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THE IMPACT OF THE SINGLE EUROPEAN MARKET ON THE ESCWA MEMBER COUNTRIES

VOLUME II

AGRICULTURE

UNITED NATIONS
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The ESCWA members are Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen.

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Foreword

Geographically and culturally, Europe and Western Asia are intimately related. Over the centuries, history has shown us that major changes in Europe affect Western Asia and vice versa. The latest such change is Europe's move towards economic—and eventually political—unity. This development has far-reaching implications for the world economy in general and for the Western Asia region in particular. The establishment of the Single European Market (SEM), and subsequently the European Union (EU) in 1993, crowned a series of steps of *rapprochement* and integration, leading to the creation of a European economic bloc. The EU now forms one of the world's major economic groupings, along with the North American Free Trade Agreement (NAFTA), the Association of South-East Asian Nations (ASEAN) and the newly emerging Asia-Pacific Economic Cooperation (APEC).

Aware of the significance of these developments to Western Asia, the States members of the Economic and Social Commission for Western Asia (ESCWA) requested the ESCWA secretariat to prepare detailed studies in priority areas on the impact of the establishment of the SEM on the countries of the region (ESCWA resolution 190 XVI of 2 September 1992).

The impact of the SEM on the ESCWA region is general and pervasive, cutting across various sectors and activities. As no single scholar could be expected to cover this issue in its totality, the ESCWA secretariat commissioned a task force comprising a number of scholars from different backgrounds to study the impact of the SEM on the various aspects of the region's economic activities. Foreign trade, agriculture, manufacturing, banking, and science and technology seemed to be the obvious areas of emphasis for such a broad topic. It was thus decided that separate studies would be undertaken on each of those areas. It was agreed that, though each area would require specific expertise, they all required a unified perspective and a common outlook. In order to achieve this goal, a number of meetings and brainstorming sessions among the members of the task force took place to ensure the complementarity of the various studies. The fact remains, none the less, that differences in outlooks and perspectives of the authors of the studies cannot be totally eliminated and, in fact, they should not be. It was inevitable in such a collective work to expect some repetition, some differences in scope, measurements and data, and even a few contradictions. This should not be regarded as a source of confusion, but rather as an added advantage. With various opinions and differences in emphasis, the study is greatly enriched. Notwithstanding these few differences, the study as a whole presents a systematic, consistent and complete coverage of the impact of the SEM on the ESCWA region.

During the execution of this ambitious project, a major global event took place, ushering in a new era in international economic relations. This development, the establishment of the World Trade Organization (WTO), followed the conclusion of the Uruguay Round of multilateral trade negotiations held under the auspices of the General Agreement on Tariffs and Trade (GATT). It is bound to have profound effects on the world economy, including SEM itself. In addition, a Euro-Mediterranean initiative was also launched to pave the way for a future partnership between Europe and the south-east Mediterranean region.

Owing to the fact that the various reports comprising this study had reached different stages of progress when these developments occurred, the effects of GATT, the new WTO and the Euro-Mediterranean initiative received varying degrees of treatment in each report. In some reports, they were dealt with extensively while in others only marginally or even not at all.

In order to reconcile the need to preserve the authenticity of each author's contribution, on the one hand, and to maintain the unity and integrity of the entire work, on the other hand, we found it best to present each report in a separate volume along with an introductory summary and recommendations volume. All of the volumes have the same title: *The Impact of the Single European Market on the ESCWA Member*

Countries, as well as a subtitle specifying the particular sector or area of each volume. Thus the complete study comprises the following five volumes:

Volume I	Foreign Trade
Volume II	Agriculture
Volume III	Trade in Manufactured Products
Volume IV	Banking and Finance
Volume V	Science and Technology

Volumes II, III and V were prepared mainly by consultants and are, accordingly, the responsibility of those consultants. In the other volumes, the consultants' work, although separately identified, was supplemented by the ESCWA secretariat. The summary and recommendations volume, which is an overview of the whole study, was undertaken by the secretariat: in it, the main findings and recommendations of the subsequent volumes are outlined.

If one finding of the study stands out, it is perhaps the contrast between the modest performance of the ESCWA region and the impressive achievements of the European economic *rapprochement*. Although both Arab and European efforts to establish a common market started almost concurrently (in the late 1950s and early 1960s), the results achieved by the two sides were diametrically opposed. No less serious is the decline of the ESCWA region's economic clout in the international economy in general, and the European economies in particular. With the passing of the heyday of the 1970s, ESCWA economies have been left with a rather insignificant role in the European market. It is hoped, however, that with the prospects of peace closer to realization than ever before in the region, efforts and resources will be redirected towards more sustainable development.

Hazem El-Beblawi
Executive Secretary

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This is volume II of the study entitled *The Impact of the Single European Market on ESCWA Member Countries,* which was prepared by the Economic and Social Commission for Western Asian (ESCWA). On behalf of the ESCWA secretariat, I wish to express my appreciation to Iacovos Aristidou, Economic and Business Strategy Consultant, Cyprus, for his valuable contribution to this volume.

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INTRODUCTION

1. The present study is submitted as volume III of a larger study undertaken by ESCWA on the impact of the Single European Market (SEM) on the ESCWA region. The complete study covers agriculture, industry, the transfer of science and technology, and trade and banking. This volume analyses the different aspects of the economic and agricultural trade relations between the ESCWA region and the European Union (EU) in order to help the ESCWA member countries to enhance these relations in the context of a changing international economic environment and to identify concrete measures for achieving such objectives.

2. There is no doubt that the common agricultural policy (CAP) of the EU and the developments in the SEM as from the 1 January 1993 had and will continue to have decisive effects on agriculture in the Near East and North Africa (NENA) States, including the ESCWA member countries. ESCWA rightly is focusing attention on these matters, which will constitute the main theme of the present study. In the meantime, certain other developments have taken place both with regard to the EU and globally, with potentially great effects on agricultural trade. It is therefore necessary to examine such topics as GATT 1994, the recent enlargement of the EU through the accession of Austria, Finland and Sweden as from 1 January 1995, and the EU renewed Mediterranean policy. This widened scope of the study will provide ESCWA member countries with a better and more comprehensive policy perspective.

3. The more salient features of the changes now occurring in the structure of the international economic and trading system, particularly as they affect agricultural trade, include some contradictory tendencies ranging from concrete steps for greater trade liberalization and deregulation both globally and locally (the establishment of the World Trade Organization, the GATT Agreement on Agriculture, the reassessment of domestic agricultural policies and the adoption of structural adjustment programmes) to the growing significance of regionalism and regional trade arrangements (completion of the EU single market project, the cooperative agreements of the EU with countries of Central and Eastern Europe). The review of some of these changes will be limited to the specific aim of this study, and that is the promotion of agricultural trade relations between ESCWA member countries and the European Union.

I. AN OVERVIEW OF THE MAIN FEATURES OF THE AGRICULTURAL SECTOR IN SEM, PARTICULARLY THE COMMON AGRICULTURAL POLICY

A. The Single European Market

4. According to the Single European Act[1] "the Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on 31 December 1992" so that "the internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of this (the EEC) Treaty". The Act adopted officially the single market programme that was launched in June 1985 with the publication by the European Commission of its White Paper, completing the internal market, which contained some 300 proposals for action and provided for a seven-year timetable.[2] The creation of SEM was prompted by the desire to exploit fully the gains from a true common market and reap the benefits of increased competition, economies of scale and higher efficiency. More specifically, the objective of SEM was to create the conditions for the free movement of goods, persons, services and capital among the member countries by eliminating all those elements that, despite the progress made towards integration, segmented the EU Market into national markets. Such elements were: existing national restrictions on intra-EU trade, differences in technical standards and differences in value added tax (VAT). The progress made with regard to the creation of SEM is examined in the following paragraphs with a view to highlighting those developments that are important to ESCWA member countries' agriculture. Although the SEM project was mainly an internal exercise in strengthening European integration, it could have great effects on outside trading partners with regard to such matters as conditions of competition, self-sufficiency, demand and standards required. Thus the impact on ESCWA and other developing countries will be mainly indirect.

B. Free movement of goods

1. Elimination of controls at internal frontiers

5. By 31 December 1992, which was set as the deadline for the completion of SEM, many of the barriers on the movement of goods had been gradually removed. Free movement of goods implies that there should be no controls at intra-Community frontiers. Since there are no tariffs on goods moving from one member State to the other, or quantitative restrictions, efforts were concentrated on abolishing other forms of control at internal frontiers. A large number of customs procedures governing the movement of goods have been abolished. Only some "sensitive" goods (such as weapons and drugs) are still subject to spot checks. The only problems remaining concern indirect taxation, the delays in setting up common market organizations for certain agricultural products and alcohol and the adoption of a regulation regarding dual technologies. With regard to standards and other trade rules, in many cases the Commission was led to the adoption of the principle of mutual recognition, which on the one hand ensures and facilitates the free movement of goods of all kinds and on the other hand avoids unnecessary recourse to harmonization. This principle also guarantees the preservation of national diversity (national traditions and customs) of individual members. Of course, this does not apply in the case of health and safety or environmental standards where minimum standards must be observed even under the "Mutual Recognition" principle.

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[1] Adopted at the Summit Meeting in The Hague, Netherlands, it came into force on 1 July 1987.

[2] By December 1992, 253 EU measures out of 282 envisaged in the Strategic Programme of the White Paper of 1985 had been approved by the Council of Ministers and 216 had been applied.

2. *Technical harmonization*

6. The free circulation of goods was impeded by differing national standards and technical regulations. Efforts for technical harmonization at the EU level are being made, especially in the fields of health, safety and environment. For instance, as regards veterinary medicine, all the measures on animal and public health have been introduced and veterinary controls at internal frontiers have been abolished, while controls at external frontiers have been strengthened and harmonized. As far as plant-health legislation is concerned, the measures provided for in the White Paper regarding pesticides have been taken and new plant-health rules have been introduced. New rules on organic farming were also introduced, the existing rules on plants and seeds were improved and extended to cover fruit and ornamental plants, and major decisions were taken, with regard to livestock feed, on dietary nutrition and additives. Finally, a major effort has been undertaken to rationalize legislation on foodstuffs. The directives on various food products (jams, sugar and fruit juice) were regarded as too detailed and new proposals are being prepared to take into account only the essential requirements.

7. Whether the new regulations on technical standards will be a further impediment to exports by ESCWA and other developing countries is not easy to say. It depends on the existing situation, the product concerned and the speed with which each country could conform to the new requirements. Apart from the "Mutual Recognition" principle, which could help during a transitional period, the efforts for harmonization will simplify the situation and exporting countries will now know for sure what they should expect. Prior to SEM and the GATT 1994, non-European exporters faced not only the CAP restrictions, which they will still face, but also a large number of other technical impediments imposed by individual EU-member States, especially in the phytosanitary fields. According to Swinbank (1994), there is evidence that quality standards have been more systematically applied against imported products than on products domestically produced and marketed. Indeed it is reported that checks on fruit and vegetables marketed in Italy had still not been started in 1992. The impending simplification of technical requirements is considered a very promising element not only for traditional suppliers of agricultural products to EU but also for new exporters.

3. *Harmonization of indirect taxation*

8. As of 1995, harmonization on the VAT and on excise duties has not yet been achieved under SEM. However, there are no tax formalities at internal frontiers, and therefore the European consumer can freely purchase, inclusive of tax, the products he wishes anywhere, irrespective of his country of residence. This has been achieved through the introduction of the new VAT arrangements and the definitive rules on excise duties. Proposals on the definitive VAT system were submitted at the end of 1994 and are still under discussion. In general, it is anticipated that under harmonization the demand for agricultural products will be differently affected depending on the product.

C. THE COMMON AGRICULTURAL POLICY (CAP) UNDER SEM: SALIENT FEATURES OF THE 1992 CAP REFORM

9. The development of a CAP mechanism is a basic requirement of the Treaty of Rome (article 40). Article 39 of the Treaty specifies the original objectives. What the Treaty does not specify is the nature of the CAP. In the early 1960s a CAP system was adopted based on supporting market prices of agricultural products together with the dismantling of tariffs on intra-EU trade and the introduction of a common external tariff. The market price support has remained the main policy instrument, while other CAP measures increased over the following 30 years both in numbers and in complexity. During this period the market price support system came under severe criticism and pressure, but the remedies to the problems created were tried on an ad hoc basis. It was under the 1992 CAP reforms that the switch from the market price support to direct income support was attempted. The results of this switch are not as yet fully evident.

