

# **Agricultural Trade Preferences under the Euro-Mediterranean Association Agreements**



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**Harald Grethe**

**Humboldt University of Berlin**

**[harald.grethe@agrار.hu-berlin.de](mailto:harald.grethe@agrار.hu-berlin.de)**

**Presentation held at the German ENARPRI Seminar 2004,  
*Review of EU Trade Agreements and Issues,*  
FAL, March 15, 2004**

# Structure of the Presentation

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1. Introduction
2. Agricultural Trade between the MMC and the EU
3. Structure of Agricultural Preferences granted to the MMC under the EMA
4. Analytical Instruments: Product Coverage and Preference Margin
5. Results: Product Coverage and Preference Margin of the MMC before and after the EMA
6. Preferences Granted to the EU
7. Outlook

# 1. Introduction

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- Harmonization of EU Trade Agreements with the Mediterranean Countries:
  - 1975/77 Cooperation Agreements with
    - MMC (Morocco, Algeria, Tunisia, Egypt, Jordan, Lebanon, Syria, Palestinian Authority)
    - Israel
  - In these agreements the EU provided
    - free access for industrial goods except textiles
    - preferences for agricultural products
- Cooperation agreements are currently replaced by EMA (ongoing process since 1995)

# 1. Introduction

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- Agreements concluded with
  - Israel, Tunisia, Morocco, Palestine, Jordan, Algeria, Egypt
- Agreements still under negotiations with
  - Syria
- First “updates”
  - concluded with Tunisia, Israel, Morocco

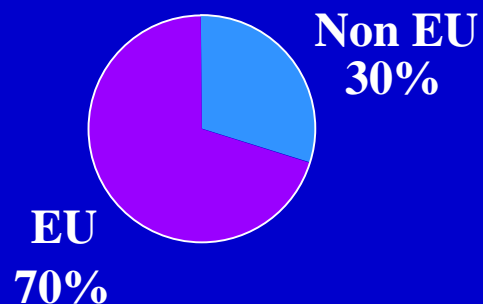
# 1. Introduction

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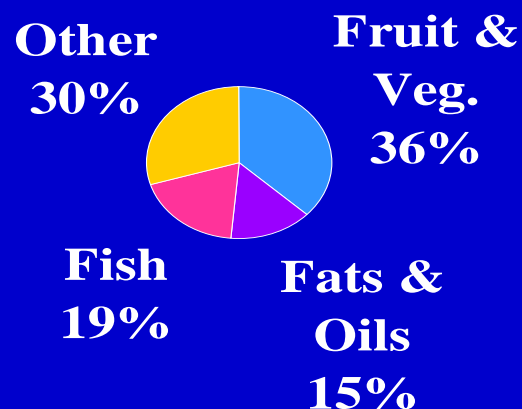
- EMA include, among others,
  - Bilateral free trade areas between the EU and each individual MMC for industrial products (complete by 2010)
  - Extension of agricultural preferences
- Motivation for extension of agricultural preferences under the EMA
  - Preference erosion due to conclusion of the UR
  - Conclusion of Association Agreements with CEC
  - ...

## 2. Agricultural Trade between the MMC and the EU

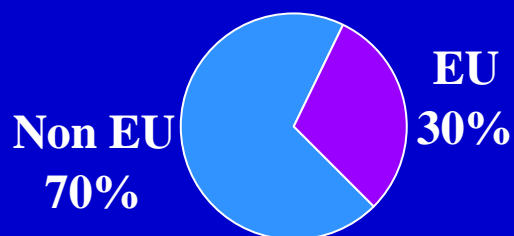
### ■ Destination of MMC' Agricultural Exports



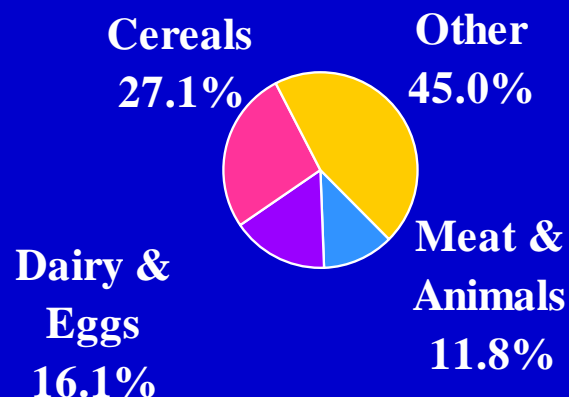
### ■ Composition of MMC' Agricultural Exports to the EU



