

Euro-Med Agreements and Mediterranean Agri-Food Trade^{1§}

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1. Introduction

Since the Barcelona Conference (1995), the European Union (EU) has been re-launching its global Mediterranean policy by building a Euro-Mediterranean Partnership (EMP) between the EU and twelve Southern and Eastern Mediterranean Countries (SEMC). Besides improving the limited results of 1970s Mediterranean agreements, the renewed effort is aimed at counterbalancing the EU engagement on Eastern Europe recovery and integration. Once again, although in a wider and deeper framework compared to the old agreements, the major focus of the EU initiative is on the creation of a Mediterranean FTA.

Agriculture plays a relevant role in the new wave of Mediterranean agreements. This is due to several reasons stemming not only from the crucial importance of the sector in the economic structure of many SEMC, but

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² The EMP gathers, besides EU members, three candidates to EU membership (Cyprus, Malta and Turkey) and nine countries negotiating new EuroMed Association Agreements (Tunisia, Morocco, Israel, Palestinian Authority, Jordan, Egypt, Lebanon, Algeria and Syria).

Abstract

An updated picture of Euro-Med agreements is provided, focusing on preferential treatment in agri-food trade and identifying the major EU commodities and countries concerned. EU-SEMC agri-food trade is analysed using a set of indicators, such as indexes of trade specialisation, similarity and complementarity. The findings show that preferential agri-food liberalisation between the EU and the SEMC is still weak and only partially able to meet both the goals set by the Euro-Med Partnership and the EU willingness to strengthen its Mediterranean ties. The SEMC show the highest export specialisation indexes for fruit and vegetables, oils and fats and flowers; for the EU the highest values pertain to fibre crops, cereals, live animals. Export similarity indexes suggest that Spain, Greece, Holland, Italy and Portugal could face greater competition with SEMC exports, while the SEMC-EU complementarity is stronger for Belgium, Germany, Holland and France.

Résumé

Une vue d'ensemble des accords euro-méditerranéens est présentée, en mettant l'accent sur les préférences commerciales agroalimentaires et en identifiant les produits et les pays communautaires susceptibles d'être les plus concernés. Le commerce agroalimentaire UE-PSEM est analysé au travers d'indices de spécialisation, de ressemblance et de complémentarité des échanges. D'après les résultats, la libéralisation préférentielle entre l'UE et les PSEM est encore faible et seulement capable de répondre en partie aux objectifs fixés par le Partenariat Euro-méditerranéen et à l'intention de l'Union de renforcer ses liens avec les pays méditerranéens. Les PSEM présentent la spécialisation la plus forte dans les exportations de fruits et légumes, d'huiles, de graisses et de fleurs. Par ailleurs, l'UE détient le record quant aux fibres textiles végétales, aux céréales et aux animaux vivants. D'après les indices de ressemblance, l'Espagne, la Grèce, les Pays-Bas, l'Italie et le Portugal pourraient concurrencer davantage les exportations des PSEM, tandis que la complémentarité PSEM-UE est plus importante pour la Belgique, l'Allemagne, les Pays-Bas et la France.

also from the weight of agri-food in SEMC trade with the EU and the SEMC remarkable potential absorption for EU agri-food surpluses.

While providing an updated picture of Euro-Med Agreements, this paper investigates the agri-food trade issues raised by both preferential treatment granted to specific products and countries and the observation of past and current EU-SEMC trade flows.

The first section deals with the current features of Mediterranean agreements and the preferential treatment agreed by the EU and the SEMC on agri-food products. In the second section, the SEMC trade with the EU is examined using the Comex-EUROSTAT database from 1988 to

1999. Stock, trend and composition of EU-SEMC trade flows are analysed, by using a set of trade indicators, such as trade shares and indexes of trade specialisation similarity and complementarity, to show plausible competition and complementarity relations for the major EU products and countries. The last section provides concluding remarks.

2. EU-Mediterranean policy and agricultural trade preferences Overview

La Tunisie est le deuxième producteur au monde d'huile d'olive après l'Union Européenne, avec une moyenne de 7 % de la production et environ 27 % des ventes mondi-

ales durant la période 1997-2001 (COI, 2002).

The definition of trade agreements with many Mediterranean countries has been the major focus of the EU global Mediterranean policy since the 1970s. The EMP is attempting to re-launch this approach, by placing the creation of a Mediterranean FTA and the broadening and deepening of several other dimensions of co-operation on top of the Mediterranean agenda. Reciprocal trade liberalisation, as well as the EU technical co-operation and financial support are viewed as major threads driving development and integration in the Mediterranean area. All these measures have to comply with WTO rules (open regionalism) and to be in tune with IMF and World Bank stabilisation and structural adjustment programs.

Economic development and reduction of the gap between the EU and its Mediterranean neighbours are considered as a prerequisite for socio-economic and political stability in the area. Hence, trade agreements are meant to be part of a multifaceted approach, aimed at strengthening the political and economic presence of the EU in the area,

as well as the SEMC economic and social structures.

The main instruments defining relations with the SEMC within the EMP framework are association agreements and regulations on financial co-operation. In particular, the relationships with the three EU member candidates are defined on the basis of old association agreements, their further revisions, and the state of accession partnership of each country with the EU.

The EU current political, economic and commercial relations with Cyprus, Malta and Turkey have been encompassed in pre-membership strategies. They look at the progressive alignment of national legislation with the EU acquis and provide for participation into a number of Community programmes, while addressing negotiations on all aspects of membership. Trade commitments have been reciprocal since the 1970s, although asymmetrical in favour of the three SEMC.