10. Over the years the system of market price support was turned into a system of support of earnings of persons engaged in agriculture, thus promoting unduly one of the CAP objectives specified in the Treaty of Rome (article 39) and completely disregarding another objective, to ensure that supplies reach consumers at reasonable prices. In fact support prices for major agricultural items have been set at levels well in excess of those of world markets. As a consequence, not only have European farmers been supplying a growing proportion of domestic requirements, but also the Community has become a major exporter of cereals, beef, dairy products, sugar, wine and processed agricultural products. The policy covered over the years all the major agricultural products produced within the EU with the exception of potatoes. The policy is financed by a special section of the Community budget, the European Agricultural Guidance and Guarantee Fund (FEOGA). The Guidance Section finances structural reforms, and the Guarantee Section, the main one by far, finances market policies.

11. The market price support system is implemented through three basic instruments:

(a) Import levies, varying daily according to import price levels, oblige external suppliers to sell within the Community above a "threshold" price. This system protects the EU producers against world price fluctuations and creates revenues for market support expenditures.

(b) Export refunds, provided to EU exporters to cover the difference of prices between selling at home and at lower world market prices.

(c) Intervention prices at which EU farm products are purchased when oversupply pushes market prices at home below predetermined levels.

12. The policy instruments described above apply to the so-called "temperate" or "northern" agricultural products. For the so-called "Mediterranean" products, about which the ESCWA member countries are particularly concerned, the EU uses a variety of instruments, as follows:

(a) Fresh fruits and vegetables: The CAP for fresh fruit and vegetables uses the following instruments for support:

(i) The common customs tariff (CCT) applied to all imports from third countries. The CCT varies according to the product, the season and the country (if the country is accorded preferential treatment or not);

(ii) For a number of products, reference prices are fixed. The reference price system covers most imported fruit and vegetable products that compete with EU production. The reference prices are lower at the peak of the production season in EU member countries. They offer the lowest level of protection during this period. They are higher at the beginning and end of the EU season to protect out-of-season high-cost producers. As is known, the reference price system works as follows: if the wholesale price of an imported product minus CCT is lower than the reference price for a certain period, a countervailing charge is imposed. If a country has been given concessions by the EU under a bilateral agreement or otherwise, its exporters will be able to reap higher export prices in the EU markets but they will still have to abide by the minimum wholesale price. In addition to further tariff concessions granted to Mediterranean countries on the occasion of Spain's accession to the EU, some limited reference price concessions were also given. Thus, for some selected commodities and in a limited quantity, the minimum wholesale price applied up to 1995 was less than the reference price plus the CCT, and after the abolition of CCT in 1995 equal to the reference price itself. Egypt was among the Mediterranean countries benefiting from this arrangement (on fresh oranges);

(iii) The market intervention applied is in the form of producer group withdrawal rather than purchase by official "intervention agencies";

(iv) The EU exports of fresh fruits and vegetables outside the EU are eligible to receive export subsidies. It should be mentioned that a basic feature of the support system for fruits and vegetables is the adherence to quality standards (quality, size, packaging and labelling) derived from the Geneva standards established by the Economic Commission for Europe. Quality standards apply to imported and domestically produced items, at all stages of the marketing process. Member States are responsible for the enforcement of quality standards, though a Permanent Inspectorate of fruit and vegetables has been established for price and quality standards.

(b) Potatoes: Unlike other fruits and vegetables, potatoes are not subjected to a common market organization under the CAP, despite the fact that the potato is a product of major concern to EU producers. Though various changes were effected in the potato regime over the years, no reference price system has been adopted for new potatoes. In 1992, in view of the SEM and the potential threat from Eastern European countries, new steps were introduced regarding the treatment of potatoes, which envisaged, *inter alia*, the granting of aid for the establishment of producer organizations and the adoption of a common system to regulate imports through the issuing of import licences in order to offer protection against "dumped imports". At the same time, all existing national import charges and import quotas would be gradually abolished.

(c) Wine products: Excessive production of wine in the EU as well as the varying quality of wine products led the Community to adopt a complex system of support, occasionally on an ad hoc basis. The Community has enacted a mass of legislation on oenological practices and wine marketing concerning grapes, minimum alcoholic strength, wine-making practices and region of origin. The EU common market in wine envisages the fixing annually of guide prices as well as activating prices (up to 92 per cent of the former). When market prices fall below the activating prices, various intervention measures are introduced. These measures, involve, *inter alia*, aids for private storage and distillation of various types, and the use of grape malt for enrichment or for the production of grape juice or wine. In addition EU wines are protected from external competition through an import duty on imported grape musts, wines and liqueurs, while exports from the Community receive subsidies. At some points in time the planting of new areas for table wine production was banned and rules regarding replanting of vineyards were adopted with a view to improving quality wine production. Finally, reference prices for table wines are fixed annually; they are equal to the guide prices plus certain marketing cost. At the border, imports are monitored to make sure that reference prices are respected and specific duties are imposed. The price comparison is between the import price plus the duty paid and the reference price. The protection regime has remained more or less the same over the years. The 1992 reforms envisage, *inter alia,* measures for non-rotational set aside for wine. Under the GATT 1994 commitments, reference prices have been replaced by entry prices and tariffs by specific duties and/or a combination of the two. In addition a new policy on wine, and wine products will come into operation at the start of the 1995/1996 wine year. The main aim is to control production and impose quality control by taking action either at the level of the production area or at the level of yields. The main instrument to be used will be multiannual regional viticultural adjustment programmes.

(d) Processed fruits and vegetables. Processed fruits and vegetables are CAP products. The support system comprises the imposition of a CCT, an additional sugar duty for products with a high sugar content, the monitoring of imports through an import licensing system for certain "sensitive products", the granting of export refunds and the granting of production aids. In view of high CCT rates and substantial aids for some products, exporting to the EU market has been a very difficult task. Under the GATT 1994 schedule of commitments, a set of *ad valorem* tariffs plus, in most cases, a specific duty will be used for regulating imports.

13. To complete this overview of the CAP under SEM, some of the reforms effected in 1992 which are not explicitly referred to above must be examined. This will provide the basis for assessing the new thinking in the EU, while completing the picture on the CAP reform of 1992. The main features of the measures agreed, most of which involve changes over a three-year transition until the marketing year 1995/1996, are:

(a) A reduction of about one third in the cereal intervention price (by 1995/1996 it will fall to 100 green European currency units (ECU)[3] per ton). The threshold price (i.e. world price plus import levy) at 155 green ECU per ton still remains an important protective element. Lower cereal prices will permit reductions in aid payments for oilseeds and protein crops and lower support prices for milk and beef.

(b) Compensation through direct area payments based on historical base areas and regional yields, subject to 15 per cent rotational set aside for such crops grown by all except small farmers. Proposals will be drawn up for non-rotational set aside of land.

(c) Compensation through direct headage payments (premiums) subject to a maximum stocking rate per fodder hectare of land by 1996.

(d) A reduction in the ceiling for normal beef intervention buying from 750,000 to 350,000 tons by 1997.

(e) An agro-environmental package aimed at more extensive means of production and the use of land for natural resource protection and public leisure.

(f) Aid for forestry investment and management for up to 20 years compensation for income loss.

(g) Various forms of compensation for early retirement, including lump sum or annual payments, for farmers and farm workers over 55.

14. The 1992 CAP reform will have a positive impact on world market prices for cereals and to a lesser extent on the prices of by-products. This will compensate to a certain extent the increasing export prices of these products as a result of the reduction of export subsidies under the GATT Agricultural Agreement. To what extent lower prices of "temperate" products together with the positive measures to "rebalance" EU agriculture and reduce the use of inputs (land, labour, animals) in farming, all ingredients of the 1992 reform, will allow outside countries including ESCWA member countries, to improve their agricultural position, it is not easy to assess. All these internal measures, coupled with the measures to be taken under GATT 1994 (simplification of market access, reduction of domestic support and reduction of export subsidies) are all measures pointing to a gradually changing division of activities among countries and groups of countries on a comparative advantage basis.

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[3] 1 green ECU = 1.207509 commercial ECU (end of 1994).

15. As for fresh fruits and vegetables the Commission has stated that "the existing stabilizing arrangements involving intervention thresholds with a reduction in basic and buying-in prices in the event of the threshold being exceeded have been successful in bringing production and expenditure under control. At this stage there are no substantive reasons for modifying the regime". Under the stabilizer system (first introduced in 1987 for tomatoes and extended to other products), if the threshold of production is exceeded, basic and buying-in prices for the product are reduced in the coming year on a progressive scale up to 20 per cent maximum. In this way some reductions in buying-in prices have been effected in the case of these fruits and vegetables, before the reduction of the prices in some "temperate" products in the 1992 CAP reform.

16. The effect of the stabilizer scheme on fruit and vegetable imports from other countries, including ESCWA member countries, will depend on the following:

(a) In cases of over-production in the EU (and this will be the tendency when Spain's production is normally incorporated in EU production), lower withdrawal prices will mean lower market prices and a tendency for this over-production to displace imports (rather than produce being withdrawn).

(b) If the stabilizer system is successful and EU production is constrained, then some room might be made for imports.

(c) If the non-withdrawn EU production is exported (subsidized) to other countries, this might mean increased competition in other markets for the produce of third countries.

17. The main CAP market support mechanism measures under the SEM for the products that interest or might potentially be of interest to ESCWA member countries are summarized in Stevens (1994). Under GATT 1994 EU commitments, the reference price system is being replaced by entry prices, and variable levies by *ad valorem* tariffs and specific duties.

D. The enlargement of the European Union

18. As of 1 January 1995 the EU was enlarged through the addition of three more countries: Austria, Finland and Sweden. In this way the total EU population has increased to 370 million and the total GDP by 7 per cent. Since no transitional stage is envisaged, these three countries should be considered as full members from that date. To what extent the new enlargement will affect ESCWA member countries depends on the volume of trade in agricultural commodities, especially of exports of each individual country, with the three new members. As for the trade regime that will apply now in the three countries, the question is the extent to which this will be different from the one that applied as from 1993 under the Agreement establishing the European Economic Area (now it is applied only for Iceland and Norway). It should be noted that in the free trade agreement concluded between the EU and the European Free Trade Association (EFTA) countries, it was stipulated that where more than 50 per cent of the EU production emanated from Greece, Ireland, Portugal and Spain, the EFTA countries would grant duty-free access. This stipulation obviously favoured some Mediterranean products. One should normally expect the EU enlargement to have some trade creation effect, as in the case of SEM, as a consequence of increased EU overall income. This will be particularly true for those ESCWA member countries with economic cooperation agreements with the EU, which should be extended to the new members as well.

E. The EU agreements with Central and Eastern Europe

19. The EU has shown considerable interest in enhancing its economic relations with Central and Eastern European countries after the political and economic changes that have taken place there, through the signing

of Association Agreements with a number of them (Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia). The Agreements came into effect as from 1993. In the field of agricultural products the Agreements provide for reciprocal or unilateral concessions on market access. For fruits and vegetables, the EU concessions are in the form of increasing tariff quotas and decreasing tariffs for an initial five-year period. In some cases minimum import prices have been introduced, especially where low labour costs could create problems for the EU producers. What is also very important in the Agreements is the provision for "triangular trade" in the form of the EU granting the financial means to be used for purchase of food items from these countries under its food aid programme to the Commonwealth of Independent States.

20. The potential for increasing agricultural production in fruits and vegetables in Central and Eastern Europe is very good. This includes items such as potatoes, tomatoes, cucumbers, beans, onions, grapes, wine, peaches and apples that are of direct interest to ESCWA member countries. In fact Poland could produce more potatoes than all the EU member countries; Poland is also one of the major producers of apples in Europe, and Hungary was one of the world's largest apple exporters up to 1988. Of course, these products are not always in direct competition with those of ESCWA member countries, especially from the point of view of season of production. Furthermore, the whole scene with regard to production and marketing of such products in Central and Eastern Europe is not as yet clear. It will depend on the new agricultural product mix to be developed in these countries on the basis of the new demand patterns and the new marketing arrangements to evolve after the recent socio-economic changes.