### ■ Origin of MMC' Agricultural Imports



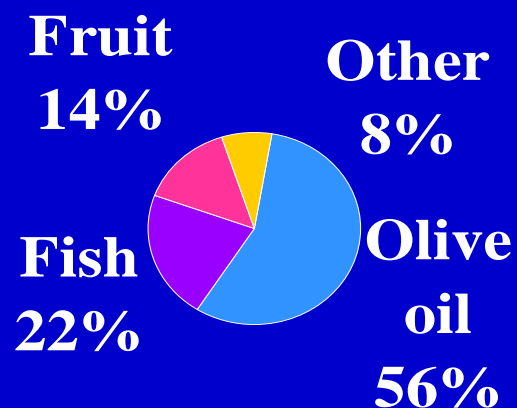
### ■ Composition of MMC' Agricultural Imports from the EU



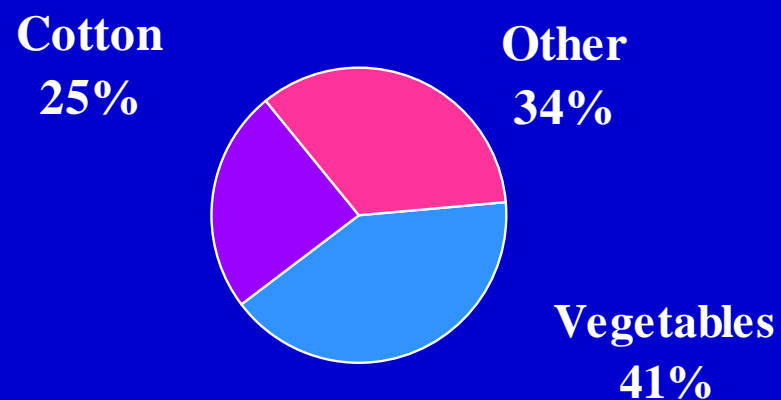
## 2. Agricultural Trade between the MMC and the EU

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### ■ Composition of Tunisia's Agricultural Exports to the EU



### ■ Composition of Egypt's Agricultural Exports to the EU



### 3. Structure of Agricultural Preferences under the EMA

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- Full or partial tariff reductions
  - Without limit
  - With TRQ limit
    - Reduced tariff rate also above TRQ
    - MFN tariff above TRQ
  - With reference quantities
    - ....
  - With potential reference quantities
    - ....
- TRQs mainly based on
  - past trade flows
  - past agreements

### 3. Structure of Agricultural Preferences under the EMA

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- Reduced entry prices for some products and origins
  - All limited by TRQs
  - Reduction rates 5 to 60 percent
- Reduced entry prices
  - allow countries to supply even if EU domestic price is below MFN entry price plus tariff and MFN suppliers are excluded
  - allow countries to supply lower qualities than MFN suppliers

## 4. Analytical Instruments: Product Coverage

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- Product coverage

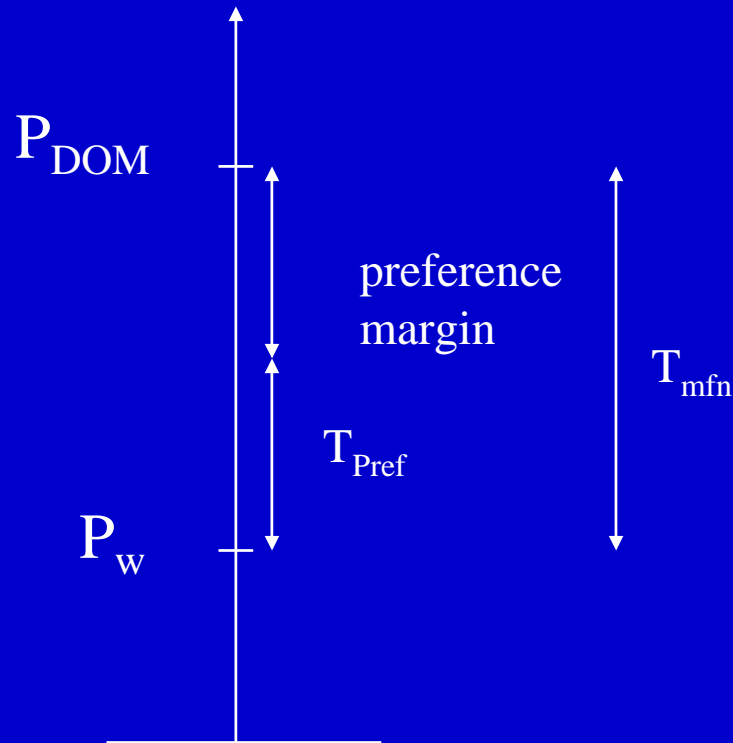
$$PC = Ex_p^{AEU} / Ex_t^{AEU}$$

- Be careful with interpretation

- $Ex_t$  may be more or less distorted compared to a free trade situation
- Nothing is said about the size of the preference
- Products without MFN tariff