As regards the nine remaining countries, the relationships are defined by new Euro-Mediterranean Association Agreements (EMAA) or, should these not be yet in force

(as in the case of Egypt, Algeria, Lebanon and Syria), by 1970s co-operation agreements. EMAA are almost completed and regulate political, economic and commercial relations in a relatively standard way, pursuing the goal of creating a FTA within a time span of twelve to sixteen years. Also EMAA trade commitments are reciprocal and the liberalisation process varies considerably depending on whether manufacturing, agriculture or services sectors are considered.

EMAA's reciprocity repre-

Table 1. State of EMAA negotiations with major SEMC and agricultural products involved in trading preferences (Data in INEA, 2002 and EMAA texts reported in the reference section)

Country and type of agreement	Products involved:	
	EU trading preferences	SEMC trading preferences
Tunisia 1995 EMAA, in force since 1998	Live animals (horses); meat (sheep, goat); animal products; flowers; fruit and vegetable products; citrus fruits; potatoes; olives; olive oil; processed fruit, vegetable and citrus products; wine; cereal residues	Live animals (bovines); beef; milk in powder; butter; cheeses; eggs; seed potatoes; wheat; other cereals; seed oil; sugar; feedstuff
Morocco 1996 EMAA, in force since 2000	Live animals (horse, sheep, goat); horse meat; flowers; fruit and vegetable products; citrus fruits; potatoes; olives; fruit; processed fruit, vegetable and citrus products; olive oil; wine	Live animals (bovines); beef; milk in powder; butter; seed potatoes; wheat; barley; corn; oilseeds; seed oil; sugar
Israel 1995 EMAA, in force since 2000	Meat (turkey, goose); flowers; fruit and vegetable products; citrus fruits; potatoes; sweet corn; processed fruit, vegetable and citrus products; baby food; bakery products	Beef; milk in powder; butter; cheeses; flowers; seed potatoes; potatoes; fruit and vegetable products; wheat; barley; other cereals; seed oil; sugar; processed vegetable and fruit products; feedstuff
Egypt¹ 1977 Co-op. Agreement 2001 EMAA to be implemented	flowers; fruit and vegetable products; potatoes; citrus fruit; processed vegetable products; cereal residues; spices; rice	Live animals (bovines); beef; milk in powder; butter; cheeses; fruit; seed potatoes; oilseeds; seed oil; feedstuff
Algeria¹ 1976 Co-op. Agreement 2002 EMAA to be implemented	Live animals and meat (horse, sheep goat); fruit and vegetable products; citrus fruit; potatoes; olives; dates, olive oil; seed oil; processed fruit, vegetable and citrus products; wine	Live animals (bovines); beef; milk in powder; seed potatoes; wheat; barley; seed oil

¹ Products listed in the EU-EMAA's not applied yet

SEMC trading preferences to be applied following on the implementation of EMAA

sents a significant step forward compared to the first generation agreements, that, apart from the case of Israel, provided for unilateral concession by the Union side. In fact, as a good share of SEMC manufacturing exports already have free access to EU markets through old co-operation agreements, EMAA envisages new trade preferences for manufactured products of a quasi-unilateral kind in favour of exports from the UE. Also for agri-food products the liberalisation process, albeit gradual and partial, entails the new commitment by the SEMC to introduce preferential measures favouring EU exports (Table 1).

The other cornerstone of the EMP is the new way of managing financial co-operation, which is closely linked to the perspective of creating a Mediterranean FTA and based on an autonomous financial regime with a single budget for the whole Mediterranean area (MEDA). MEDA replaces the old five-year protocols signed with each country, entailing a considerable increase in the financial endowment provided by the EU (three times the former level), as well as relevant procedural changes and a notable enlargement of issues to be tackled. Among these issues several agricultural provisions are included within the EMP framework, supporting the SEMC agriculture to improve economic performance, openness to trade and rural development (technical assistance, training, product diversification, environmental and social protection measures) (INEA, 2001; European Commission 2000a).

The budget is divided into bilateral (EU-single SEMC) and regional chapters. The three EU candidates have access to regional funding only, although specific bilateral funding is provided to them in a pre-accession framework. Over the time span covered by MEDA I (1995-99), about 86% of commitment credits have been addressed to bilateral co-operation and shared in a number of fields: structural adjustment (15%), economic transition support (30%), socio-economic balance support (29%), environment (6,8%), rural development (4,5%). However, MEDA actual payments have been much lower compared to commitments (26%), due both to the length of the implementation period for some relevant projects and to negotiating controversies and cumbersome procedures for project approval and management.

The EMP is largely behind the deadlines defined by the Barcelona Conference, due to the time needed for EMAA definition and implementation. This, in turn, results from a number of controversies on several negotiating chapters,

particularly related to the SEMC trade liberalisation, the EU agri-food trade liberalisation and the difficulties in MEDA implementation. Other problems stem from the institutional architecture of the EU, which creates many opportunities for vetoes in the process of definition, ratification and implementation of the agreements.

3. Treatment of agri-food trade

As regards agro-food trade, the EMP envisages a very gradual liberalisation on a reciprocal basis. With this in mind, EMAA lay down a succession of deadlines for the revision of current protocols on the basis of an examination of the current trade situation and the prospects for further openings (but no defined schedule of tariffs and NTBs phasing out is provided for). Although the intention to move towards liberalisation is made explicit also for agro-food products - and this should necessarily be the case with Cyprus, Malta and Turkey when they join the EU - concessions in the new agreements are limited to improving, on the basis of traditional trade flows, the previous preferential regime. Moreover, new preferential treatment for EU exports is being introduced.

Generally speaking, the preferential treatment within the five EMAA agricultural protocols already in force is comparable to the treatment granted to the three EU candidates. All these countries benefit from a rather wide coverage of traditional trade flows and, for these flows, a lowering of the ad valorem tariff which now stands at 100% for nearly all products. Products involved are mainly Mediterranean (fruit and vegetables, citrus fruit, olive oil, wine), although for some countries the range is wider (Table 1).

