing productivity and to provide a basis for international comparison.

Box 12.1 (contd.)

According to our limited selection, the average farm has an Agricultural Area in Use (AAU) of 8.7 ha, which is slightly larger than the governorate average (6.7 ha). It has 1.43 year-work units and achieves a gross margin[45] of approximately $14,000. It grows mainly cereals (durum wheat, common wheat and barley), horticultural produce and fodder crops for feeding the dairy cows, of which it has 3 on average.

Table 12.5 - Data on an average farm (Bouheurtma, Tunisia)

Cultivated area	ha	8.7	Total gross margin	$	13979
Annual Labour Units	ALU	1.43	Gross margin per ha	$/ha	1607
			Gross margin per employee	$/employee	9775

Table 12.6 - Data on production units producing common wheat, melons and dairy cattle (Bouheurtma, Tunisia)

Production	Units	Irrigated soft wheat	Irrigated melon	Milk production
Farm area	ha	0.4	0.04	1.5
Number of cows per farm	cows	-	-	3.2
Production per ha	T/ha	5.5	25	-
Production per ha	Hl/ha	-	-	106.7
Production per employee	T/employee	82.5	100	-
Production per employee	Hl/employee	-	-	317.9
Production per cow	Hl/cow	-	-	50
Production price	$/T	215	175	-
Production price	$/Hl	-	-	32
Net margin per ha	$/ha	944	2809	1655

Source: Our calculation.

[45] The total gross margin (GM) is calculated as follows:
total gross margin = total product - variable costs
for the entire farm.

Box 12.2 - Agricultural productivity in the Montauban zone (France)

The agricultural zone analysed is part of the Tarn-et-Garonne department in the Midi-Pyrénées region (France). The department has a total population of 205,800. Agriculture accounts for 12.6% of total employment in the department as against 4% at the national level. The permanent working farm population is estimated at 15,950 and is composed essentially of family workers (94%); permanent wage earners account for only 6% of this total. One out of two farm managers works full-time and one in four carries out non-agricultural activities at the same time as his/her agricultural activities; 17% of farm managers are women; 86% of the work force consists of permanent labour, whereas seasonal workers account for 14%.

The zone is subject to a Mediterranean climate, which is tempered by oceanic and continental tendencies, and this causes irregular rainfall and irregular temperatures; the average annual rainfall is 700 to 800 mm, but rainfall is irregular and there are frequent thunderstorms. Insolation is characterised by dryness, which makes irrigation essential for certain crops such as maize.

There has been a steady decrease in the number of farms since 1979; the department had 7,500 farms in 1997 (as against 12,113 in 1979 - a decrease of 38%). The breakdown of farm managers by age group shows that 2 out of 5 are between 40 and 54 years of age, which means that unless generation replacement improves the population will age over the next 10 years.

The average acreage is 30 ha per farm (19.7 ha in 1979) with an upward trend since a large number of small farms are going out of business for the benefit of large farms; almost 2,200 farms of less than 20 ha went out of business in the period from 1988 to 1997. Farms with less than 20 ha accounted for 54% of the total number in 1988 but accounted for only 46% in 1997.

The decrease in the number of farms concerns only individual farms, which constitute the vast majority. The number of companies is rising steeply - now accounting for 15% of the total number of farms (as against 9% in 1990). These are mainly limited liability farms, whose number is rising due to their specific feature, which allows the business to be impersonal, a partnership of two spouses, and which limits any losses sustained by either partner to the extent of his/her contribution to the assets.

Table 12.7 - Breakdown of farms by size class (1997) in the department of Tarn-et-Garonne (France)

	< 2 ha	2 - 4,9 ha	5 - 9,9 ha	10 - 19,9 ha	20 - 49,9 ha	50 - 99,9 ha	≥ 100 ha	TOTAL
Number	1667	713	1086	1719	866	1177	305	7533
%	22,1	9,5	14,4	22,8	11,5	15,6	4,1	100,0
Area	3943	5388	15852	45235	36626	78840	40840	226724
%	2	2	7	20	16	35	18	100

Box 12.2 (contd.)

To illustrate the size of farms we have examined the accounts of 10 farms situated in the Montauban zone. This selection of sample farms is not intended to be representative; our intention is to present several concrete examples in order to give an idea of the size of farms and to provide a basis for comparison of the main variables. The characteristics of the average farm in this selection are set out below.