F. The European Union's renewed Mediterranean policy

21. The European Union's Mediterranean policy was decided at the Paris Conference in 1973. In the latter half of the 1970s the EU concluded Cooperation Agreements and Protocols with other Mediterranean countries, including Egypt, Jordan, Lebanon and the Syrian Arab Republic. With regard to trade policy, three objectives were set: to increase trade, to improve access of products to the Community and to achieve more balanced trade. New protocols were added in the 1980s, this time to safeguard their agricultural exports from and Portuguese competition and maintain traditional export flows. For products falling under this category, tariffs were to be reduced to zero in 1995. Under the renewed Mediterranean policy, which was decided in December 1990, in view of SEM, the Council of Ministers decided to grant additional concessions for agricultural products. Eventually this turned out to be another commitment to continuing traditional export flows by bringing forward tariff dismantling scheduled for 31 December 1995 at the latest to 1 January 1993 and increasing by 5 per cent (3 per cent for certain sensitive products) tariff quotas or reference quotas for each year between 1992 and 1995.

22. The declared purpose of the Cooperation Agreements was to promote overall cooperation between the contracting parties, not only to regulate and enhance trade relations but also cooperation in other economic, technical, financial and social matters, both bilaterally and multilaterally. For these purposes four generations of financial protocols have been signed with all four countries (Egypt, Jordan, Lebanon and the Syrian Arab Republic), the latest protocol covering the period 1992-1996.

23. As noted above, there was a considerable increase in the exports of agricultural products from ESCWA member countries in general, including the countries with cooperation agreements with the EU, between 1983 and 1992. As far as the trade balance is concerned there has been a general deterioration with regard to ESCWA member countries. The Community's Mediterranean policy did not have a significant impact on the improvement of the trade deficit. In fact, up to the end of the 1980s Egypt recorded the largest deficit among Mediterranean countries. Though these unfavourable developments cannot be attributed to the failure of the EU Mediterranean policy alone, it is true that tariff concessions were extended to only a selective number of agricultural products, whereas exports to the EU had to face a number of other protectionist measures such as quotas, calendars, reference prices, even safeguard clauses. From 1990

onwards new entry prices were introduced for certain products in order to reduce the protectionist effect of reference prices to apply, in case exports in the previous year fell.

24. The results of overall and regional cooperation also fell short of expectations. Cooperation in such fields as financial cooperation, transfer of technology and research and development was rather disappointing because of the failure of the EU to stimulate the necessary interest and to provide adequate funds. Among the aims of the financial protocols signed with the signatories from the Mashreq area[4] were the development and diversification of agricultural production to alleviate dependence on food imports and also the diversification of agricultural exports to achieve greater complementarily between various Mediterranean subregions.

25. The renewed Mediterranean Policy of the EU for 1992-1996, as far as the Mashreq countries is concerned, envisages the allocation of 921 million ECU (20 per cent increase over the previous protocol) for loans, risk capital and grants for the execution of development projects, the implementation of structural adjustment programmes, the abolition of duties by 1993, and the granting of some additional reference quantities on agricultural products covered by the respective Agreements, and the promotion of horizontal financial cooperation among Mediterranean countries, especially in the execution of regional and environmental projects. In addition, it has been decided to strengthen the existing cooperation between the EU and these countries in the fields of technology and energy.

G. THE EUROPEAN UNION'S GATT COMMITMENTS ON AGRICULTURE

1. The GATT Final Act 1994

26. After the marathon Uruguay Round of multilateral trade negotiations, the GATT Final Act was signed in Marrakesh, Morocco, on 15 April 1994 by 117 countries. The Final Act consisted of a number of Agreements and Decisions, including: the establishment of the World Trade Organization (WTO), the Agreement on Agriculture, the Agreement on the Application of Sanitary and Phytosanitary Measures, the General Agreement on Trade in Services, the Agreement on Textiles and Clothing, and the Agreement on Technical Barriers to Trade. A number of agreements and decisions will have direct or indirect implications for trade in agriculture. The two most important from the point of view of the present study are: the Agreement on Agriculture and the Agreement on the Application of Sanitary and Phytosanitary Measures. The long-term objective of the former is to promote the establishment of a fair and market-oriented agricultural trading system and the objective of the latter to minimize the negative effects on trade as a result of the application of sanitary and phytosanitary measures by restricting such measures to the extent necessary to protect human, animal or plant life or health and based on scientific evidence. Thus, both agreements are designed to assist in augmenting international trade through progressive liberalization.

27. The Agreement on Agriculture specifies binding commitments by each contracting member in each of the following areas: market access, domestic support and export competition regarding the products covered. Agricultural products covered include those falling under the Harmonized System (chapters 1 to 24 [except for fish and fish products]) plus certain other products such as hides and skins, raw silk, and silk waste, wool and animal hair, raw cotton, raw flax and raw hemp (article 2, annex 1 to the Agreement on Agriculture). Subsequently, each member country shall not maintain, resort to or revert to any measures tantamount to additional customs duties or provide domestic support or export subsidies in excess of the commitment levels or in respect of any agricultural product not specified in its schedule of commitments. It should be noted that all the agreements contained in the Final Act were to come into force in 1995.

[4] This includes the following ESCWA members: Iraq, Jordan, Lebanon, Palestine and the Syrian Arab Republic.

2. *The commitments of the European Union*

28. In what follows, the meaning and the nature of the GATT 1994 commitments will be demonstrated through an analysis of the EU commitments for the agricultural products found to be most important in exports from the ESCWA member countries to the EU especially fruits and vegetables (see table 5 and chapter IV). As there are still some ambiguities with regard to the way that the EU will implement its commitments, the subsequent analysis could eventually change in this regard. It should not be forgotten that the Agreements are complex and therefore allow members a considerable degree of discretion. Of course, any trade dispute that could arise because of different interpretations will be dealt with by the WTO.

3. *Market access*

29. Member countries were asked to convert into customs duties (tariff equivalents) all border measures (such as quantitative import restrictions and variable import levies). Only non-tariff measures imposed and maintained for balance of payments reasons or under GATT general safeguard and exceptional provisions were excluded from tariffication. The level of tariff equivalents after tariffication, the base rate of duty, constituted the base level for implementing reduction commitments. All tariffs then had to be reduced by at least 15 per cent per tariff line, and by 36 per cent on average, over the implementation period (1 July 1995 - 1 July 2000). Developing countries are required to reduce tariffs by 24 per cent over a 10-year period. The least developed countries were exempted from any tariff reduction commitments, as well as any reductions in domestic support or export subsidies of agricultural products. In addition, developed countries will allow the importation of a minimum quantity of a certain product on the basis of the 1986-1988 imports, which will be increased over the implementation period on a most favoured nation basis. A participant country could invoke a safeguard provision (specified under the acronym SSG) in connection with the importation of an agricultural product and impose an additional duty until the end of the year which could not exceed one third of the applicable ordinary duty for that year. The safeguard provision can be invoked when imports exceed a volume-trigger or fall below a price-trigger, but not concurrently, provided the average quantity or minimum access opportunity represents commercially significant levels of imports.

30. The commitments of the European Union with regard to market access could be separated into two main groups. The first represents all products that are protected by the imposition of an import duty and the second those products that are protected through the imposition of a variable levy and/or a specific duty and those that are protected through a common customs tariff and through the operation of the system of reference prices. In both cases the import levy and the CCT might change during the year (even daily for import levies), providing additional protection to EU farmers in season. The reference price system sets out minimum import prices for imports from third countries, which the latter have to observe. If they do not, a countervailing charge is imposed against subsequent imports of the product from that country. This will be detected *a posteriori* after the product has been disposed of. Finally, protection of domestic produce in both cases could be imposed under various safeguard clauses, including phyto-pathological reasons.

31. Table 5 lists, among other things, the EU schedule of GATT commitments, submitted in February 1994, for the most important agricultural products exported from ESCWA member countries to the EU. Column 3 depicts the base rate of duty (bound rate of duty in GATT or the actual rate of duty applied on 1 September 1986) and column 4 the new bound rate of duty to be applied in the year 2000. The latter is reduced by 36 per cent on average or by no less that 15 per cent per tariff line. In the case of certain products, there will be simply a new tariff in 2000, lower by the above percentage(s). For instance, for tariff item 13021200 (vegetable saps and extracts of liquorice) which currently carries a 5.0 per cent tariff, the tariff rate will be reduced by 36 to 3.2 per cent in 2000. For some products, not only a tariff rate but also a minimum amount of tariff is specified. For example, for tariff item number 08101010 (strawberries from 1 May to 31 July) the duty to be paid is the higher of an ad valorem rate of 16.0 per cent or a specific rate

of 3.0 ECU/100 kg net, to fall to 12.8 per cent and 2.4 ECU/100 kg net in the year 2000 (see chapter IV). Thus from 1995 onwards, the tariff will be progressively reduced by 20 per cent for most fruits and vegetables. For some a further tariff decrease has been foreseen, from 36 to 50 per cent and even 100 per cent.

32. With regard to products for which additional border measures were applied, e.g. a minimum import price regime, of reference prices for certain fresh fruits and vegetables, the new tariff rates will be subject to entry prices. For example, for tariff item number 08061015 (grapes) the entry price to be applied during the period 21 July to 31 October will be 570 ECU/ton. If the actual entry price of a certain consignment is lower than the entry price specified, then a countervailing charge will be levied. When the shortfall is small (not more than 8 per cent of the entry price—12 per cent for apples and pears during the period 1 April to 30 June) the extra charge will be equal to the shortfall. But if the shortfall is more than these, the countervailing charge that can be levied is specified in the commitment schedules as a Maximum Tariff Equivalent (MTE). The MTE will be reduced during the application period. Entry prices will also be reduced by the same amount. Finally, the EU GATT commitments have been subjected to Special Safeguard Provisions (SSG) in all instances where the minimum entry price is not respected.

4. Domestic support

33. Participating countries committed themselves to reduce domestic support amounts in favour of agricultural products. The reduction commitment was expressed in terms of Aggregate Measurement of Support (AMS) for the farm sector in 1986-1988, which was to be reduced by 20 per cent over the implementation period (14 per cent over 10 years for developing countries). Both "green box" support measures, i.e. domestic measures, specified in the Agreement, that have no, or at most minimal, trade-distorting effects or effects on production and relatively small payments (*de minimis* rule) are excluded from AMS and, therefore, from reduction.

34. The EU has declared its annual AMS at 73,540 billion ECU for the base period (20.1 billion ECU for cereals, excluding rice, 5.1 billion ECU for sugar, 18.5 billion ECU for beef and 8.7 billion ECU for fresh fruits and vegetables). In view of the nature of such an aggregate figure, its reduction by 20 per cent over five years will not have a significant impact on the EU CAP. In addition, given the method of estimating AMS used, the result for fruits and vegetables is an overstatement (Swinbank, 1994).

5. Export competition (export subsidies)

35. Measures that are subject to reduction commitments on export competition are defined in the Agreement. Budgetary outlays in respect of these measures have to be reduced by 36 per cent and the volume of subsidized exports by 21 per cent of the 1986-1990 levels during the implementation period (24 per cent and 14 per cent respectively over 10 years for developing countries).

36. The EU has undertaken to reduce export subsidies in respect of 19 product groupings plus incorporated products. The list included some very important items imported or exported by the ESCWA member countries (wheat and wheat flour, course grains, rice, sugar, butter, cheese, beef, poultry meat, fruits and vegetables). Among the fresh fruits and vegetables there are such products as tomatoes, oranges, mandarins (including tangerines and satsumas), clementines, lemons and limes, grapes, apples and peaches (including nectarines). The amounts of export subsidies listed as base outlays in the schedule and the relevant quantities will be reduced as above over the period 1995-2000, and the EU cannot introduce export subsidies for other agricultural products in respect of which subsidies were not granted during the base period. It is not clear as yet how the reduction will affect individual products, destinations, and calendars.