On the other hand, the concessions on specific duties imposed on a number of vegetable and fruit products, as well as other Mediterranean products and some basic food stuffs, are much less incisive. In particular, in the case of fruit and vegetables, no preferential measures are foreseen regarding specific duties on a number of products subject to entry price³, although there are some important concessions for certain countries on the level of some prices in question⁴. With reference to this, it has to be underlined that both the management of the entry price system emerging from the Uruguay Round and the concessions on some of these prices can determine a notable advantage for favoured exporters against rival contenders for EU market quotas⁵ (Tangermann, 1996; Swinbank-Ritson, 1995).

The effect of the reduction in tariffs and NTBs is lessened by numerous exceptions, on a seasonal and/or product basis, which, taken as a whole, render the current EU agro-food preferences very similar to those characterising the old 1970s agreements. The seasonal exceptions concern the majority of fresh fruit and vegetables, for which the tariff cut is limited to determined periods of the year, compatible with the harvesting within the EU. Other ex-

³ The system implies that a relevant surcharge, over the normal tariff, is applied on imports whose c.i.f. price is below the entry price bound in the WTO Schedule of the EU.

⁴ Oranges from Morocco, Israel, Cyprus and Egypt benefit from some 25% reduction of the entry price over the period December 1st - May 31st. Similar provisions are set out for Moroccan exports of tomatoes, aubergines, artichokes, cucumbers and tangerines.

⁵ The entry price system allows the preferred exporter to undercut the price of any MFN exporter, due to the concession on the level of both tariff and entry price.

ceptions cover a very small number of fresh or processed fruit and vegetables, some tropical products and a certain number of minor products, whose tariff reduction is less than 100%.

Furthermore, a variety of quantity restrictions of preferential treatment indicate that the EU is still pursuing its attempt to combine Mediterranean preference with protection of domestic production, manipulating the concessions in order to avoid radical changes in consolidated trade flows. Tariff rate quotas (TRQ) are currently imposed on imports of a large number of fresh fruit and vegetables and some dried or processed ones, as well as flowers, Tunisian olive oil and all qualities of wine. Usually TRQ restrict the preferential treatment, nevertheless there are a number of cases in which the excess quantity itself enjoys a tariff reduction, though a lower one. In many instances, instead of TRQ, reference quantities (RQ), or the right to impose RQ, are defined; so that the Commission has the option to submit a product to TRQ. RQ are imposed on many fresh fruit and vegetables, some dried or processed ones, nuts, and fresh and preserved tropical fruit (Table 2).

The restrictions in question are relevant not only for domestic protection purposes, but also for both the distribution of the preference margin between importers and exporters (due to trade licensing systems)⁶ and the development of Mediterranean agro-food trade liberalisation, since there is little room left for further tariff concessions.

Although SEMC reciprocal concessions in favour of the EU will not be discussed here in details, it must be mentioned that they are more limited, both in terms of share of preferential over total trade flows and in terms of tariff reductions. Products concerned are largely basic food stuffs or "continental" products and

Table 2. EU restrictions on agro-food export from major SEMC.

Main products/product groups (2001) (Data in INEA, 2002)

Country	Tariff rate quotas (TRQ)		Reference quantities (RQ)		Potential RQ Product
	Product	Tonn.	Product	Tonn.	
Turkey	Preserved tomatoes	30.000	n.a.	n.a.	n.a.
	Watermelons	14.000			
	Prepared tomatoes	8.000			
	Onions	2.000			
Tunisia	Olive oil	50.000	Almonds	1.120	Tomatoes
	Oranges	35.123	Apricots	2.240	Capers
	Potatoes	16.800	Dried oranges	1.680	Garlic
	Preserved tomatoes	4.000			Asparagus
Morocco	Oranges	380.800	Preserved apricots 1	7.560	Olives
	Tomatoes	168.757	Preserved apricots 2	7.200	Capers
	Mandarins and tangerines	168.000	Sweet peppers	3.360	Beans
	Cucumber	5.600	Dried citrus	1.120	Peas
Israel	Cut flowers	19.500	Avocados	37.200	Grapefruits
	Orange juice	92.600	Grapefruit juice	34.440	Dates
	Oranges	200.000	Grapefruits in segments	21.440	Mangoes and other tropical fruits
	Mandarins	21.000	Table grapes	2.280	
Egypt ¹	New potatoes	130.000	n.a.	n.a.	n.a.
	Dried onions	16.000*			
	String beans	15.000*			
	Oranges	50.000			

n.a.: not applicable.

¹ TRQ to be applied following in the implementation of EMEA (1st year of implementation).

* TRQ gathering also other vegetable products and pulses.

TRQ are frequently imposed.

As a whole, the treatment of agro-food trade appears to fall short of the liberalising project of the EMP and show some contradictions between objectives and policy instruments the negotiating parties have agreed upon. Even though SEMC are going to face many relevant problems with the perspective of opening up their economies, including the asymmetry in the pace of trading reform between various sectors of agriculture, as well as between the agricultural sector as a whole compared to other sectors, the rest of this section deepens the EU side.

As far as the EU is concerned, the current approach is in contrast with the set up of EMP technical and financial co-operation aimed at re-launching SEMC agriculture. While SEMC are supported also to rebuild their agricultural policies and improve the trading performance, EU agricultural markets remains substantially locked in the

⁶ When a TRQ is actually binding, the "owner" of the licence is likely to attract most of the preference margin, as he is in a quasi-monopolist position. This should imply that most of the price advantage accrues to importing EU companies, since usually the EU issues licences to trading companies registered in the EU. However, when exporting countries manage to establish monopoly export agencies, the result is more uncertain (Tangermann, 1996).

traditional protectionist framework. Moreover such an approach is in contrast with the prevailing EU governments policies on immigration, since the containment of SEMC agricultural growth compromises job creation in SEMC agriculture and encourages migration.