The average farm has 1.4 year-work units (YWU) and cultivates 66 ha, 30% of which are under crops and 40% under fodder crops, grassland and fallow land, 6% under fruit crops, 6% under sunflower, 3% under horticultural crops and 14% under sundry other crops. It obtains a gross margin per member of the working farm population of approximately $60,000 and a gross margin per hectare of $1,385. It can be observed that these farms achieve a per hectare productivity rate around the national average, but their productivity per worker is twice as high due mainly to their size (66 ha as against the department average of 30 ha). Intermediate consumption is high, amounting to 45% of the total product and reflecting the level of input-based intensification. We would also draw attention to the important share of premiums in the value added (30% on average); this rate can rise to over 50% in the case of certain crops such as common wheat.

Table 12.8 - Characteristics of the average farm (Montauban, France)

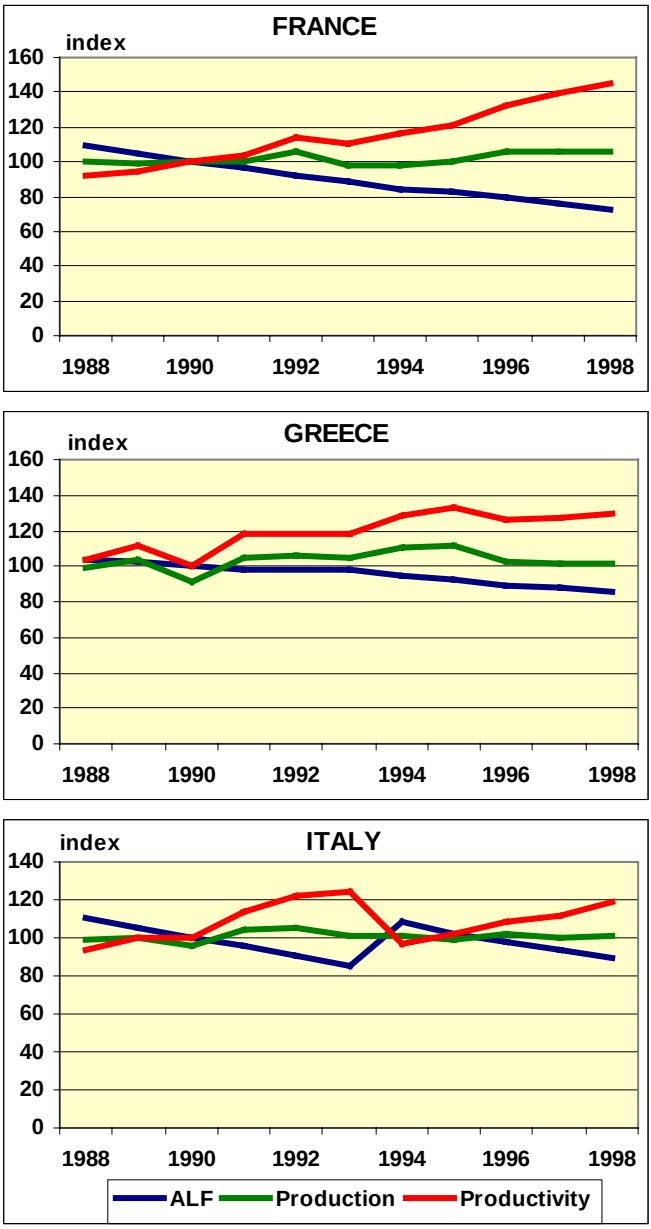
Cultivated area	ha	66	Total gross margin	$	91410
Annual Labour Units	ALU	1.4	Gross margin per ha	$/ha	1385
			Gross margin per employee	$/employee	60000

Table 12.9 - Data on production units producing common wheat, melons and dairy cattle (Montauban, France)

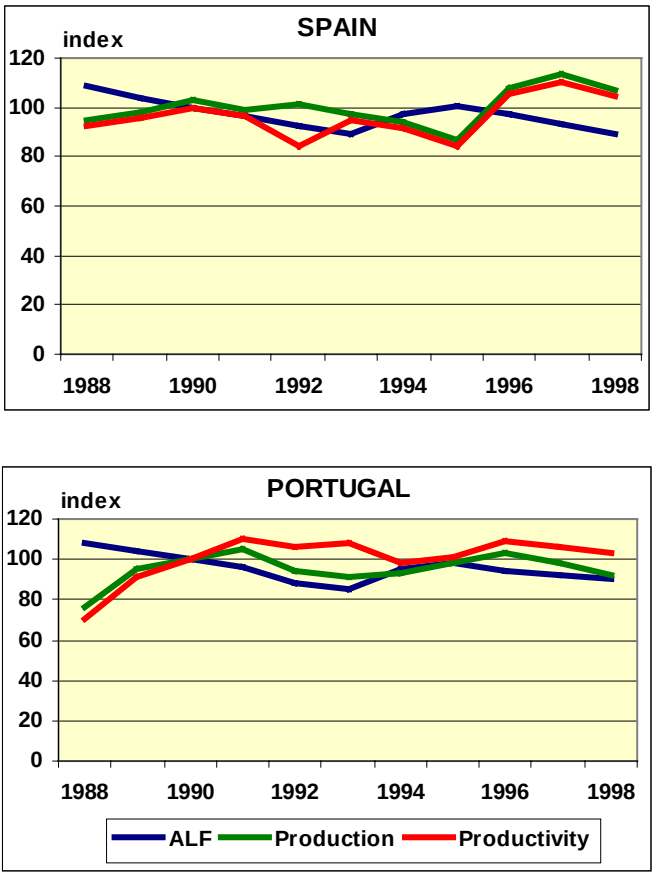
Production	Units	Irrigated soft wheat	Irrigated melon	Milk production
Farm area	ha	9,4	2,9	27
Number of cows per farm	cows	-	-	32
Production per ha	T/ha	4,82	25,2	-
Production per ha	Hl/ha	-	-	92,2
Production per employee	T/employee	1156,8	142,1	-
Production per employee	Hl/employee	-	-	3274,4
Production per cow	Hl/cow	-	-	77,8
Production price	$/T	107.6	476.64	
Production price	$/Hl			31.96
Net margin per ha	$/ha	575	6473	1263
Subsidies per ha	$/ha	256,5	0	0