II. MAIN ASPECTS OF TRADE IN AGRICULTURAL COMMODITIES BETWEEN ESCWA MEMBER COUNTRIES AND THE EUROPEAN UNION

A. OVERALL TRADE SITUATION

37. Before embarking on an analysis of trade in agriculture between ESCWA members and the EU, it is useful to review the overall trade situation between the EU and ESCWA member countries, which reveals the economic links that exist and affect the future prospects of cooperation between the two areas in specific fields. As can be seen from table 1, there is a substantial deficit in total trade against the ESCWA member countries, which has tended to rise in recent years. Regarding individual countries, only the Syrian Arab Republic has shown a consistent surplus during the period 1990-1992, having overcome the deficit experienced in 1983. The large surpluses of other oil-exporting countries, such as Saudi Arabia and the United Arab Emirates, in 1983, were turned into substantial deficits in 1992. Thus despite the huge net exports of fuel products (mainly petroleum, petroleum products and related materials) to the EU, ESCWA member countries cannot pay for their total imports with exports. In fact, in 1992 their 13 billion ECU trade surplus on fuel products resulted in an 8.7 billion ECU total deficit. Net receipts from fuel products accounted in 1992 for 51 per cent of total imports. Of course, this state of affairs should be attributed to a large extent to the lower oil prices prevailing during recent years.

TABLE 1. GENERAL SUMMARY OF EUROPEAN UNION TRADE WITH ESCWA MEMBER COUNTRIES (IMPORTS - EXPORTS - TRADE BALANCE, 1990 AND 1992)

(Millions of ECU)

	1983			1992			
	Import	Export	I-E	Import	Export	I-E	NIFP*
1. Bahrain	96	770	674	115	694	579	-14
2. Egypt	3 274	5 773	2 499	2 489	3 604	1 115	-1 501
3. Iraq	4 452	4 820	368	38	100	62	-36
4. Jordan	97	1 446	1 349	96	790	694	-
5. Kuwait	3 019	2 930	-89	813	1 680	867	-610
6. Lebanon	39	1 770	1 731	78	1 296	1 218	+51
7. Oman	818	1 233	415	128	905	777	-
8. Qatar	1 030	781	-249	200	588	388	-31
9. Saudi Arabia	15 607	14 615	-992	9 660	10 046	386	-8 488
10. Syrian Arab Republic	826	1 290	464	1 511	1 053	-458	-1 303
11. United Arab Emirates	4 337	3 051	-1 286	1 440	4 462	3 022	-714
12. Yemen	-	-	-	408	465	57	-380
A. Total 1-12	33 595	38 479	4 884	16 976	25 683	8 707	-13 026
B. Total Extra-EU	341 699	300 621		487 730	435 660		
C. A/B percentage	9.8	12.8		3.5	5.9		

Source: EUROSTAT, External Trade and Balance of Payments - 1993.

*NIFP Net imports of fuel products.

38. The EU has a special interest in the ESCWA region, not only as a source of oil (it derived about 24 per cent of its imports of petroleum and petroleum products outside the EU from ESCWA members in 1992) but also as a trading partner contributing considerably to its exports. The EU draws some 4 per cent of its extra-EU imports from the region (almost 10 per cent in 1983) and exports almost 6 per cent of its total exports outside the Union to the ESCWA member countries (13 per cent in 1983). On the other hand, the ESCWA region's total exports are directed to the EU, to the extent that 17 per cent and 32 per cent of its imports come from the EU (averages of 1990/1991 and 1992). When analysing further the direction of overall trade, the picture that emerges is a diversified one. The principal or secondary trading partner of individual ESCWA member countries can be another ESCWA member country or a distant country such as the United States of America, Japan, the Republic of Korea, Australia or the former Soviet Union, India or Singapore. For the purposes of this study, trade with the EU is focused on trade in agriculture, in which there are good prospects and for which both sides have an interest in seeing these prospects realized. However, the potential for a more diversified trade, especially intraregionally with the Eastern European countries and the ASEAN (Association of South-East Nations) region should also be explored.

B. TRADE IN AGRICULTURAL COMMODITIES

39. Table 2 provides information on total agricultural imports and exports by each ESCWA member country for 1983 and 1992. Total imports of such products by all ESCWA member countries amounted to around \$15.4 billion (11.8 billion ECU). Exports during that period amounted to 17 per cent of imports, at \$2.6 billion (2.0 billion ECU) in 1992. The huge trade deficit in food and other agricultural items could alone explain the overall trade deficit described above. It is interesting to note that 10 years earlier, in 1983, imports were almost the same (\$15.7 billion or 17.6 billion ECU), but agricultural exports accounted for only 11.5 per cent of agricultural imports (exports amounted to \$1.8 billion or 2.0 billion ECU). The overall agricultural trade balance improved from a deficit of \$13.8 billion to \$12.7 billion between 1983 and 1992. The leading country in imports in both years was Saudi Arabia (over 30 per cent of the total), followed by Egypt, whereas in exports Egypt lost its prominent position of 1983 to the Syrian Arab Republic, the United Arab Emirates and Saudi Arabia. It should be noted that in recent years about 20 per cent of ESCWA members' agricultural exports have been going to, and 30 per cent of ESCWA members' imports have been emanating from, the EU.

40. In 1992, total agricultural exports[5] to the EU amounted to approximately 191 million ECU, representing 0.42 per cent of total imports of same products by the EU countries from third countries (table 3). In 1983, 10 years earlier, total exports amounted to approximately 107 million ECU and accounted for only 0.27 per cent of total extra-EU imports. This underlines a positive development manifested also in the upward trend followed, year-in year-out, by exports in absolute amounts, with the exception of Iraq, where agricultural exports dropped dramatically in both absolute and relative terms for political reasons. The negative growth rates experienced by Saudi Arabia and Qatar between 1983 and 1992 do not reflect the volumes of exports realized by these two countries during this decade, which was characterized by a very high increase in the former country and more or less stability in the latter country. All other ESCWA member countries witnessed substantial annual growth rates in their agricultural exports to the EU. The overall annual rate of growth was 6.6 per cent. The individual country contributions to total exports are very uneven. Almost 63 per cent (68 per cent in 1983) was contributed by Egypt, followed by the Syrian Arab Republic (12.1 per cent), Oman (5.8 per cent), Lebanon (5.2 per cent) and Saudi Arabia (4.1 per cent).

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[5] Statistics on agricultural exports are not comparable with those in the previous paragraph owing to differences in definition.

TABLE 2. ESCWA MEMBER COUNTRIES' TRADE IN AGRICULTURAL PRODUCTS, 1983 AND 1992

(Millions of US dollars)

	1983					1992				
	Imports	%	Exports	%	I-E	Imports	%	Exports	%	I-E
Bahrain	244	1.6	4	0.2	240	286	1.9	9	0.3	-277
Egypt	3304	21.1	726	40.3	2578	2624	17.1	401	15.2	-2223
Iraq	1932	12.3	51	2.8	1881	1071	7.0	22	0.8	-1049
Jordan	612	3.9	145	8.1	467	733	4.8	187	7.1	-546
Kuwait	1025	6.6	101	5.6	924	637	4.1	6	0.2	-631
Lebanon	602	3.9	171	9.5	431	1028	6.7	148	5.6	-880
Oman	366	2.3	27	1.5	339	529	3.4	72	2.7	-457
Qatar	214	1.4	-	-	214	304	2.0	15	0.6	-289
Saudi Arabia	4732	30.2	80	4.4	4652	4751	30.9	532	20.1	-4219
Syrian Arab Republic	913	5.8	279	15.5	634	711	4.6	664	25.2	-47
United Arab Emirates	1030	6.6	187	10.4	843	1792	11.7	534	20.2	-1258
Yemen	680	4.3	31	1.7	649	885	5.8	51	2.0	-834
Total ESCWA	15654	100.0	1802	100.0	13852	15351	100.0	2641	100.0	-12710
In ECUs (Mln)	17584[a/]		2024			11826[b/]		2035		

Source: FAO Yearbook - Trade, 1992.

a/ US $1= 1.123318 ECU in 1983.
b/ US $1= 0.770363 ECU in 1992.

41. ESCWA member countries' exports to the EU and the relative importance of such exports by code number (CN) chapter in 1992 were:

Chapter 07 - Vegetables (by far the largest)
Chapter 05 - Animal products
Chapter 03 - Fish and crustaceans
Chapter 17 - Sugar
Chapter 08 - Fruit and nuts
Chapter 12 - Oilseeds

(a) The ESCWA member countries supplied 0.67 per cent of total extra-EU imports of fruits and vegetables, which is well above the average for the whole range of agricultural products.

(b) With the exception of chapters 11 (Products of the Milling Industry) and 18 (Cocoa and Cocoa Preparations), all the other categories of agricultural commodities are represented on the map of exports of ESCWA member countries to the EU.

42. The above presentation of products is general. In order to shed more light on the specific agricultural items that ESCWA member countries have been exporting to the EU, table 5 was constructed, showing the same products at 8-digit level (except fruits and vegetables, dealt with in chapter IV). These products represent the five main products exported in sizeable amounts in 1992 irrespective of country and for which there is a change of import policy under GATT. For the latter reason, table 5 does not include one of the main exportable items, fish and fish products.

C. Trade policy on agricultural products in ESCWA member countries

43. With regard to agriculture, the main characteristic of the ESCWA region is the widening gap between agricultural and food production and demand (consumption) and the increasing dependence on food imports. Looking at the region as a whole, it can be seen that production of major food commodities and other items increased substantially during the 1970s and the 1980s (especially cereals, coarse grains, milk, meat, sugar, citrus and wheat). The rapidly increasing consumption caused the trade balance for the region to be adverse, even in items where a subregion had a surplus of exports over imports (e.g. citrus, rice). With the exception of certain items, the self-sufficiency ratio for most major food commodities decreased during the above decades for the region as a whole.

44. This overall picture, of course, hides some notable exceptions when looking at individual products and/or subregions, which not only point out the possibilities for production, but also for interregional trade. Such examples are the marked improvement in the self-sufficiency ratio in wheat and meat (Arab Peninsula), in citrus (West Asia) and the containment at more or less the same levels of the ratios of milk and meat (North and East Africa) and of milk (West Asia).

45. There are certain aspects of trade policy on agricultural products that warrant attention. There is the question of intraregional cooperation. An exercise carried out utilizing the 1987 FAO (Food and Agricultural Organization of the United Nations) trade matrices showed that, though ESCWA member countries trade much more among themselves than with the rest of the Near East and North Africa (NENA) countries, overall trade between ESCWA members is very low compared with the ESCWA members' trade with the rest of the world. Yet the large food and other agricultural commodity deficits experienced in neighbouring countries could be at least partly met through an improvement in production levels in others. This should normally be expected to happen in the future, and trade policies should be adapted to take it into account. It is well known that the agricultural sector has generally been given low priority in the region. Government agricultural policies have contributed to the underutilization and degradation of agricultural resources. Unbalanced policies, extensive subsidization of inputs (including scarce water), lack of appropriate pricing mechanisms for both resources and products and inappropriate land tenure systems were among the factors that discouraged full exploitation of the agricultural potential of the region. In addition, the lack of consistent and adequate incentives to farmers to maintain, conserve and develop the natural resource base, coupled with the low-cost food policies of Governments, led people out of rural areas (and farming) while fertile land was abandoned or used for housing construction.

TABLE 3. TOTAL AGRICULTURAL EXPORTS TO THE EUROPEAN UNION BY ESCWA MEMBER COUNTRIES, 1983-1992

(Thousands of ECU)

	Egypt	Bahrain	Iraq	Jordan	Kuwait	Lebanon	Oman
1983	73038	110	7185	1067	521	4530	120
1984	99424	41	2924	1327	582	4148	190
1985	72958	455	5261	1360	721	8362	4524
1986	75794	234	3491	1931	1109	9655	3280
1987	86970	294	3441	2271	1253	10291	1966
1988	86444	1254	2471	2385	381	10555	6801
1989	85095	1042	2535	5642	3200	10047	9011
1990	96872	832	2587	3761	7521	8920	15004
1991	133288	324	295	4043	783	11736	10075
1992	119343	757	343	3941	4823	9986	11136
Annual growth %	5.6	23.9	-28.7	15.6	28.1	9.2	65.4
% in total 1992	62.6	0.4	0.2	2.1	2.5	5.2	5.8
% in total 1983	68.0	0.1	6.7	0.9	0.5	4.2	0.1

TABLE 3. *(continued)*

	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Yemen	Total	% total EU imports
1983	265	8164	9694	1506	1230	107430	0.27
1984	105	1278	9680	2387	914	123000	0.27
1985	45	1996	4917	1535	4778	106912	0.23
1986	244	7152	6458	2905	5895	118148	0.28
1987	244	26232	10028	4912	8444	156346	0.40
1988	389	44060	12843	4842	7504	179929	0.44
1989	289	46339	18024	6020	8482	195437	0.46
1990	100	34868	19364	6430	5703	201962	0.48
1991	378	11949	21027	5891	6711	206500	0.46
1992	193	7847	23034	3219	6172	190794	0.42
Annual growth %	-3.5	-0.4	10.1	8.8	19.6	6.6	
% in total 1992	0.1	4.1	12.1	1.7	3.2	100.0	
% in total 1983	0.3	7.6	9.1	1.4	1.1	100.0	

Source: Christopher Stevens, *Implications of European Union Policy changes (notably on the GATT and CAP) on Agricultural Development in the Near East and North Africa Region* (1994).