Basically, in spite of the understanding of the links between trade liberalisation and other policies considered part of the complex approach to development and integration in the Mediterranean basin, the actual trading preferences are not consistent with (and therefore badly related to) a number of other policy dimensions relevant to the EMP objectives.

Besides these policy contradictions inside the EMP, from the EU's standpoint the treatment of trade in the agricultural chapter of current Mediterranean agreements shows two main shortfalls. The first one regards the difficulty to push through sufficient trade concessions to effectively support the strengthening of EU's role in the Mediterranean. The weakness of EU concessions can be appreciated considering that SEMC have currently no particular reason to expect noteworthy new commercial advantages from the EMP. In the manufacturing sector, where EU liberalisation took place at the end of the 1970s (and where SEMC have not been able to gain the expected benefits), the major change seems to consist of SEMC reciprocal concessions favouring EU exports. Furthermore, in the agricultural sector, where SEMC could have some competitive advantage, the aim is to constrain SEMC opportunities for trade expansion in EU markets, while, again, introducing some trading preferences in favour of EU exports. One can conclude, therefore, that the main current feature of the EMP consists of a trade off between preferential liberalisation by SEMC in exchange for EU financial support.

The second shortfall is related to the fact that current protectionist framework is becoming less suitable for the purpose of supporting Mediterranean EU producers (García Alvarez-Coque, 1999). While on EU fresh products markets (i.e. fruit and vegetables) non-price factors are becoming increasingly important for successful marketing, inward looking trade policies keep dealing mainly with cost and price factors of competitive advantage. In the long run, the lack of suitable structural policies, dealing with marketing systems, quality, technologies for product management and delivery, might eventually displace many EU producers from leading trading companies and operators (usually European as well), no matter the level of border protection carried out.

4. SEMC-EU agri-food trade

In this section the SEMC trade with the EU is

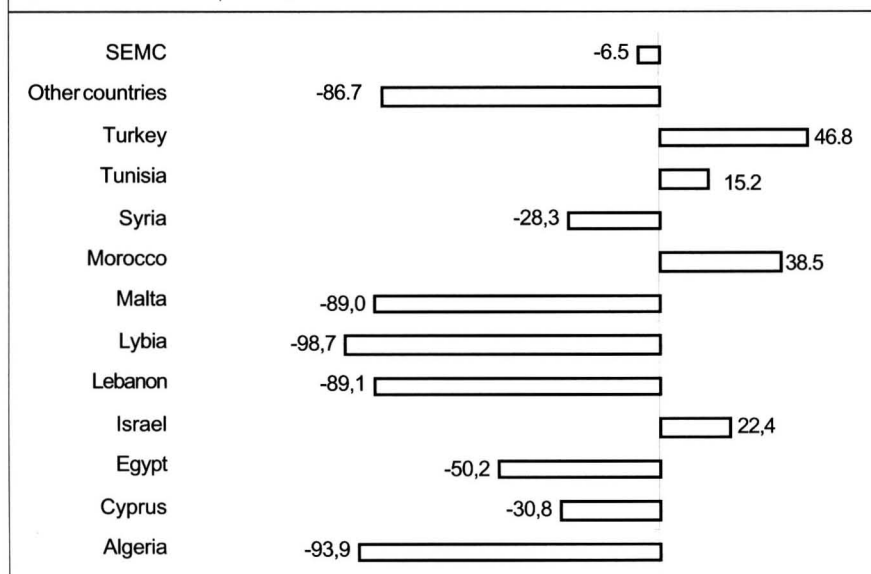
examined using the Comex-EUROSTAT database. The single SEMC countries considered are: Algeria, Cyprus, Egypt, Israel, Lebanon, Lybia, Malta, Morocco, Syria, Tunisia, Turkey, the Palestinian Authority and Jordan, even if for the last two countries disaggregated data is not available. Lybia was included in the analysis, although it did not participate in the Barcelona Conference, in order to substantiate its relevance in SEMC-EU trade relations and in view of its future accession to the Euro-Mediterranean Partnership.

Trade between the SEMC and the EU in the period comprised between 1988-89 and 1998-99 increased visibly (Table 3). Total imports from the EU show a sharp expansion both in absolute terms (from over 29 billion euro to roughly 69 billion euro) and in relative terms (+130%). Exports display a slower growth pattern (+88%), increas-

Table 3 . SEMC Total and agro-food trade with the EU INEA, 2002)

	Total			Agro-food		
	1988-89	1994-95	1998-99	1988-89	1994-95	1998-99
IMPORTS (million euro)						
Algeria	4.156	4.642	5.089	902	1.001	1.004
Cyprus	1.213	1.988	2.176	132	161	203
Egypt	3.636	4.702	7.368	730	627	741
Israel	4.776	9.165	11.233	261	440	491
Lebanon	830	2.310	2.765	180	327	423
Lybia	2.787	2.123	2.428	440	406	477
Malta	929	1.909	1.995	96	145	178
Morocco	2.850	4.518	6.487	196	407	454
Syria	706	1.465	1.530	190	198	201
Tunisia	2.244	3.947	5.811	225	289	287
Turkey	5.022	10.596	20.065	292	555	707
Other countries	888	1.005	1.145	143	170	174
SEMC	30.036	48.370	68.092	3.788	4.726	5.339
EXPORTS (million euro)						
Algeria	4.468	4.610	5.474	20	27	31
Cyprus	456	678	508	142	141	107
Egypt	2.037	2.483	2.355	161	211	246
Israel	2.876	4.263	7.073	709	593	774
Lebanon	105	100	182	30	18	24
Lybia	5.764	5.878	6.251	2	16	3
Malta	456	1.018	779	8	7	10
Morocco	2.464	3.850	5.372	669	850	1.023
Syria	596	1.652	1.811	40	149	112
Tunisia	1.749	3.194	4.515	226	370	390
Turkey	4.915	8.370	14.238	893	1.552	1.953
Other countries	102	132	160	4	12	12
SEMC	25.989	36.227	48.719	2.905	3.947	4.687

Fig. 1. SEMC agro-food standardised trade balance with EU(1998-99) (EURO-STAT data in INEA, 2002)



ing from slightly less than 26 billions to 48.5 billion euro. Consequently, the value of the overall trade balance has worsened markedly. As regards agri-food trade, in 1998-99 imports reached 5.1 billions showing an increase of 48% compared with 1988-89. In the same period exports grew by 61%, reaching 4.7 billion euro in 1998-99. This leads to an improvement in the agri-food trade balance (from -882 to -653 million euro) and to a slight fall in the agri-food component weight over the total trade.