Source: Our calculation.

Charts 12.7 - Development of labour productivity in the agricultural sector

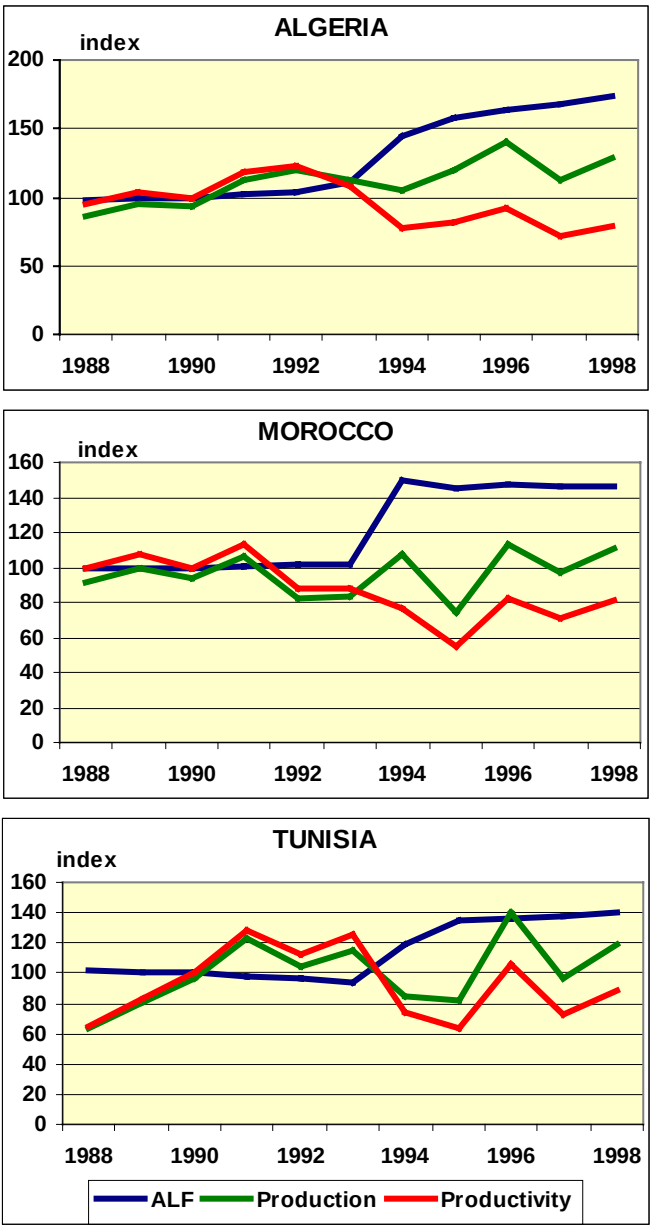


Charts 12.7 (contd.) - Development of labour productivity in the agricultural sector