TABLE 4. TOTAL AGRICULTURAL EXPORTS TO THE EUROPEAN UNION BY COUNTRY AND BY MAIN CODE NUMBER CHAPTER, 1992

(Thousands of ECU)

Country/code	Egypt	Bahrain	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Yemen	Total
01	1080	-	-	-	24	-	-	24	-	-	-	-	1128
02	-	36	-	-	-	-	-	-	-	-	80	-	116
03	8077	14	16	-	51	-	10407	13	1003	240	424	5081	25326
04	-	-	-	-	-	-	-	-	149	-	-	-	149
05	7264	83	-	-	218	4437	-	-	672	14135	791	-	27600
06	-	-	-	-	-	-	-	18	121	-	-	-	139
07	63372	555	4	588	-	272	-	-	-	2831	-	-	67622
08	9753	-	24	745	-	-	412	32	-	424	146	-	11536
09	1053	8	-	-	88	-	-	31	-	596	302	-	2078
10	-	-	-	-	79	-	-	-	4035	-	-	-	4114
11	-	-	-	-	-	-	-	-	-	-	-	-	-
12	8783	-	6	-	-	1035	-	-	-	1675	-	-	11499
13	1048	-	-	203	-	-	-	12	239	-	188	185	1875
14	-	-	-	-	-	-	-	-	-	2061	-	42	2103
15	-	-	-	-	-	-	-	18	243	-	-	-	261
16	-	-	-	179	-	-	289	-	-	-	-	526	994
17	9872	-	-	-	4286	-	-	-	-	-	-	-	14158
18	-	-	-	-	-	-	-	-	-	-	-	-	-
19	-	10	273	-	16	-	-	-	-	-	-	253	552

TABLE 4. *(continued)*

Country/code	Egypt	Bahrain	Iraq	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	United Arab Emirates	Yemen	Total
20	-	-	-	-	-	305	-	-	140	-	-	-	445
21	-	11	-	-	13	-	-	28	121	-	-	-	173
22	-	-	-	202	-	1485	-	-	-	-	319	-	2006
23	5504	11	20	1189	-	187	-	-	-	-	-	-	6911
24	-	-	-	-	-	206	-	-	-	192	-	-	398
Subtotal[a/]	115806	728	343	3106	4775	7927	11108	176	6723	22154	2250	6087	181183
Total exports	119343	757	343	3941	4823	9986	11136	193	7847	23034	3219	6172	190794
% to total	62.6	0.4	0.2	2.1	2.5	5.2	5.8	0.1	4.1	12.1	1.7	3.2	100.0
% to total EU imports	0.26	-	-	0.01	0.01	0.02	0.02		0.02	0.05	0.01	0.01	0.42

Source: Christopher Stevens, *Implications of European Union Policy Changes (notably on the GATT and CAP) on Agricultural Development in the Near East and North Africa Region* (1994); and EUROSTAT 1993.

a/ The analysis by code number chapter is not exhaustive.

TABLE 5. ESCWA MEMBER COUNTRIES' MOST IMPORTANT AGRICULTURAL ITEMS EXPORTED TO THE EUROPEAN UNION (1992) AND THE GATT COMMITMENTS OF THE EUROPEAN UNION

CN code	Product description	Base rate of duty (1995)	Bound rate of duty (2000)	Reduction percentage
02072110	Frozen fowls of species *gallus domesticus*, plucked and drawn [a]	467 ECU/T	299 ECU/T	36
02074110	Boneless cuts of fowls of the species *gallus domesticus* [a]	1600 ECU/T	1024 ECU/T	36
05040000	Guts, bladders and stomachs of animals whole and pieces	Free	Free	-
06031060	Fresh-cut flowers and buds from 1 November 31 May	17%	8.5%	50
0701	Fresh or chilled vegetables[b]			
0801	Fresh or chilled fruit and nuts[b]			
09011100	Coffee, not roasted: not decaffeinated	5%	Free	100
09093019	Seeds of cumin; neither crushed nor ground; other	5%	Free	100
09102010	Saffron; neither crushed nor ground	16%	Free	100
12079991	Other hemp seeds	Free	Free	-
12089000	Flours and meal of oilseeds nor oleaginous fruit (excluding soups and mustard)	Free	Free	-
12119090	Plants used in perfumery, insecticide/fungicide: other	Free	Free	-
12111000	Liquorice	2%	Free	100
12123000	Apricots, peaches or plums stones and kernels	4%	Free	100
13019000	Lac, nat. gums, resins, gum resins and balsams; other	Free	Free	-
13021200	Vegetable saps and extracts; of liquorice	5%	3.2%	36

TABLE 5 *(continued)*

CN code	Product description	Base rate of duty (1995)	Bound rate of duty (2000)	Reduction percentage
14042000	Other vegetable products: cotton linters	Free	Free	-
15100090	Other oils and their fractions fm olives; other[a/]	2004 ECU/T	1603 ECU/T	20
15201000	Glycerol (glycerine) crude	1.5%	Free	100
16023990	Poultry preps. cont.<25% meat or offal (excluding Turkey); other	17%	10.9%	36
17031000	Cane molasses[a/]	0.44ECU/ 100 Kg	0.35ECU/ 100 Kg	
17039000	Other molasses from extraction or refining of sugar[a/]	0.44 ECU/100Kg	0.35 ECU/100Kg	20
19019091	Food preps. of flour meal, starch or malt extract; other	20%	12.8%	36
19053091	Sweet biscuits, other than coated/covered with chocolate/cocoa	13% MAX 30%+ADF/M	9% MAX 20.7% +ADF/M	31
19053095	Other[c/]	13.0%MAX35%+ADS/Z	9%MAX24.2%+ADS/Z	
20059070	Other vegetable or mixtures of vegetable, prep. or preserv.	22%	17.6%	20
20089948	Fruit and edible parts of plants with added sugar in packings>1 kg	22%	11%	50
21069092	Food preparations n.e.s.; other[c/]	20%	12.8%	36
22030000	Malt beer[d/]	24%	6%	75

TABLE 5 *(continued)*

CN code	Product description	Base rate of duty (1995)	Bound rate of duty (2000)	Reduction percentage
22042124	Wine fm unspecif. regions (excl. white) in cont. =<21=<13% vol. actual alcoh. strength	16.4 ECU/HI	13.1 ECU/HI	20
22042134	Wine fm unspecif. regions (excl. white) in cont. =<21>13% int.=<15% vol. actual alcoh. strength	19.2 ECU/HI	15.4 ECU/HI	20
22083091	Whiskey in containers holding =<21 (excl. Bourbon)	0.4 ECU/% vol/HI+3 ECU/HI	Free	100
22089011	Arrack in containers holding =<21	1 ECU/%vol./HI+ 5 ECU/HI	0.6 ECU/%vol./HI +3.2 ECU/HI	
23032011	Beet pulp of dry matter cont.>=87%	Free	Free	-
23040000	Oil cake and other solid residues	Free	Free	-
23062000	Oil cake and other resid. of linseed	Free	Free	-
23099035	Preparations of animal food[a/]	1141 ECU/T	730 ECU/T	36

Source: Christopher Stevens, *Implications of European Union Policy Changes (notably on the GATT and CAP) on Agricultural Development in the Near East and North Africa Region* (1994).

Note: n.e.s. = not elsewhere specified.

a/ Special safeguard provisions.
b/ See chapter IV of this study.
c/ AD S/Z or AD F/M indicates that the maximum rate of duty consists of *ad valorem* duty plus an additional duty for certain forms of sugar or for flour.
d/ Bound rate to be reduced to 3% in 2001 and 0 in 2002.

46. These deficiencies are now being rectified in most of the countries in the ESCWA region through the integration of proper agricultural and rural development planning and the adoption of structural adjustment programmes. The old interventionist policies are being replaced by the release of market forces, by reducing trade barriers and privatization or deregulation of productive activities in order to ensure more rational resource allocation and conservation. Thus, the new measures envisage reduction of protection, revision of infrastructural investment priorities, increases in agricultural prices, removal of subsidies and exposure of public enterprises to competition with a view, *inter alia*, to rectifying and reversing the situation regarding the profitability of agricultural undertakings and the proper utilization of resources.

47. In addition to the internal policy measures to revive and place agriculture on a more dynamic footing, including abolishing of monopolies and releasing of the market mechanism to perform its functions regarding allocation of resources, two developments have occurred in the institutional set-up of international trade, with potentially substantive repercussions on the agricultural trade policies of ESCWA member countries as well. These developments were the GATT Agreements of 1994, especially the Agreement on Agriculture and the renewed Mediterranean policy of the EU following the SEM integration. Though only a small number of ESCWA member countries are signatories to the GATT Agreement (Bahrain, Egypt, Kuwait—others are contemplating accession), the new worldwide superstructure regarding trade in agricultural products and the implications of the new rules of international trade for agricultural development policies should come under major scrutiny in all countries of the region in the years to come. The long-term objective of the Agreement on Agriculture "is to establish a fair and market oriented agricultural trading system and to initiate a reform process through the negotiation of commitments on support and protection and through the establishment of strengthened and more operationally effective GATT rules and disciplines."

48. In the latter half of the 1970s the EU, under its 1973 Mediterranean policy, concluded cooperation agreements and protocols with, among others, Egypt, Jordan, Lebanon and the Syrian Arab Republic (the Mashreq countries). New protocols were added in the 1980s, to safeguard agricultural exports in view of the enlargement of the EU with the accession of Spain and Portugal. The aim was not only to promote trade cooperation among the contracting parties, but also to promote wider cooperation, i.e., economic, technical, financial and social. As already noted, the Mediterranean basin, including the ESCWA region part of it, is considered an area of great economic importance for the EU. In view of the fact that the results of economic cooperation fell considerably short of the targets set, the EU Council of Ministers in December 1990 decided on the various aspects of a renewed Mediterranean policy, as part of the effort to strengthen the Community's links with its closest neighbours (EFTA, East European and Mediterranean countries) and in view of the decision on the Single Market Project.

49. These two major developments in the international economic and trading scene and their possible implications for the trading policy of agricultural products in the ESCWA member countries will be analysed in chapter IV, which examines the impact of the changes effected by SEM and GATT on the ESCWA region in various fields.

III. ANALYSIS OF POTENTIAL MARKETS FOR AGRICULTURAL PRODUCTS (ESPECIALLY FRUITS AND VEGETABLES) FROM THE ESCWA REGION TO THE EUROPEAN UNION

50. The main fresh fruits and vegetables exported by ESCWA member countries are listed in table 6. This does not mean that the region is self-sufficient in these products. As can be seen, with the exception of new potatoes and dates, the region also imports most of these products, and the issue is whether earnings from exports could be expanded to pay for imports of other products. Of course, the region cannot be viewed as one homogeneous unit where exports and imports are evenly distributed. On the contrary, some countries (such as Egypt, Lebanon and the Syrian Arab Republic) are net exporters of most of these products, whereas other (like Saudi Arabia and the other oil-producing countries) are net importers of almost all of these fruits and vegetables. Nevertheless, all ESCWA member countries have an export interest at least in one of the products in table 6. This export interest might be intraregional or outside the region. In view of the high import propensity in the region for some of the exportable quantities, the relevant markets could be found in the area itself. Intraregional trade in food and agricultural products among ESCWA member countries represented about 11 per cent of total agricultural trade in recent years. Fruits and vegetables were among the three commodities most traded among ESCWA member countries. The generally low level of agricultural exchanges is attributed to such factors as limited coordination, existence of trade barriers, lack of standardization and harmonization of technical and quality characteristics of products, and instability in production and supplies.