Both the SEMC as a whole and single country agri-food imports increased at a slower pace with respect to total imports, especially after 1994-95. This is particularly true for Syria, Lybia and Egypt, whose imports grew little in the whole period examined, and also for Tunisia, Malta and Turkey. Likewise, on the export side the growth rate of the overall agri-food component increased at a lower rate than the total exports, but single country exports exhibit different behaviours: some almost doubled in value (Turkey, Syria and Tunisia), others showed a distinct expansion (Algeria, Morocco, Egypt), while some more grew little or were even reduced. The good performance of Turkey, Tunisia and Morocco exports are due, probably, to their greater competitiveness but the preferential market access conditions agreed to them may certainly have helped, as discussed in the previous section.

For the SEMC taken altogether, the standardised agri-food trade balance improved from -14.4% in 1988-89 up to -6.5% in 1998-99. Nevertheless, if taken individually, countries show different performances and improvements are observed only in the case of Tunisia, Egypt, Syria and Algeria; all the other countries worsened their balances. The trade performance of Tunisia is remarkable as its balance improved from an even situation in 1988-89 to a 15% surplus in 1998-99.

Single countries agri-food trade balances vary a lot. In 1998-99 only four of them are net exporters (Turkey, Tunisia, Morocco and Israel), all the others are net-importers. In particular, Malta, Lybia, Lebanon and Algeria depend heavily on EU imports as shown by their standardised deficits, that go beyond -80%. [Figure 1]

As regards the import-export composition, SEMC agri-food imports from the EU tend to be concentrated on processed products and mainly involve cereal, oilseed and animal products (Table 4). There is a noticeable concentration, with the first five groups covering 60% of the total. These are cereals, sugar and confectionery, dairy products, other food products, and oils and fats. As regards the first four, the main supplier is France followed by Germany, the UK, the Netherlands and Belgium. Various countries have dominant positions depending on the prod-

uct: Spain (oils and fats), Italy (processed cereals, oilcakes and oilseed flour), the EU Mediterranean countries in general (processed fruit and vegetables and fibre crops).

The SEMC exports are less concentrated, although over half of the total is due to fresh and processed fruit and vegetables (Table 4). The first five products cover 51% of the total foreign sales: these are dried fruit, fresh vegetables, preserved fruit, fish products and citrus fruit. The importing countries vary by item, Germany has an important role as importer of dried and preserved fruit, France for vegetables, Spain and Italy for fish and UK and France for citrus fruit.

Summing up, a common characteristic of the SEMC is the product and geographical concentration of their agricultural trade with the EU. This is demonstrated by the fact that a high proportion of the overall trade concerns a relatively small number of products/countries.

5. Product specialisation in the EU-SEMC trade

The structure of the EU-SEMC trade is analysed here using two indicators of relative trade specialisation, based on market quotas standardised with respect to different bases. The indexes allow identifying more precisely the composition of agri-food trade, highlighting single country differences with respect to the average composition of flows.

A disaggregation of 29 items, which correspond to EUROSTAT database four-digit level for the two-year period 1998-99, was used in the calculations. Besides, as indexes are standardised with respect to specific markets (i.e. extra-EU countries, EU as a whole), they do not take into account absolute values of flows, therefore they have to be analysed in relative terms. Hence, when flows are

Table 4. *Composition of SEMC - EU agro-food trade in 1998-99 (EUROSTAT data in INEA, 2002)*

	Value 000 euro	Quota %	Cumulated Quota %	Top trading partner	Quota %
IMPORTS					
Cereals	712.277	13,3	13,3	France	55,8
Sugar & confectionary	686.130	12,9	26,2	France	27,3
Dairy products	684.602	12,8	39,0	France	42,6
Other food products	584.922	11,0	50,0	France	25,5
Oil & fats	503.817	9,4	59,4	Spain	32,6
Processed cereals	362.204	6,8	66,2	Italy	33,8
Fresh & frozen meat	292.478	5,5	71,7	Ireland	65,1
Oilcakes & oilseed flour	242.104	4,5	76,2	Italy	17,4
Live animals for consump	226.912	4,2	80,4	Germany	37,7
Drinks	223.912	4,2	84,6	UK	49,4
Prepared & preserved fish	134.780	2,5	87,2	Holland	37,2
Fresh veg & pulses	124.361	2,3	89,5	Holland	63,3
Raw filamentary veg	109.200	2,0	91,5	Greece	92,1
Total	5.339.492	100,0		France	26,5
EXPORTS					
Dried fruit	698.303	13,1	13,1	Germany	39,4
Fresh veg & pulses	460.441	8,6	21,7	France	45,2
Processed fruit	443.549	8,3	30,0	Germany	33,2
Prepared & preserved fish	432.279	8,1	38,1	Spain	43,8
Citrus	370.204	6,9	45,0	UK	27,8
Fresh fruit	318.181	6,0	51,0	France	47,7
Oil & fats	305.011	5,7	56,7	Italy	65,7
Processed veg	277.988	5,2	61,9	France	28,5
Raw filamentary veg	193.807	3,6	65,5	Italy	53,0
Flowers & ornam. plants	174.954	3,3	68,8	Netherland	65,6
Game & fish	149.724	2,8	71,6	Italy	33,3
Raw tobacco	129.165	2,4	74,0	Germany	38,1
Other food products	118.957	2,2	76,3	France	25,0
Total	4.686.833	87,8		Germany	19,7

pretty narrow or concentrated on few commodities, the index calculation may be distorted and in this case, specific or relevant situations are underlined.