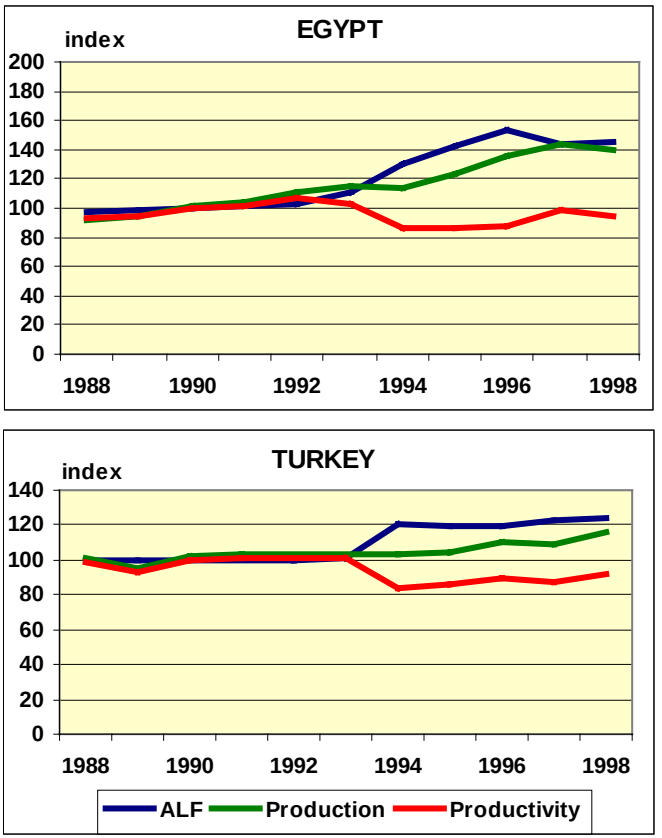


ALF: Agricultural Labour Force

Charts 12.7 (contd.) - Development of labour productivity in the agricultural sector



Charts 12.7 (contd.) - Development of labour productivity in the agricultural sector



ALF: Agricultural Labour Force

Table 12.10 - Indicators of development and agricultural productivity

	units	Greece	Spain	France	Italy	Portugal
Total population						
Average 96-98	1000	10553	39638	58496	57324	9847
Average 88-90	1000	10027	39427	56123	57537	10300
Gross Domestic Product (GDP)						
Average 96-98	million $	122269	555824	1469149	1193068	105905
Average 88-90	million $	67793	405733	1041219	934600	53547
Agricultural GDP						
Average 96-98	million $	7003	18173	26979	30256	2396
Average 88-90	million $	8765	17747	31480	31984	2167
Total Labour Force (TLF)						
Average 96-98	10000	452	1707	2619	2518	497
Average 88-90	10000	412	1530	2482	2389	469
Agricultural Labour Force (ALF)						
Average 96-98	1000	832	1455	1020	1550	701
Average 88-90	1000	970	1623	1400	1743	790
Cultivated areas (CA)						
Average 95-98	1000 ha	3945	19094	19487	11003	2633
Average 88-90	1000 ha	3913	20288	19115	11973	3169
Tractors						
Average 96-98	unit	239200	835824	1287000	1475000	153131
Average 88-90	unit	205000	721309	1470133	1401977	132249
GDP per employee						
Average 96-98	$	27071	32555	56103	47388	21295
Average 86-89	$	16455	26524	41951	39126	11409
Agricultural GDP per agricultural employee						
Average 96-98	$	8414	12490	26450	19516	3420
Average 88-90	$	9036	10932	22486	18346	2743
Agricultural GDP/GDP						
Average 96-98	%	5,7	3,3	1,8	2,5	2,3
Average 88-90	%	12,9	4,4	3,0	3,4	4,0
Cultivated area per inhabitant						
Average 96-98	ha	0,4	0,5	0,3	0,2	0,3
Average 88-90	ha	0,4	0,5	0,3	0,2	0,3
Agricultural GDP per hectare						
Average 96-98	$/ha	1775	952	1384	2750	910
Average 88-90	$/ha	2240	875	1647	2671	684
Agricultural exports						
Average 96-98	million $	3225	14980	39053	16238	1485
Average 86-89	million $	1812	5849	24797	8174	658
Agricultural imports						
Average 96-98	million $	3786	12373	26692	24477	4152
Average 86-89	million $	2329	5744	18074	19828	1946

Source: MEDAGRI 2002, our calculation.