51. In what follows, the export profile of each of the products below is given. Possible factors that could affect, favourably or unfavourably, the export chances to the EU market of these commodities are cited.[6]

MAIN FRUIT AND VEGETABLE PRODUCTS EXPORTED BY ESCWA MEMBERS TO THE EUROPEAN UNION

1. New potatoes, fresh or chilled (not including sweet potatoes) (CN 07019059 & 07019051) (Egypt and the Syrian Arab Republic)

52. There is no common market organization for potatoes under the EU common agricultural policy though the potato is a product of major importance to EU producers. Under the GATT 1994-EU commitments, the base rate of duty is 15 per cent for the period from 1 January to 15 May and 21 per cent for the period from 16 May to 30 June, which will be reduced to 9.6 per cent and 13.4 per cent respectively by the year 2000. The main seasonal interest of ESCWA member countries lies in the first period, when the bulk of their exports are shipped. The potato is a product with high import tariffs and with minimum concessions granted to third countries. Among the ESCWA member countries, only Egypt has been granted a tariff quota of 98,000 tons for the period from 1 January to 31 March at 37 per cent rate of duty. Exports of Egypt to the EU during this period amounted to 154,161 tons in 1990-1991. However, tariff concessions have also been given to other Mediterranean and NENA countries (Cyprus, Israel, Morocco and Tunisia) and to Poland for other potatoes (base rate of duty 18 per cent for 2,900 tons, which was gradually reduced to 7.2 per cent in the fifth year for an increased quantity of 4,000 tons). It is evident after GATT 1994 that all countries with agreements with the EU must renegotiate these agreements with a view at least to preserving

[6] Countries in parentheses are those that exported the product to the EU in 1990/1991 in some quantities.

their relative position. From the point of view of demand, NENA countries supplied on average more than 92 per cent of non-EU imports of fresh potatoes in 1990-1991. However, there is considerable potential for the development of the potato sector in East European countries, especially Poland. The main advantages of ESCWA member countries in this product lie with the earliness of production and its quality. In both cases there should be improvements both with regard to timing (earliness) and standards (quality). In France, Belgium, Germany and the Netherlands, efforts have been made to increase production through the expansion of plantations, but these were frustrated by a succession of unfavourable weather conditions. Most probably the EU authorities will resort to some features of an earlier proposed regime, which was "watered down" in the process, i.e. to grading and quality standards, improving the transparency of the market, granting funds for research and development and generic promotion. Though the bulk of EU imports from both EU and non-EU countries are concentrated in May and June, the prices they fetch are much better at the beginning and the end of the calendar year (January, February, March and November, December).

2. Tomatoes, fresh or chilled (CN 07020010 & 07020090) (Egypt, Saudi Arabia, Jordan and Lebanon)

53. Tomatoes are covered by the Common Market Organization of the EU fruit and vegetable market arrangements. Thus, in addition to tariffs, the EU producer of tomatoes has been protected through the reference price system, the functioning of a withdrawal scheme (11 June to 30 November) and the adoption of quality standards. The import regime of tomatoes to apply from 1 January 1995 is as follows:

Tomatoes	DUTY		Reduction percentage (by 2000)
	Base rate	Bound rate	
Fresh tomatoes			
070 20 010 From 1 Nov. to 24 May			
From 1 Nov. to 20 Dec. with EP*>700 ECU/T	11.0%	8.8%	-20
From 21 Dec. to 31 Dec. with EP>750 ECU/T	11.0%	8.8%	-20
From 1 Jan. to 31 Mar. with EP>920 ECU/T	11.0%	8.8%	-20
From 1 Apr. to 30 Apr. with EP>1 200 ECU/T	11.0%	8.8%	-20
From 1 May to 14 May with EP>800 ECU/T	11.0%	8.8%	-20
Other periods (SSG)	11.0%	8.8%	-20
Chilled tomatoes			
070 20 090 From 15 May to 31 Oct. +Max.ECU/T			
From 15 May to 31 May with EP>800 ECU/T	372	298	-20
From 1 June to 30 Sep.with EP>600 ECU/T	18.0%	14.4%	-20
From 1 Oct. to 31 Oct. with EP>700 ECU/T	18.0%	14.4%	-20
Other periods (SSG)	18.0%	14.4%	-20
+MAX ECU/T	18.0%	14.4%	-20
	372	298	-20

* EP-Entry Price; T-Ton.

TABLE 6. IMPORTS AND EXPORTS OF MAIN FRUITS AND VEGETABLES BY ESCWA MEMBER COUNTRIES

(*Metric tons, three-year average, 1989-1991*)

	Potatoes		Tomatoes		Onions		Oranges/tangerines and clementines		Lemons and limes		Other citrus		Bananas		Apples	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
Bahrain	2 629	25	8 918	-	11 930	-	11 922	-	2 233	-	83	-	7 303	-	3 483	-
Egypt	19 300	169 639	10	19 605	134	57 258	261	137 859	2	4 472	-	760	-	434	42	15
Iraq	58 100	-	44 167F	-	-	689	14 000F	-	383	-	-	-	1 050*	-	1 075*	-
Jordan	16 581	6 848	7 033	192 002	13 238	2 652	24 785	40 159	8 167	9 043	209*	1 001	4 800F	1 038*	8 599	232
Kuwait	20 529	59	32 679	-	18 793	-	34 179	-	12 946	-	988	-	22 508	-	15 244	-
Lebanon	56 667	132 960	27 333	8 067F	15 063	6 866	-	69 145	750	7 535	-	2 667	7 167	-	-	26 400
Oman	11 098	70	5 970	3 051	14 131	5	14 180	2	171	1 539	22	-	1 621	2 339	14 886	-
Qatar	7 427	194*	13 454	77*	11 426	37*	13 865	38	2 425	7	990	7*	6 075	74*	6 979	42*
Saudi Arabia	130 758	2 543	145 268	2 899	151 939	1 555	240 888	4 577	47 088	962	3 611	251	122 947	3 775	136 060	2 795
The Syrian Arab Republic	6 693	140 224	-	21 365	5	20 051	11	3 131	-	18	-	126	-	-	192*	2 598
United Arab Emirates	44 227	2 761	50 483	2 596	105 880	41 668	106 841	11 952	7 506	2 318	2 450F	-	33 826	8 240	59 636	21 903
Yemen	3 000	-	-	-	-	-	400	-	-	-	-	-	-	-	33*	-
Total ESCWA	**377 009**	**455 323**	**335 315**	**249 662**	**342 539**	**130 781**	**461 332**	**266 863**	**81 671**	**25 894**	**8 353**	**4 812**	**207 297**	**15 900**	**246 229**	**53 985**
Export-Import	**+78 314**		**-85 653**		**-211 758**		**-194 469**		**-55 777**		**-3 541**		**-191 397**		**-192 244**	

TABLE 6. (*continued*)

	Pears		Grapes		Raisins		Dates		Peaches		Pimento		Olive oil	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
Bahrain	1 672	-	2 086	-	117	-	1 138	-	-	-	-	-	108	-
Egypt	2*	21	-	209	54	20	562	2 540	21	435	-	-	8 027*	34*
Iraq	-	-	-	-	950	-	-	154745	-	-	75*	-	789	-
Jordan	903	23	4 000F	1 222	304	24	7 967	1 037	-	80	426*	29*	5 667	1 463
Kuwait	1 363	-	3 649	-	377	-	1 856	310	3 893	-	-	-	2 395	-
Lebanon	-	10 690	-	19132	103	18*	1 667	-	-	700	-	-	700	519
Oman	371	-	5 496	-	35	22*	60	2 518	285	-	281	4	138	-
Qatar	305	-	2 239	34*	-	-	1 387	25*	-	-	-	-	258	1
Saudi Arabia	13886	466	28 957	854	5 124	169	4 281	26 262	19455	320	480*	11*	6 458	101
Syrian Arab Republic	-	1 167	-	3 758	32	22	10 187	5	-	754	-	-	3 495	-
United Arab Emirates	4 657	932*	25 720	7 807	6 193	2 609	74 699	38 800	-	-	2 642	113	1 559	133
Yemen	-	-	-	1 500F	-	217	5 333F	-	-	-	-	-	107	-
Total ESCWA	**23159**	**13 299**	**72 147**	**34516**	**13289**	**3 101**	**109137**	**226242**	**23654**	**8 589**	**3 904**	**157**	**27 701**	**2 251**
Export-Import	**-9 860**		**-37 631**		**-10 188**		**+117 105**		**-15 065**		**-3 747**		**-27 450**	

Source: Alan Swinbank and Christopher Ritson, *Implications of the Uruguay Round for European Union Trade with Third Countries with Specific Reference to Fresh Fruit and Vegetable Trade with the Near East Region* (Rome, FAO, 1994).

F = FAO forecasts.
* = 1990/1991 average.

54. Those who have been accustomed to the terms and operation of the Reference Price System will have to familiarize themselves with the new system of minimum Entry Prices and Maximum Tariff Equivalent (MTE), introduced as a result of the GATT-94 Agreement on Agriculture. The CAP system will not be affected otherwise. However, all GATT-94 commitments have to be respected. As seen from the above, the situation is now simplified, though apparently more protective and restrictive. The system will apply all the year round. The new elements that have been introduced are the varying minimum entry prices, the two levels of CCT and the MTE to be applied. It should be noted that the MTE will be applied once the prices fall below the 92 per cent minimum entry price. If it is less than the entry price by up to 8 per cent, then the extra tariff will be the difference. The MTE is to be reduced from 372 to 298 ECU per ton over the transition period. The relevant minimum entry price will be reduced by the same amount. Thus, for instance, the entry price of 700 ECU per ton and the MTE will be gradually reduced to 626 ECU per ton and 298 ECU per ton by the year 2000. Apart from the calculations of the duty to be paid and the efforts to avoid the extra penalty of the MTE, a grower and/or an exporter must bear in mind the following:

(a) Tomatoes are one of the products marked with the acronym SSG (special safeguard provisions), which indicates the intention of the EU to take special measures under certain circumstances. Trigger prices to be used for SSG for various products have been estimated by CIMO (Confederation of Importer and Marketing Organizations in Europe of Fresh Fruit and Vegetables) and should be observed. Otherwise, SSG measures could be taken even when minimum entry prices have been respected.

(b) The EU imports mainly from non-EU countries in the marketing period 1 November to 14 May, whereas in the period 15 May to 31 October, the EU imports much smaller quantities from the Mediterranean countries and South Africa. In the first period, prices are substantially higher. Producers and/or exporters from ESCWA member countries should investigate the advisability of taking advantage of the gaps at the beginning and the end of the November-May period.

(c) Among the national import restrictions which will be phased out, as a consequence of the SEM, are the import bans on tomatoes imposed by Belgium on Egypt (16 May - 30 November) and Jordan (16 May - 30 November), the special authorization required with a licence by Denmark from the same countries (1 June - 31 October), the ban of imports from all countries by Greece (15 May - 31 December) and the requirement of a licence from all countries by Ireland (15 May - 15 June).

(d) All the GATT-94 commitments by the EU are in terms of commercial ECU. A green ECU at the end of 1994 was worth 1.207509 ECU.

(e) Concessions granted very sparingly by the EU favoured the countries signatories of the Lomé Convention (of the NENA countries, only Morocco).

3. Onions and shallots, fresh or chilled (excluding sets) (CN 07031050) (Egypt and the Syrian Arab Republic)

55. The ESCWA member countries exporting onions to the EU involve only a small fraction of the extra-EU imports. Indeed, the whole NENA region supplied only 4.4 per cent of non-EU imports in 1990-1991. There was a peak of imports from outside in the months of March, April and May, until Spain's production came on the market, which also affected prices. The spring months appear to be more remunerative in prices.

For the EU market there are a lot of competing countries from all over the world: apart from the NENA countries, these are Poland, Hungary, Australia, New Zealand, Chile, Argentina, South Africa and the United States of America.

56. Onions and shallots are included among the produce covered by the common organization of the market in fresh fruit and vegetables as far as fixing of reference prices for imports and the application of quality standards are concerned (no withdrawal system applied). With the EU/GATT-94 commitments, the border protection as from 1995 is to be limited to a base rate of duty of 12 per cent, which will be reduced to 9.6 per cent in the year 2000 (20 per cent reduction). Egypt has a concession (a tariff quota of 10,100 tons for the period 1 February to 15 May—5.4 per cent rate of duty, as do Morocco and Israel, as well as Hungary and Poland). Egypt should try to maintain its competitive position on an otherwise very competitive product.[7] The opening up of the market through the abolition of preference price requirements offers good opportunities for ESCWA member countries in view of the fact that the production season could coincide with the higher import season.