The first specialisation index proposed is the standardised quota of the SEMC exports to the EU (S_1). The share of each SEMC export to the EU with respect to the EU imports from non-EU countries is calculated by product. An index value greater than one for a specific product/country reveals that its share on the total agri-food exports to the EU is larger for this country with respect to other non-EU countries. In this sense, the index gives an estimate of the country relative product specialisation compared to all non-EU countries taken together

The index is calculated as follows:

$$(S_1) = (XP_j / XP) / (M_{EUj} / M_{EU})$$

where:

X_{pj} = exports to the EU from the p SEMC country relatively to the j product

X_p = total agri-food exports from the p SEMC country to the EU

M_{EUj} = EU imports from non-EU countries (net of imports from the p SEMC) relatively to the j product

M_{EU} = total EU agri-food imports from non-EU countries (net of imports coming from the p SEMC)

The specialisation of SEMC exports to the EU with respect to the EU imports from non-EU countries (S_1) presents the highest values for fruit and vegetables products, whose relevance in many SEMC countries is well-known, followed by citrus fruit, dried fruit and processed vegetables (Table 5). Concerning fresh vegetables, whose specialisation index is 14 for the SEMC as a whole, the higher values are ranked for Cyprus (29), Egypt (27), Malta (20), Morocco (17) and Israel (10). Indexes remain below the average for Syria, Turkey and Lybia. Countries that have contributed mostly to the index value are Egypt, Morocco and Israel, respectively, in first, second and fourth position in terms of their contribution to SEMC a-

Table 5. *Specialisation of single SEMC and EU exports, main products (1998-99). (EUROSTAT data in INEA, 2002)*

SEMC exports to EU	SEMC						EU exports to SEMC						
	Egypt	Israel	Morocco	Tunisia	Turkey		EU	Austria	Denmark	Greece	Ireland	Italy	
Fresh veg & pulses	14,0	27,3	10,5	17,0	0,7	1,3	Raw filamentary veg	5,02	0,1	0,0	4,7	0,0	2,5
Citrus fruit	9,4	1,2	11,7	13,2	1,9	2,8	Cereals	4,42	8,9	0,9	1,0	3,1	2,5
Dried fruit	7,0	0,0	0,0	0,1	0,1	17,4	Live animals	3,41	1,9	11,2	0,3	10,5	8,6
Processed veg	4,4	0,6	1,8	5,6	0,2	5,3	Sugar & confectionary	1,92	0,7	1,0	1,7	0,7	3,5
Flowers & ornam. plants	2,9	0,2	15,3	0,4	0,1	0,6	Oils & fats	1,74	0,1	1,7	1,4	0,0	1,3
Raw filamentary veg	2,6	15,7	1,6	0,1	0,0	0,7	Other products	1,74	0,5	0,5	1,1	0,0	3,0
Processed fruit	2,5	0,1	2,3	1,0	0,0	4,3	Oilcake & oilseed flour	1,53	0,5	5,1	1,6	0,5	9,1
Oils & fats	1,7	0,0	0,0	0,3	15,0	1,0	Dairy products	1,44	3,8	2,1	0,8	0,3	0,3
Other products	1,7	3,1	5,2	0,3	0,5	1,0	Raw tobacco	1,36	0,0	0,0	0,6	0,0	4,4
Dried veg & pulses	1,2	8,5	0,2	0,3	0,1	1,4	Cereal derivatives	1,26	0,3	1,2	0,5	0,5	1,5
Fresh fruit	1,1	0,5	2,3	0,7	2,0	0,7	Fresh veg & pulses	1,20	0,0	23,4	0,4	169,3	0,0
Game & fish	1,0	0,1	0,3	2,6	1,7	0,5	Dried veg & pulses	1,15	0,3	1,1	0,4	113,1	0,4

agri-food exports. In the case of citrus fruit (9), top values were highlighted for Cyprus (19), Morocco (13) and Israel (12). For dried fruit (7), the contribution of Turkey (17) to the index is remarkable. Aside from representing more than one third of the total agri-food exports to the EU, Turkey absorbs 90% of the total dried fruit exports to the EU. Processed vegetables display a relatively high specialisation index (4), with Morocco (5.6) and Turkey (5.3) which contributed mostly to this value.

Products with lower specialisation indexes, but with a value higher than 1, include flowers and ornamental plants, fibre crops, preserved fruit, oils and fats, the residual group "other products", dried vegetables and fresh fruit. For certain products, like flowers and ornamental plants, dried fruit, oils and fats, there is a very close product/country link and therefore little competition between countries in those markets. On the other hand, more countries have a high degree of specialisation in the case of fresh vegetables (Cyprus, Egypt and Morocco), citrus fruit (Cyprus, Israel and Morocco) and fishery products (Malta, Morocco and Libya).

The second specialisation index proposed is the standardised quota of EU exports to SEMC (S_2). The share of each EU country exports to SEMC with respect to EU exports to non-EU countries is calculated by product.

As in the previous case, an index value above one for a specific product/country reveals that its share in the total agri-food exports to SEMC is higher for this specific country with respect to other non-EU countries.

The index is calculated as follows:

$$(S_2) = (X_{iPj} / X_{iP}) / (X_{iEXj} / X_{iEX})$$

where:

X_{iPj} = exports to SEMC from the i EU country relatively to the j product;

X_{iP} = total agri-food exports from the i EU country to SEMC;

X_{iEXj} = i EU country exports to non-EU countries (net of export to SEMC) relatively to the j product;

X_{iEX} = i EU country total agri-food exports to non-EU countries (net of exports to SEMC).