Table 12.10 (contd.) - Indicators of development and agricultural productivity

	units	Algeria	Morocco	Tunisia	Egypt	Turkey
Total population						
Average 96-98	1000	29420	27096	9234	64660	63226
Average 88-90	1000	24307	24433	7997	51237	54767
Gross Domestic Product (GDP)						
Average 96-98	million $	29052	33964	18941	72939	186669
Average 88-90	million $	55875	23627	10847	68623	114181
Agricultural GDP						
Average y 96-98	million $	5557	5472	2628	12456	28499
Average 88-90	million $	7206	3788	1470	7340	16878
Total Labour Force (TLF)						
Average 96-98	10000	936	1069	355	2434	2953
Average 88-90	10000	650	838	272	1785	2404
Agricultural Labour Force (ALF)						
Average 96-98	1000	2344	4133	912	8675	14233
Average 88-90	1000	1370	2807	663	5803	11680
Cultivated area (CA)						
Average 95-98	1000 ha	8124	9946	4941	3295	28427
Average 88-90	1000 ha	7650	9084	4851	2600	27779
Tractors						
Average 96-98	unit	92416	42484	35100	90000	852433
Average 88-90	unit	96667	36711	25900	52700	672494
GDP per employee						
Average 96-98	$	3103	3177	5341	2997	6322
Average 86-89	$	8596	2821	3983	3844	4750
Agricultural GDP per agricultural employee						
Average 96-98	$	2371	1324	2882	1436	2002
Average 88-90	$	5260	1350	2216	1265	1445
Agricultural GDP /GDP						
Average 96-98	%	19,1	16,1	13,9	17,1	15,3
Average 88-90	%	12,9	16,0	13,6	10,7	14,8
Cultivated area per inhabitant						
Average 96-98	ha	0,3	0,4	0,5	0,1	0,4
Average 88-90	ha	0,3	0,4	0,6	0,1	0,5
Agricultural GDP per hectare						
Average 96-98	$/ha	684	550	532	3780	1003
Average 88-90	$/ha	942	417	303	2823	608
Agricultural exports						
Average 96-98	million $	75	842	428	513	4898
Average 86-89	million $	31	504	188	727	2447
Agricultural imports						
Average 96-98	million $	2866	1533	880	3694	3870
Average 86-89	million $	2324	724	558	4288	1131

Source: MEDAGRI 2002, our calculation.

PART IV

Main indicators of agricultural and food development in the Mediterranean countries

13.1 - Introduction

This statistical section contains a short presentation of the main indicators of agricultural and food development in Mediterranean countries.

The data relate to demographic and economic aspects, resources and production means, consumption, and international trade.

In view of the fact that few data are available in several countries in the region, in order to ensure comparability we have deliberately limited our data to the indicators most frequently used for population growth, urbanisation, aggregate economic growth and growth agriculture, food consumption and international trade.

13.2 – Notes on methodology

13.2.1 – Data source

The agricultural statistics (land use, production, trade) have been drawn from the United Nations Food and Agriculture Organisation (FAO).

They are collected from the official bodies in the various countries and completed where necessary by estimates made by the FAO on the basis of provisional or unofficial information.

The macroeconomic information concerning population, national accounts, world trade, etc. have been drawn either from the United Nations series of statistics which are published in various yearbooks (statistical yearbooks, yearbooks of national accounts, population yearbooks, yearbooks of international trade) or from World Bank or IMF publications.

13.2.2 – Table of indicators

Table 13.1 - Population, demographic growth, urbanisation, agriculture ratio of employment, 2000

Country	Tot.pop. (1)	Growth rate. (2)	Urb.pop./ Tot.pop. (3)	Rur.pop./ Tot.pop. (4)	Agr.pop./ Tot.pop. (5)	ALF/ TLF (6)	Inhtts/ A.E. (7)
	mn inhtts	%	%	%	%	%	
	2000	1965-00	2000				
Albania	3,13	1,63	42	58	48	48	4
Algeria	30,29	2,96	60	40	24	24	12
Egypt	67,88	2,42	45	55	37	33	8
France	59,24	0,61	76	24	3	3	66
Greece	10,61	0,68	60	40	13	17	14
Italy	57,53	0,31	67	33	5	5	43
Lebanon	3,49	1,53	90	10	4	4	74
Malta	0,39	0,77	91	9	1	1	195
Morocco	29,88	2,56	56	44	37	36	7
Portugal	10,02	0,34	64	36	14	13	15
Spain	39,91	0,69	78	22	7	7	31
Tunisia	9,46	2,26	66	34	25	25	10
Turkey	66,67	2,41	75	25	31	46	5

(1) Total population in millions of inhabitants
(2) Average annual demographic growth rate in period 1965-00 (%)
(3) Part of urban population in the total population (%)
(4) Part of the rural population in the total population (%)
(5) Part of the agricultural population in the total population (%)
(6) Part of the agricultural labour force in the total labour force (%)
(7) Number of inhabitants per agricultural employee.

Source : Medagri 2002, our calculations based on FAO data.