## 4. Analytical Instruments: Preference Margin

- Preference margin



- Added over all products:
  - Gives the size of the potential economic gain from the preferential arrangement for the exporting country

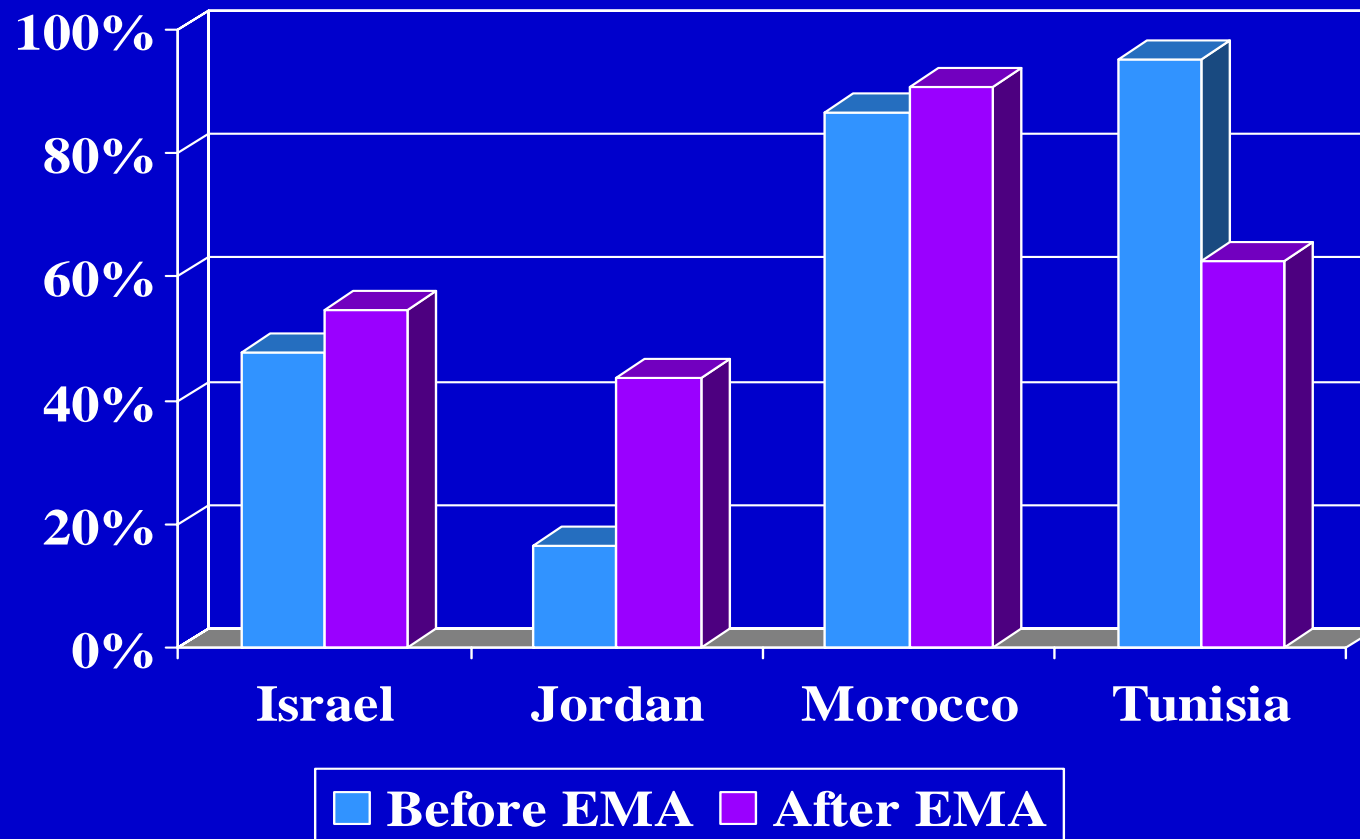
## 4. Analytical Instruments: Preference Margin