4. Garlic, fresh or chilled (CN 07032000) (Egypt and Lebanon)

57. The EU market for garlic is a very competitive one as it is for onions. In addition to the NENA countries, there are other competitors for EU imports: Latin American countries (Argentina), Mexico, the United States, Hungary, the Czech Republic, Slovakia and China. Extra-EU imports represent a high percentage compared with intra-EU imports. In 1990-1991 the NENA countries supplied only 9 per cent of the total non-EU imports. Garlic is included in the list of fresh fruits and vegetables for which the common organization of the market applies as far as reference price setting and application of quality standards are concerned. Under the GATT-94 commitments, imports from third countries will face only tariffs, i.e. a 12 per cent base rate of duty to be reduced to 9.6 per cent by the year 2000. As it does for onions, Egypt has a concession for garlic (a reference quantity of 1,600 tons with 5.4 per cent rate of duty for the period 1 February to 31 May); Egypt will lose this advantage if it does not succeed in its deliberations with the EU.[8] Other countries to which concessions have been given include the Lomé countries and Poland. The most remunerative period for exports to the EU is spring, when the largest quantities of imports are effected. Among the favourable factors for garlic are the versatility in the timing of production, the large quantities imported and the market that exists within the ESCWA member countries.

5. Cucumbers, fresh or chilled (CN 07070011)
(Jordan, Egypt and the United Arab Emirates)

58. This is a product protected through the imposition of tariffs on imports and reference prices and for which quality standards apply. As from 1 January 1995, the EU import regime will be as follows:

[7] Egypt has a tariff quota concession for dried onions for 4,900 tons for the period 1 January to 31 December.

[8] Egypt has obtained a tariff quota concession for dried garlic for 1,000 tons all the year round.

Cucumbers, fresh or chilled	DUTY		Reduction percentage (by 2000)
	Base Rate	Bound Rate	
Cucumbers, fresh			
070 70 011 From 1 Nov. to 15 May			
From 1 Nov.to 10 Nov. with an EP*>778 ECU/T	16.0%	12.8%	-20
From 11 Nov.to 31 Dec. with an EP>700 ECU/T	16.0%	12.8%	-20
From 1 Jan.to End of Feb.with an EP>770 ECU/T	16.0%	12.8%	-20
From 1 Mar.to 30 Apr. with an EP>1200 ECU/T	16.0%	12.8%	-20
From 1 May to 15 May with an EP>576 ECU/T	16.0%	12.8%	-20
Other (SSG)	16.0%	12.8%	-20
+ MAX ECU/T	473	378	-20
Cucumbers, chilled			
070 70 019 From 16 May to 31 October			
From 16 May to 30 Sep. with an EP>576 ECU/T	20.0%	16.0%	-20
From 1 Oct. to 31 Oct. with an EP>778 ECU/T	20.0%	16.0%	-20
Other (SSG)	20.0%	16.0%	-20
+ MAX ECU/T	473	378	-20

* EP-entry price; T-ton.

59. Thus the reference price system is replaced by a varying minimum entry price and a two-tier tariff rate throughout the year. The above entry prices will be reduced over the years up to the year 2000 by the same percentage as the MTE. This situation is now more straightforward for the producer/exporter, who has to make calculations to avoid triggering payment of countervailing charges. Close cooperation between the producer/exporter and the trader in the EU is needed to avoid unpleasant results retrospectively at the former's expense.

60. Exports of cucumbers from the ESCWA member countries to the EU in 1990/1991 have been effected mainly during the period November to February, a period in which much better prices were prevailing. This is a serious advantage for a product of which other non-EU European countries (Hungary and Romania) could supply large quantities during the summer months. It should be noted that in addition to the Lomé countries (100 tons reference quantity for the period 1 November - 15 May), Malta (50 tons for the period 1 January - 28 February), and Hungary (tariff quota of 100 tons increasing to 140 tons in five years during the period 1 November - 15 May), both Egypt and Jordan have been given concessions in the form of 100 tons reference quantities each for the period 1 January - 28 February. Efforts must be made to preserve this concession. These promising prospects could be adversely affected by the termination of the transition period for the entry of Spain into the EU. Spain is supplying the EU, during the same period, with quantities greater than all third countries put together, and in the past Spain had been restrained from further expansion. ESCWA member countries, however, could generally beat other competitors in terms of earliness, especially now that greenhouses are widely used.

6. Beans, fresh or chilled (CN 07082010 & 07082090) (Egypt, Iraq and Oman)

61. In 1990/1991 the NENA countries supplied about 11 per cent of the extra-EU imports, with Egypt leading by far the list of EU suppliers. The period that the ESCWA member countries are particularly interested in is the period 1 October - 30 June (Egypt, Iraq, Oman, Lebanon and the Syrian Arab Republic). Small quantities were exported also during the period 1 July - 30 September (Egypt and Jordan). Though beans are covered by the common organization of the EU fruit and vegetables market, none of the special mechanisms of protection has been used except for the application of quality standards. The new import

regime to apply after 1995 will be as follows: CN 07082010 Beans (Vigna spp.. Phaseolus spp.): from 1 October - 30 June, the rate of duty will be 13 per cent (with minimum 2.0 ECU/100 kg net), to be reduced to 10.4 per cent (with a minimum 1.6 ECU/100 kg net) in the year 2000; CN 07082090 from 1 July - 30 September will be 17 per cent (with a minimum 2.0 ECU/100 kg net) to be reduced to 13.6 per cent (with a minimum 1.6 ECU/100 kg net).

62. During the period 1 October - 30 June, both extra-EU imports and prices are much higher than during the second period, though the prices that Egyptian beans fetch appear to be much lower than in the case of other countries. Egypt has been given a concession (a tariff quota of 6,400 tons for the period 1 November - 30 April), which it should try to maintain in parallel with efforts to improve the quality of the product and marketing arrangements, in order to obtain higher prices. Despite the existence of competitors during the high import period, mainly from African countries, under the above conditions ESCWA member countries could expand their exports of this product.

7. Globe artichokes, fresh or chilled (CN 070 91 000)(Egypt and Lebanon)

63. ESCWA member countries, through Egypt, have been dominating all the non-EU imports to the EU market of globe artichokes. In view of its interest, Egypt has been given a reference quantity concession for 100 tons for the period 1 October - 31 December, together with Cyprus (100 tons reference quantity for the same period) and the Lomé countries (1,000 tons reference quantity for the period 1 October - 31 December). The globe artichoke is a product for which quality standards were applied and for which the reference price system was changed after GATT-94, as follows:

070 91 000 globe artichokes, fresh or chilled	DUTY		Reduction percentage (by 2000)
	Base rate	Bound rate	
From 1 Jan.-31 May with an EP>883 ECU/T	13.0%	10.4%	-20
From 1 June-30 June with an EP>711 ECU/T	13.0%	10.4%	-20
From 1 July-31 October	13.0%	10.4%	-20
From 1 Nov.-31 Dec. with an EP>1000 ECU/T	13.0%	10.4%	-20
Other periods (SSG)	13.0%	10.4%	-20
+ Max ECU/T	286	229	-20

64. The EU imported quantities are small and almost exclusively from NENA countries. The main threat could come from the regularization of Spain as an unconditional member of the EU, because of its very large stake in the market. ESCWA member countries, as in the case of other products with entry prices, should organize themselves to manipulate supplies so as to avoid the penalty of countervailing charges. Egypt has been at times penalized in this regard.

8. Aubergines, fresh or chilled (CN 0709 30 00) (Jordan, Egypt and the Syrian Arab Republic)

65. Aubergines are covered by the common organization of the market as part of the fruit and vegetables scheme. From 1 July to 31 October aubergines are eligible for withdrawal. Quality standards have been applied and reference prices were set at different levels from April to October. The import regime proposed under GATT-94 is simplifying matters considerably. There is going to be only a base rate of duty of 16 per cent, to be reduced to 12.8 per cent in the year 2000, i.e. by 20 per cent, all the year round.

66. The main suppliers of the extra-EU imports are the NENA countries, including a rather small percentage from ESCWA member countries. The EU is relying more and more on its own production, which will be enhanced by the end of Spain's transition period to full membership. Producers in ESCWA member countries should make their calculations again, to take into account the above changes in marketing and protection of the product. There appears to be a need for bringing the harvesting period closer to the first and the last few months of the calendar year, during which higher prices are being obtained in the EU market.

9. Sweet peppers (CN 07096010)
(Jordan, Egypt, Lebanon, the Syrian Arab Republic and the United Arab Emirates)

67. According to the EU/GATT-94 commitments, the border protection of this product will be effected by the imposition of a base rate of duty of 9 per cent, to be reduced to 7.2 per cent by the year 2000. The existing regime was not different in the past, despite the fact that sweet peppers were among the products for which other protective means could have been used. Quality standards apply for this product.

68. Yet, some 90 per cent of the EU supplies in sweet peppers emanated from its member States, and mainly from Spain. The remainder came from NENA, ACP (African, Caribbean and Pacific [Group of] States) countries and Central Europe (Hungary). Tariff quota concessions have been given to Cyprus, Israel, Yugoslavia and Morocco (quantity reference) as well as to Hungary and Poland for all the year round. The relatively high prices that ESCWA member countries' exports received indicates that they offer good quality products at the right time. Therefore, efforts for an improved export performance should be maintained.

9. Courgettes, fresh or chilled (CN 07099070)
(Egypt, Jordan, Lebanon and the Syrian Arab Republic)

69. The courgette is a product, which was more important a few years ago for the ESCWA member countries' exports to the EU. Still the extra-EU imports of courgettes emanate mainly from the Mediterranean basin, though the EU is relying more on its own production, especially now that Spain will not be restricted by countervailing charges, which was the case until 1993, when the transition period for its entry into the EU ended. The courgette, a product for which quality standards apply, is not among the products eligible for withdrawal, but it was protected through the reference price system (April to September). This protective system is now going to change under the GATT-94 commitments, as follows:

	DUTY		Reduction percentage (by 2000)
070 99 070 courgettes	Base rate	Bound rate	
From 1 April - 31 May with an EP>730 ECU/T	16.0%	12.8%	-20
From 1 June - 31 July with an EP>451 ECU/T	16.0%	12.8%	-20
From 1 Aug.- 31 Jan. with an EP>526 ECU/T	16.0%	12.8%	-20
From 1 Feb.- 31 Mar. with an EP>451 ECU/T	16.0%	12.8%	-20
Other periods (SSG)	16.0%	12.8%	-20
+ MAX. ECU/T	190	152	-20

70. In the not too distant past, not only quantities supplied to the EU by ESCWA member countries, but also the prices obtained were higher. The matter should be investigated further with a view to rectifying the

situation, especially now that there is a change in protection practice. Exporters should be careful not to invoke special safeguard provisions.

10. Dates, fresh or dried (CN 0804 10 00)
(Iraq, Kuwait and the United Arab Emirates)

71. This product carries a base rate of duty of 12 per cent, which will be reduced to 7.7 per cent in the year 2000 (36 per cent reduction). It is one of the few products in which the ESCWA region has surpluses. Some 50 per cent of world exports emanate from the region. A very high proportion of exports of this product is done within the region. Exporting ESCWA member countries should pay more attention to the marketing of the product. In addition, more scientific methods should be employed in production and upgrading of quality.

11. Citrus fruit, fresh or dried (CN 0805)

(a) Oranges (CN 0805 10) (Egypt, Jordan, Saudi Arabia and Qatar);
(b) Mandarins (including tangerines and satsumas), clementines, Wilkings and similar citrus hybrids (CN 0805 20) (Egypt and Jordan);
(c) Lemons (CN 0805 30) (Saudi Arabia, Egypt and the United Arab Emirates);
(d) Grapefruit (CN 0805 40) (Saudi Arabia, Egypt and Lebanon).

72. Citrus fruits are covered by the common organization of the market in fresh fruit and vegetables. In fact, for all citrus fruit quality standards apply, while, with the exception of grapefruit, all other citrus fruit are eligible for the withdrawal scheme, as follows:

Lemons	- 1 June to 31 May
Mandarins	- 16 November to end of February
Oranges	- 1 December to 31 May
Clementines	- 1 December to 15 February
Satsumas	- 16 October to 15 January

As far as reference prices are concerned, these were fixed, during the marketing year 1991-1992, as follows:

(a) For lemons (June - May);
(b) For clementines (December - February);
(c) For sweet oranges (December - May);
(d) For mandarins (November - February).