Table 13.2 – Gross domestic product, economic growth, agriculture ratio to the GDP

Country	Year	GDP	GDP/ inhtts	Exchange rate *	GDPGrowth rate.	AGDP/ GDP	AGDP/ Agr.E.
		mns $	$	MU p 1 $	%	%	$
					1990-99	1999	
		(1)	(2)	(3)	(4)	(5)	(6)
Albania	1999	3 058	977	137,69	2,3	54,0	2 179
Algeria	1999	47 015	1 580	66,57	1,6	12,3	2 341
Egypt	2000	98 364	1 449	3,690	4,4	17,0	1 552
France	2000	1 286 235	21 713	1,085	1,7	1,8	26 201
Greece	2000	111 957	10 552	365,4	1,9	5,6	8 420
Italy	2000	1 068 505	18 573	1,085	1,2	2,4	19 344
Lebanon	1999	17 229	5 011	1 507,8	7,7	12,0	
Malta	1999	3 622	9 288	0,40		2,5	
Morocco	1999	34 999	1 193	9,80	2,3	13,0	1 073
Portugal	2000	103 876	10 371	1,085	2,5	3,17	5 408
Spain	2000	580 297	14 720	1,085	2,2	3,0	11 903
Tunisia	1999	21 031	2 223	1,19	4,6	14,1	3 340
Turkey	1999	198 017	3 015	418 783	4,1	13,48	1 865

(1) Gross Domestic Product in millions of $ US
(2) Gross Domestic Product per inhabitant in $ US
(3) Exchange rate, local monetary unit per 1 $ US
(4) Average annual growth rate of GDP on period 1990-1999 (%)
(5) Part of agricultural GDP in the total GDP (%)
(6) Agricultural GDP per agricultural employee (1 $ US)

* Euros per 1 $ US in Spain, France, Italy and Portugal.

Source : Medagri 2002, our calculations based on FAO data, world bank, IMF, and National data.

Table 13.3 – Cultivated areas, irrigated areas, means of production, 1999

Country	Arable land, perm.crops. 1000 ha	Cult.Land 1000 htts ha	Cult.Land/ Agr.E ha	Irrig.Land/ Cult.Land %	Cult.Land/ tract ha/tract.	Fert/ Cult.Land kg/ha
	(1)	(2)	(3)	(4)	(5)	(6)
Albania	699	223	0,9	49	85	16
Algeria	8 215	276	3,3	7	88	18
Egypt	3 300	49	0,4	100	38	360
France	19 515	331	20,8	11	15	244
Greece	3 870	365	4,9	37	16	121
Italy	11 422	199	8,1	24	7	155
Lebanon	308	90	6,3	39	55	206
Malta	9	23	3,0	22	18	79
Morocco	9 445	322	2,2	14	219	35
Portugal	2 705	271	4,0	24	16	95
Spain	18 530	465	13,8	20	21	125
Tunisia	5 100	545	5,5	8	145	22
Turkey	26 672	406	1,9	17	29	83

(1) Arable land and permanent crops, 1000 ha
(2) Cultivated land per inhabitant, ha
(3) Cultivated land per agricultural employee, ha
(4) Part of irrigated land in the cultivated land (%)
(5) Cultivated land per tractor, ha
(6) Fertilizers per hectare, kg

Source : Medagri 2002, our calculations based on FAO data.

Table 13.4 – Main agricultural products, 2000

Country	Cereals	Vegetables	Fruit	Milk	Meat	Sugar	Olive oil
	1000 T						
Albania	580	662	133	970	64	3	4
Algeria	1 226	2 580	1 490	1 376	509	0	50
Egypte	20 046	13 563	6 575	3 831	1 391	1 400	
France	66 537	7 899	10 883	25 630	6 360	4 551	3
Greece	4 241	4 202	4 094	1 900	495	375	410
Italy	20 714	15 338	19 483	12 236	4 150	1 654	493
Lebanon	96	1 324	1 312	279	113	40	6
Malta	10	66	19	54	20		0
Morocco	2 082	3 615	25 929	1 266	540	475	62
Portugal	1 686	2 429	1 713	1 983	704	60	47
Spain	24 794	11 982	15 044	6 530	5 071	1 146	788
Tunisia	1 095	2 154	933	920	219	19	200
Turkey	27 871	22 099	10 609	9 350	1 597	2 150	65

Source : Medagri 2002, based on FAO data.

Tableau 13.5 – Growth rate of agricultural products, 2000

Country	Cereals	Vegetabes	Fruit	Milk	Meat	Sugar	Olive oil
	%						
Albania	13,28	3,44	4,24	6,95	7,97	0,00	0,00
Algeria	-20,41	-9,19	0,03	-2,33	1,35	-	-12,34
Egypt	3,42	0,34	-0,91	2,91	4,05	3,70	-
France	2,65	-1,30	-6,99	-0,01	-3,75	-7,39	11,11
Greece	-8,66	-1,92	-4,86	1,06	0,03	48,81	3,02
Italy	-1,23	-0,19	5,72	0,00	-0,13	-10,64	-30,75
Libanon	3,62	5,18	2,74	2,46	0,49	0,00	0,00
Malta	0,00	1,40	0,36	1,65	0,13	-	0,00
Morocco	-46,05	6,66	-2,40	5,85	0,19	-5,00	0,00
Portugal	-0,22	-2,00	-11,79	-4,69	-0,34	-21,94	0,00
Spain	37,88	-0,91	-2,61	-5,66	2,20	6,70	21,18
Tunisia	-39,80	0,37	4,56	10,84	-1,35	-13,64	2,56
Turkey	7,40	-4,30	-17,40	3,20	2,60	3,60	

Source : Medagri 2002, our calculations based on FAO data.