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- Problems with interpretation of the preference margin
  - Water in the MFN tariff
  - If quantity restrictions exist (TRQ, entry price system), (part of) the preference margin takes the form of an economic rent. Who gets that rent?
    - Import licenses are usually distributed among EU importing companies

# 5. Results: Product Coverage and Preference Margin

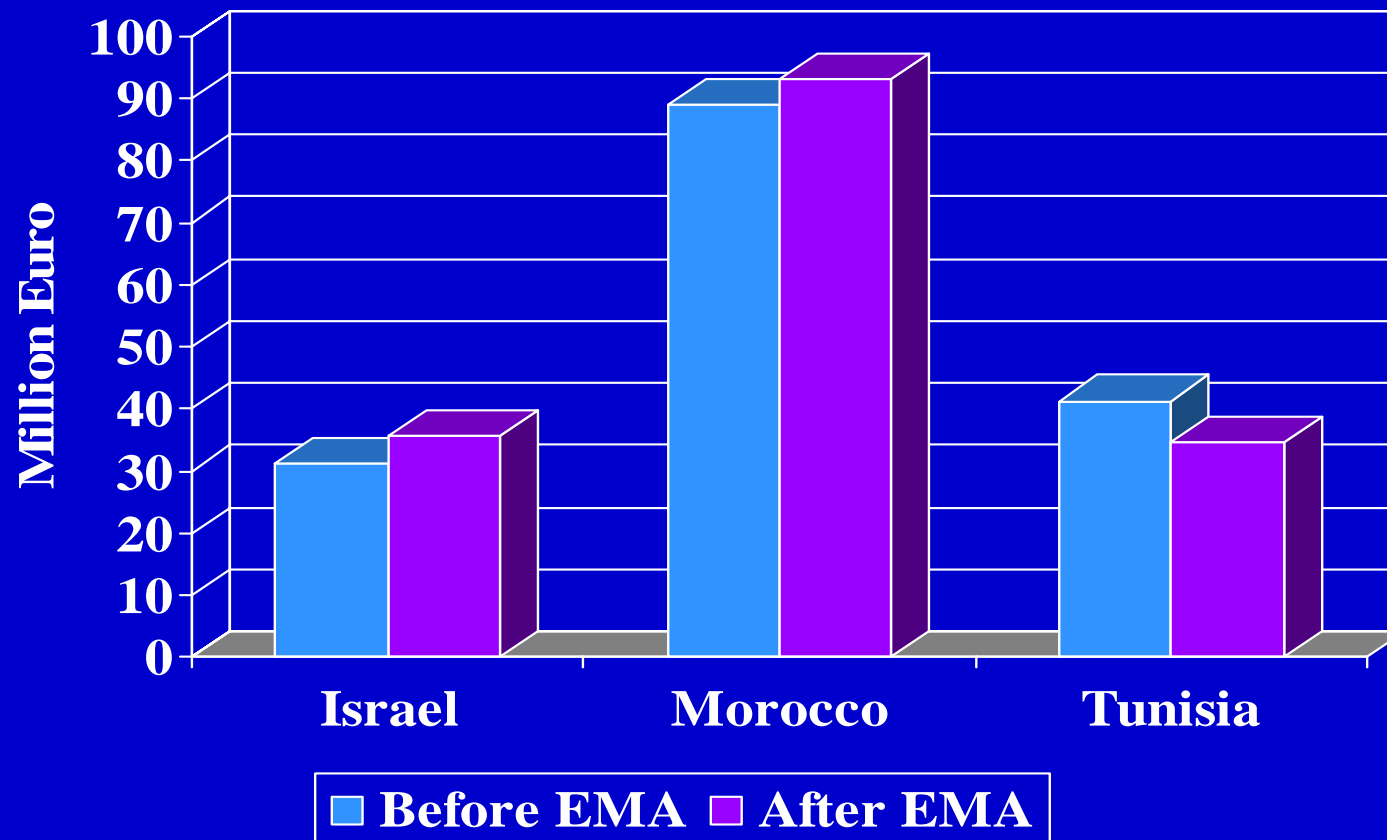
## Product Coverage Resulting from EMA Compared to the Situation before



Source: All calculations from Grethe and Tangermann (1999).