The specialisation index of exports from individual EU countries to SEMC highlights that the EU as a whole is specialised mainly in three product groups: fibre crops, cereals and live animals (Table 5). Besides, in all three cases a large number of member countries are relatively specialised. It should be noted, moreover, that products where the EU as a whole demonstrates above-average specialisation are those more involved in SEMC exports. In particular, the group in which the EU is most specialised is fibre crops (5); among EU members, Greece (5), Spain (3) and Italy (3) have the highest values. As regards cereals (4), the single most important SEMC import, the countries with a degree of specialisation above average are, in order of importance, Austria (9), Belgium (9), Sweden (7), Germany (7) and Spain (5). For live animals, Denmark (11), Spain (11), Ireland (11) and Germany (9) have values

above average.

The specialisation index assumes relatively high values for fresh vegetables in the case of Denmark (23) and the United Kingdom (16), and for live animals, oilcakes and oilseed flour in the case of Italy (9 in both cases). Moreover, Ireland shows very high index values for some products, like fresh and dried vegetables, whose exports to SEMC are very narrow.

6. Similarity and complementarity in SEMC-EU trade

The export similarity index is calculated using the formula proposed by Finger-Kreinin (1979) both for the EU and the SEMC as a whole and by country. A more disaggregated set of EUROSTAT data (185 items) for the two-year period 1998-99 was used in the calculations due to the index high sensitivity to the number of aggregates.

The export similarity index is calculated as follows:

$$Simip = (\sum_j \min(Q_{EUij}, Q_{EUpj})) * 100$$

where:

Q_{EUij} = j product share of i EU country agri-food exports to the EU;

Q_{EUpj} = j product share of p SEM country agri-food exports to the EU.

The index value varies from zero to 100. Whenever the structure of exports were completely different, the index value would be zero, whenever they were identical the index would be equal to 100. Intermediate values indicate different export similarity levels among the EU and the SEMC countries.

As it can be observed from the above equation, the SEMC and EU vectors of export shares to the EU are compared. In other words, the index points out to what extent the SEMC and EU export structures are similar and then gives a rough idea of possible competition among the two areas. It should be noted that given the significant differences in the absolute amount of trade of the EU and the SEMC, any consideration should be done in relative terms.

Firstly, considering the similarity index value relating to the overall SEMC (Table 6), Spain has the highest export similarity with respect to the SEMC (46.1) followed by Greece (43.6), and hence both countries could eventually face greater competition from the SEMC. For some EU Mediterranean countries - Italy (30.9), Portugal (27.2) and France (22.4) - the index assumes below-average values, even lower than that of the Netherlands (32.6). In contrast, Finland and Ireland exhibit the most dissimilar structure of exports to the EU with respect to the SEMC.

As for relations between single countries, Morocco and Spain are the most similar with an index value of 43.4, followed by Turkey with respect to Greece (41.3) and Israel with respect to the Netherlands (37.4) and Spain (36.3). Other countries with relatively high similarity indexes are Morocco compared to Portugal and Greece, Spain

Table 6. *Similarity and complementarity of SEMC and EU trade (1998-99) (EUROSTAT data in INEA, 2002)*

	Similarity of SEMC-EU export						Complementarity of SEMC imports / EU exports					
	SEMC	Egypt	Israel	Morocco	Tunisia	Turkey	SEMC	Algeria	Egypt	Israel	Turkey	
Spain	46,1	14,8	36,3	43,4	18,6	28,7	Bel-Lux	60,7	45,0	40,7	54,2	41,6
Greece	43,6	11,2	19,6	26,6	31,0	41,3	Germany	58,2	37,4	43,2	55,3	49,7
Netherlands	32,6	14,2	37,4	21,3	8,1	23,2	Netherlands	51,7	31,4	36,5	46,2	42,9
Italy	30,9	12,3	24,1	18,5	10,6	24,9	France	51,1	34,6	38,3	39,3	38,7
Portugal	27,2	11,7	14,7	27,9	12,1	20,1	Denmark	40,8	24,1	30,8	39,2	35,3
Bel-Lux	25,2	15,8	25,3	17,3	7,8	19,7	Austria	40,3	25,6	28,1	47,6	33,1
Germany	22,9	13,7	21,5	16,4	7,2	19,5	UK	39,5	24,0	25,8	45,5	37,8
France	22,4	18,1	19,6	15,9	9,7	17,4	Sweden	38,8	24,5	25,1	42,9	40,2
UK	22,1	12,7	17,5	19,9	11,2	15,8	Spain	35,9	22,5	24,7	35,4	29,5
Sweden	21,2	10,8	17,8	22,3	7,3	16,0	Finland	35,8	24,0	27,3	38,0	34,5
Denmark	20,1	9,0	15,0	22,5	8,6	12,8	Italy	34,5	20,2	21,6	35,8	28,9
Austria	18,8	11,3	22,0	12,9	5,3	16,2	Portugal	32,2	21,5	21,7	28,7	26,3
Ireland	13,9	8,1	15,3	11,1	6,3	9,5	Ireland	30,9	16,6	39,2	34,4	33,6
Finland	12,1	7,7	11,2	9,8	4,7	10,0	Greece	27,1	16,9	20,4	24,9	31,9
EU	33,5	16,5	29,4	24,1	11,1	24,6	EU	56,3	33,4	39,0	56,4	50,0

compared to Morocco and Cyprus.