Tableau 13.6 – Food consumption 1999, kg/capita /yr

Country	Cereals	Root	Sugar	Dried beans	Vegetables	Fruit
	(1)	(2)	(3)	(4)	(5)	(6)
Albania	163	31	28	5	192	56
Algeria	219	32	28	6	88	46
Egypt	250	21	31	8	172	88
France	114	67	41	2	125	89
Greece	151	71	32	5	281	175
Italy	160	39	32	6	179	134
Libanon	135	58	34	15	307	224
Malta	160	87	53	4	159	103
Morocco	253	29	33	5	95	58
Portugal	129	130	35	5	188	133
Spain	100	87	31	6	163	115
Tunisia	218	29	32	10	183	78
Turkey	224	68	28	11	225	109

Country	Meat	Fish	Milk	Oil	Beverages
	(7)	(8)	(9)	(10)	(11)
Albania	25	2	280	1	17
Algeria	18	3	113	2	2
Egypt	21	10	48	0	1
France	55	29	265	1	105
Greece	52	27	257	19	63
Italy	47	24	261	13	79
Libanon	28	7	90	3	12
Malta	46	40	190	1	63
Morocco	17	7	33	2	6
Portugal	48	58	207	4	128
Spain	43	41	165	12	108
Tunisia	22	9	92	5	8
Turkey	21	7	122	1	12

(1) Cereals
(2) Roots and tubers
(3) Sugar
(4) Dried beans
(5) Vegetables
(6) Fruit
(7) Meat
(8) Fish
(9) Milk and milk products
(10) Olive oil
(11) Beverages

Source : Medagri 2002, our calculations based on FAO data.

Tableau 13.7 – International trade ratios for agricultural products, 1999

Country	Total Import TI	Total Export TE	Agri. Import AI	Agri. Export AE
	millions $			
Albania	1 153	273	207	20
Algeria	9 850	11 700	2 379	34
Egypt	16 969	4 445	3 508	585
France	313 647	324 374	25 240	36 813
Greece	25 511	9 838	3 606	3 016
Italy	217 007	230 575	22 013	15 921
Libanon	6 206	677	1 065	115
Malta	2 857	1 986	288	56
Morocco	10 805	7 373	1 517	883
Portugal	38 612	23 911	4 177	1 451
Spain	135 368	104 140	11 857	14 032
Tunisia	8 439	5 838	749	578
Turkey	40 687	26 587	2 654	4 210

Country	Tot.Bal.std.*	TE / TI	Agr.Bal.Std.**	AE / AI	AI / TI	AE / TE
	%					
Albania	-61,71	23,68	-82,38	9,66	17,95	7,33
Algeria	8,58	118,78	-97,18	1,43	24,15	0,29
Egypt	-58,49	26,19	-71,41	16,68	20,67	13,16
France	1,68	103,42	18,65	145,85	8,05	11,35
Greece	-44,34	38,56	-8,91	83,64	14,14	30,66
Italy	3,03	106,25	-16,06	72,33	10,14	6,90
Libanon	-80,33	10,91	-80,51	10,80	17,16	16,99
Malta	-17,98	69,51	-67,44	19,44	10,08	2,82
Morocco	-18,88	68,24	-26,42	58,21	14,04	11,98
Portugal	-23,51	61,93	-48,44	34,74	10,82	6,07
Spain	-13,04	76,93	8,40	118,34	8,76	13,47
Tunisia	-18,22	69,18	-12,89	77,17	8,88	9,90
Turkey	-20,96	65,35	22,67	158,63	6,52	15,83

* Total Standardized balance = (TE-TI)*100/(TE+TI)
** Agricultural Standardized Balance = (AE-AI)*100/(AE+AI)

Source : Medagri 2002, our calculations based on FAO data.