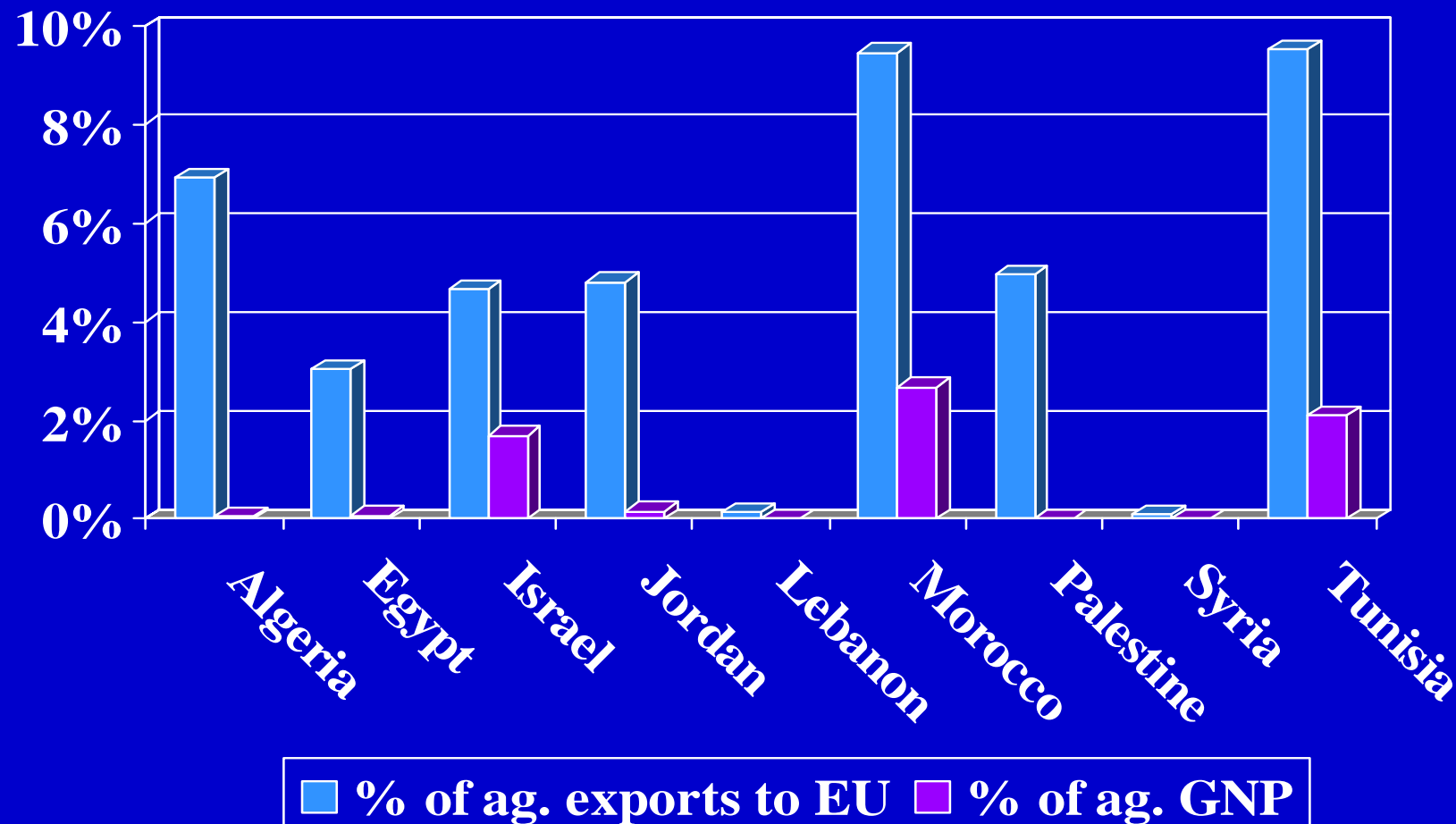
# 5. Results: Product Coverage and Preference Margin

## Preference Margin Resulting from EMA Compared to the Situation before



# 5. Results: Product Coverage and Preference Margin

## Relative Size of Preference Margin



## 6. Preferences Granted by the MMC to the EU under the EMA

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### TRQs Applied to MMC Imports from the EU

Product	Size of Total TRQs (tons)
Bovine Meat & Animals	48,835
Dairy Products	36,800
Cereals	1,351,800
Sugar	357,000

- Potential preference margins are considerable:  
e.g. €30 Mill. for wheat

## 7. Outlook

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- Preferences are of a transitory nature due to decreasing price support in the EU.
- For the MMC, they are of limited importance with few exemptions for individual products and countries.
- In addition, large parts of preferences concentrate on products, for which MMC have a comparative advantage (in contrast, for example, to some of the ACP preferences)