The comparison between the structure of EU exports and those of the SEMC to the EU, and particularly the analysis of the single product contribution to the index brought out the leading role of fruit and vegetable products (both fresh and processed), fishery products and olive oil (INEA, 2002). In these products, Turkey, Morocco and Israel could represent a source of potential competition. Concerning olive oil, another product which has some relevance on the similarity index, only Tunisia appears to be in rivalry with the EU countries. Moreover, among the products mainly responsible for the value of the EU/SEMC similarity index, most show high specialisation indexes in SEMC exports to the EU only relatively to specific countries. The relevant specialisation indicator for preserved fruit is high only in the case of Turkey, Israel and Cyprus. The other products where competition with the EU exports appears to be stronger are fresh fruit, with high values for Israel and Tunisia, and processed vegetables, where Morocco, Turkey, Lebanon and Israel show significant values of the specialisation index.

Summing up, competition among the EU and the SEMC seems to be concentrated in Mediterranean products and to involve EU Southern countries. As already pointed out elsewhere, the EU-SEMC competition, and its impacts, concerns a limited number of regions of the

EU Mediterranean countries, particularly, those where the Mediterranean products account for over 40% of the agricultural production values⁷ (García Alvarez-Coque, 1999).

The complementarity index is a variation of the Finger and Kreining similarity index. In this case the EU export structure to non-EU countries and the SEMC import structure from the EU, both for the two areas as a whole and by country, are compared.

The complementarity index was calculated as follows:

$$Com_{ip} = (\sum_j \min(Q_{iEXj}, Q_{EUPj})) * 100$$

where:

Q_{iEXj} = j product share of i EU country agri-food exports to non-EU countries,

Q_{EUPj} = j product share of p SEM country agri-food imports from EU.

For each EU country, the SEMC countries with higher index values are those whose import structure resembles mostly the structure of export to non-EU countries of the EU country itself. This entails the existence of complementarity and, thus, a potential advantage for both countries considering that products mostly exported by the EU countries tend to reflect those mostly imported by the SEMC from the EU.

It can be observed that countries whose structure of imports from the EU most mirrors the export structure of the EU countries to non-EU countries are Cyprus (64), Malta (61) and Israel (56). In contrast, countries with the lowest complementarity values are Syria and Lybia (Table 6).

Considering single EU countries, it seems that non-EU

⁷ Ioanissia and Peloponnissos in Greece, La Rioja, Andalucia, Murcia, Valencia, Canary Islands and Balearic Islands in Spain, Liguria, Trentino-Alto Adige, Lazio, Campania, Abruzzo, Puglia, Calabria and Sicilia in Italy, Algarve and Madeira in Portugal) and Languedoc-Rousillon, Provence-Alpes-Côte d'Azur and Corse in France.

agri-food exports from Belgium are most in line with SEMC imports from the EU, the index value being 61; it is followed by Germany (58), the Netherlands (52), and France (51). The case of France is of some interest in that, as pointed out in the previous paragraphs, it is by far the most important SEMC partner. The other EU Mediterranean countries (together with Finland and Ireland) have a medium to low complementarity rating. Finally the country with the lowest rating is Greece.

Taking into account each SEMC individually, Algeria shows the greatest affinity to Belgium. The latter reveals higher complementarity values with all SEMC, except for Syria and Lybia, besides showing a higher value with respect to the EU as a whole, thus enhancing its leading role as potential SEMC partner.

Germany and Belgium exports to non-EU countries are most in line with Israel, Egypt and Turkey imports from the EU, so their complementarity index values are beyond the EU average. Complementary indexes for the Netherlands and Sweden with respect to Turkey are relatively high.

As for the EU and the SEMC as a whole, the analysis of the main products which contribute to this index shows that the first one is a heterogeneous group labelled "other products", followed by flour and other foodstuff grain products. Other relevant products are sugar and confectionery, oils and fats, and spirits and liqueurs (INEA, 2002).

7. Concluding remarks

The analysis of the Euro-Med agreements suggests that the SEMC should not expect noteworthy new commercial advantages from EMP trade preferences, since the main current feature of the EMP consists of a trade-off between preferential liberalisation by the SEMC in exchange for the EU financial support.

While a new preferential treatment for the EU exports is being introduced, the EU concessions in agri-food trade are limited to improve the previous preferential regime on the basis of traditional trade flows. For SEMC trading interests, the variety of seasonal and quantity restrictions still hampering liberalisation draw a scenario which resemble that of the old agreements, when the Mediterranean preference, combined with protection of the EU producers, granted SEMC some market shares in EU markets from competition of other exporting countries.

Trade restrictions, still strong on the EU agricultural import from SEMC, make preferential liberalisation only partially capable to meet both the goals set by the EMP and the EU willingness to strengthen its Mediterranean ties: (i) they contrast with the line envisaged under the EMP, regarding the measures of technical co-operation aimed at restructuring and opening SEMC agriculture, as well as with the EU policies on immigration (since it hampers job creation in SEMC agriculture); (ii) they

make trade concessions insufficient to re-launch the EU role in the Mediterranean; (iii) they hinder the development of modern, Mediterranean scale marketing systems, which would ultimately benefit a large number of operators both inside and outside the EU.

The overall analysis of preferential agreements and trade flows show that comparative advantages and policy biases in the EU-SEMC agri-food trade have determined the highest level of SEMC export specialisation for products that enjoy preferential access to EU markets: fresh vegetables, citrus, nuts, processed fruit and vegetables, oils and fats, flowers. The EU exports to SEMC show the highest specialisation for fibre crops, cereals and live animals, oilseed products and dairy. It is noteworthy that most of these products enjoy preferential access to SEMC markets within EMEA.

Export similarity indexes suggest that, over a gradual and partial liberalisation process, Spain, Greece, the Netherlands, Italy and Portugal could face greater competition with SEMC exports. SEMC import complementarity with EU exports is stronger for imports from Belgium, Germany, the Netherlands and France, while it is lower for Southern EU countries (Greece, Italy, and Spain).

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