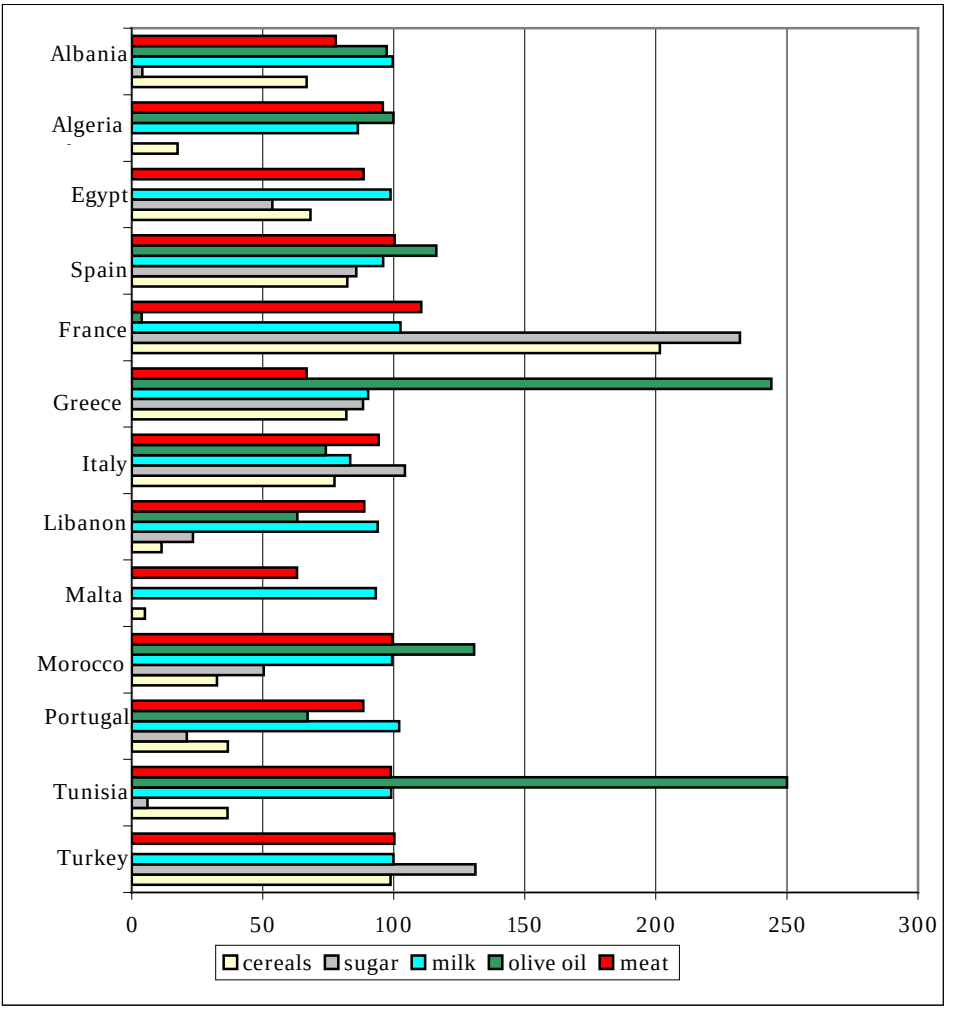
Tableau 13.8 –Self Sufficiency ratios for main food products, 1999

Country	Cereals	Sugar	Milk	Olive oil	Meat
	%				
Albania	66,75	4,11	99,59	97,32	77,81
Algeria	17,53	0,00	86,33	99,92	95,82
Egypt	68,23	53,72	98,81	0,00	88,52
France	201,58	232,08	102,52	3,85	110,53
Greece	81,89	88,24	90,18	244,05	66,75
Italy	77,42	104,22	83,35	74,14	94,21
Libanon	11,39	23,39	93,94	63,16	88,72
Malta	5,08	0,00	93,20	0,00	63,04
Morocco	32,55	50,42	99,37	130,64	99,53
Portugal	36,69	21,05	102,11	67,14	88,38
Spain	82,31	85,71	96,00	116,22	100,42
Tunisia	36,56	6,04	99,06	624,53	98,88
Turkey	98,78	131,16	99,91	-110,72	100,25

Self Sufficiency ratio = production*100/(production+import-export)

Source : Medagri 2002, , our calculations based on FAO data.

Graphique 13.1 – Self sufficiency ratios for main food products, 1999, %



Source : Our calculations based on FAO data.

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As is the case each year, the present new edition of CIHEAM annual report offers a detailed panorama of the most recent developments in the agricultural economies and in the agri-food sectors of the Mediterranean states which are members of CIHEAM. It also studies the various scenarios with regard to the economic problems and international trade of those sectors.

The transition to increasingly open economic systems requires that new means be released and new institutions set up as a sine qua non for managing this transition to best advantage. This is all the more necessary since the relations between the European Union and the countries on the southern shore of the Mediterranean are taking shape on a new basis in this new globalised economic context.

All of the economic and social actors in the Mediterranean basin express the obvious fact that appropriate funding must be mobilised in order to launch a wide-ranging programme for sustainable development in the region. The summary of the trends in each country and of the regional problems on hand presented in CIHEAM annual report is an ideal tool and basis for reflection with a view to shedding light on the issues at stake.

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