According to the EU GATT-94 commitments, the reference price system will be replaced by the following:

Citrus fruits, fresh or dried (CN 0805)	Duty rate		Reduction percentage (by 2000)
	Base	Bound	
0805 10 Oranges,			
Sweet Oranges Fresh			
From 1 - 30 April			
0805 1012 with an EP>372 ECU/T	13.0 %	10.4 %	-20
0805 1016 Other periods (SSG)	13.0 %	10.4 %	-20
+MAX ECU/T	89	71	-20
From 1 - 15 May			
0805 1022 with an EP>372 ECU/T	6.0 %	4.8 %	-20

Citrus fruits, fresh or dried (CN 0805)	Duty rate		Reduction percentage (by 2000)
	Base	Bound	
0805 1026 Other periods (SSG)	6.0 %	4.8 %	-20
+MAX ECU/T	89	71	-20
From 16 - 31 May			
0805 1032 with an EP>372 ECU/T	4.0 %	3.2 %	-20
0805 1036 Other periods (SSG)	4.0 %	3.2 %	-20
+MAX ECU/T	89	71	-20
0805 1040 From 1 June to 15 October	4.0 %	3.2 %	-20
0805 1050 From 16 October to 30 November	20.0 %	16.0 %	-20
From 1 December to 31 March			
0805 1062 with an EP>372 ECU/T	20.0 %	16.0 %	-20
0805 1066 Other periods (SSG)	20.0 %	16.0 %	-20
+MAX ECU/T	89	71	-20
Other			
0805 1070 From 1 April to 15 October	15.0 %	12.0 %	-20
0805 1090 From 16 October to 31 March	20.0 %	16.0 %	-20
0805 20 Mandarins, etc			
0805 2020 From 1 March to 31 October	20.0 %	16.0 %	-20
From 1 November to end February			
Clementines			
0805 2041 with an EP>675 ECU/T	20.0 %	16.0 %	-20
0805 2042 Other (SSG)	20.0 %	16.0 %	-20
+MAX ECU/T	132	106	-20
Other			
0805 2048 with an EP>675 ECU/T	20.0 %	16.0 %	-20
0805 2049 Other (SSG)	20.0 %	16.0 %	-20
+MAX ECU/T	132	106	-20
0805 30 Lemons, etc			
0805 3010 Lemons (Citrus limon, citrus limonium)			
From 1 June to 31 October with an EP> 622 ECU/T	8.0 %	6.4 %	-20
From 1 November to 31 May with an EP> 520 ECU/T	8.0 %	6.4 %	-20
Other (SSG)	8.0 %	6.4 %	-20
+MAX ECU/T	320	256	-20
0805 3090 Limes (Citrus aurantifolia)	16.0 %	12.8 %	-20
0805 40 Grapefruit			
0805 4010 From 1 November to 30 April	3.0 %	1.5 %	-50
		From 1995	-20
0805 4030 From 1 May to 31 October	3.0 %	2.4 %	-20
0805 9000 Other	16.0 %	12.8 %	-20

73. Taking the three-year (1987-1989) averages of the EU imports of citrus fruits, the following picture emerges:[9] the EU received 42 per cent of its total imports from third countries for all types of oranges and for mandarins. The figures were 11 per cent for oranges, 18 per cent for lemons and 84 per cent for grapefruit. From the intra-EU imports Spain alone had supplied 43 per cent of oranges, 82 per cent of mandarins, 7 per cent of lemons and 2 per cent of grapefruit. The only product that will be negatively affected from the regularization of Spain's entry into the Union will be lemons, which had been restrained

[9] Alan Swinbank and Christopher Ritson, *Implications of European Union Policy Changes (notably on the GATT and CAP) on Agricultural Development in the Near East and North Africa Region* (Rome, FAO, 1994); and Eurostat (database).

because of reference prices. Looking at the strong points of Spain in some detail, it was noted that with regard to oranges, the main strong point of Spain is in the category of fresh navels, navelines, navelates, salustianas, vemas, valencia lates, maltese, shamoutis, ovals, trovita and hamlins, during the period 16 October to 31 March and in the case of mandarins, in the category of clementines, as well as in the category of montreales and satsumas and less in the category of mandarins and tangerines.

74. The NENA countries, including to a small extent the ESCWA member countries, supplied 25 per cent of oranges, 10 per cent of mandarins, 8 per cent of lemons and 36 per cent of grapefruit. The ESCWA member countries supply sweet oranges and fresh navels and navelines mainly during the periods 16 October to 31 March and 1 - 30 April respectively. Exports of mandarins, lemons and grapefruit have also taken place during the first period. Because of the incidence of the Spanish exports during the same period, the prices obtained are relatively low compared with prices fetched from 1 April onwards. The competition that comes from exports of countries of the Southern hemisphere in all four main categories of citrus fruit does not affect prices. Mediterranean and ESCWA member countries will continue supplying the EU with oranges and grapefruit and to a lesser extent mandarins and lemons. The main efforts should concentrate on the type and quality of the products and the improvement of marketing arrangements to avoid the incidence of countervailing charges and to prolong the production period through the selection of long-life varieties. Egypt should try to maintain the concessions presently provided through a tariff quota (1 July to 30 June) for fresh oranges.

12. Table grapes, fresh (CN 080610) (Egypt, Jordan, Lebanon and Kuwait)

75. For table grapes the EU common organization of the market in fresh fruit and vegetables operates a withdrawal system (1 August to 31 October), applies quality standards and uses the measure of reference prices for better protection (for 1991-1992 the reference prices were: for July 21-31, 51.92 ECU/100 kg; in August, 51.92 ECU/100 kg; 1 September to 31 October, 49.20 ECU/100 kg; and 1-20 November, 44.87 ECU/100 kg). The new border protection will be effected through a system of entry prices, tariffs and maximum countervailing charges (GATT-94 commitments), as follows:

Table grapes, fresh (CN 080610)		DUTY		Reduction percentage (by 2000)
		Base rate	Bound rate	
From 1 November to 14 July				
0806 1015 Other				
From 1 Nov. to 20 Nov. with an EP>500 ECU/T		18.0%	11.5%	-36
From 21 Nov. to 14 July		18.0%	11.5%	-36
Other period	(SSG)	18.0%	14.4%	-20
	+MAX ECU/T	120	96	-20
0806 1019 From 15 July to 31 October				
From 15 July to 20 July		22.0%	14.1%	-36
From 21 July to 31 October with an EP>570 ECU/T		22.0%	14.1%	-36
Other period	(SSG)	22.0%	17.6%	-20
	+MAX ECU/T	120	96	-20
Other				
0806 1091 From 1 Nov to 14 July		18.0%	14.4%	-20
0806 1099 From 15 July to 31 October		22.0%	17.6%	-20

76. The EU satisfies its needs for the above table grapes through its own production (80 per cent) and through extra-EU imports (20 per cent) (averages of the years 1987-1989). The NENA countries (including the ESCWA region) supplied 14 per cent of the total non-EU imports and 3 per cent of the total imports

altogether. The bulk of the ESCWA members' exports are effected during the period 1 November - 14 July (table grapes and grapes) and to a smaller extent in the period 15 July - 31 October (table grapes) and 1 July - 31 October (grapes). Despite the competition exerted from countries such as Chile, South Africa and Australia for table grapes during the period November to June, the prices secured are usually much higher than in the period July - October, apparently because of transport costs and timing. The placing into the market of the European Union's own production alters altogether the situation through the competition created and the activation of protective mechanisms. Now, instead of fixing reference prices during the EU members' grape season, protection will be effected through the imposition of higher entry prices. Owing to the competitive advantage of earliness, the grape-exporting ESCWA member countries should exert every effort to place their produce in the market before the July deadlines, though as from 21 July 1995 they have to observe the entry price system that will operate from 21 July to 20 November. ESCWA member countries have not been given concessions on grapes, though such concessions in the form of tariff quotas or reference quotas have been given to Cyprus and Israel for the period 8 June - 9 August and 1 December - 30 June respectively.

13. Melons (including watermelons), fresh (CN08071050)
(Egypt, Saudi Arabia, Yemen and the United Arab Emirates)

77. The EU satisfies its needs mainly through its own production (93 per cent for watermelons and 79 per cent for melons, in 1987-1989). Spain alone did supply 44 per cent and 56 per cent of the total respectively. During these years the NENA countries exported almost 5 per cent of all supplies of the EU and 67 per cent of all extra-EU imports in the case of watermelons and 7 per cent and 31 per cent respectively, in the case of melons. ESCWA member countries had only a small share in these.

78. For melons (including watermelons) no measures have been taken under the common organization of the market for fruit and vegetables. In the past, various phytopathological reasons were invoked by individual member countries in order to protect local production, a policy to which they cannot resort without challenge, following the GATT-94 Agreement on the Application of Sanitary and Phytosanitary Measures. The import regime according to the GATT-94 Agreement on Agriculture will envisage a 20 per cent reduction of tariff by the year 2000 from the base rate of duty, i.e. from 11 per cent to 8.8 per cent. The trade cycle is led by Spain, which is placing its produce in the market mainly in June, July and August. During this period prices are also at lower levels. Again, because of earliness ESCWA member countries could obtain better prices in the earlier weeks. Competitors in melons from other areas (Brazil, Chile and South Africa) are actually supplying the market in the latter part and the beginning of the calendar year. Both Egypt and Jordan have been given concessions (in the form of reference quantities on melons—small winter melons—for 1 January to 31 March). More generous tariff quota concessions have been given to Israel on both melons and watermelons for the period 1 January to 31 May and 1 April to 15 June respectively, to the countries signatories to the Lomé convention (no tariff) and the Czech Republic and Slovakia (general reduction of tariff over five years).

14. Apples, fresh (CN080810) (Egypt, Lebanon and the Syrian Arab Republic)

79. In recent years more and more apples from the ESCWA member countries have come onto the EU market, especially during the period 1 January - 31 March and to a lesser extent during the other marketing periods, 1 April - 31 July and 1 August - 31 December in that order. Though the contribution of ESCWA member countries, as indeed that of NENA countries, to the total supplies of the EU members are very small, the marketing profile of this product is outlined because it is of interest to a good number of the countries in the region. The market for apples is commonly organized in the EU; a withdrawal system applies (1 August - 31 May), quality standards have been adopted and reference prices were fixed (for marketing year 1991-1992, these were (ECU/100 kg) 46.25 in July, 41.11 in August, 43.98 in September, 43.78 in October,

44.61 in November, 45.95 in December, 48.62 in January, 50.44 in February, 52.73 in March, 54.00 in April, 56.31 in May and 57.08 in June.

80. The bulk of the EU members' production comes on the market from August onwards; the out-of-season period, when the bulk of imports from outside the EU are shipped in, should be taken as the months of April, June and July. It is true, however, that the notion "out of season" or "off season" has been obscured in more than one way, but especially because of the technical possibility of maintaining products like apples under refrigeration for a long time. In fact because of this facility of storing apples, stored EU apples, when coming on the market, compete with fresh-picked apples coming from countries in the Southern hemisphere such as Argentina, Australia, Chile, New Zealand and South Africa (mid-March to early summer).[10] The EU is among the largest producers of apples. Yet substantial quantities of apples are being imported, especially from countries in the Southern hemisphere. A series of crises took place among the EU members and these countries in the 1980s, with the EU trying to impose a licensing and monitoring system on imports which ended up in GATT and the European Court. In the late 1980s, voluntary restraint was introduced, culminating in direct agreements on imports, taking into account market conditions.

81. With the GATT-94 commitments, the above barriers to trade will be removed. Reference prices will be replaced through a system of entry prices and maximum countervailing charges. The new system might end up to be a more restrictive device than reference prices, which could not be effective for a product that can be imported, stored and put on the market at appropriate prices. Thus, from 1 July 1995 and until the year 2000 imports will be governed by the following:

0808 10 Apples		DUTY		Reduction percentage (by 2000)
		Base rate	Bound rate	
Other				
0808 1091				]
From 1 Aug.-31 Sept. with an EP>516 ECU/T		14.0%	9.0%	-36
Other	(SSG)	14.0%	11.2%	-20
	+MAX	297	238	-20
ECU/T				
0808 1093		8.0%	4.0%	-50
From 1 Jan.-31 Mar. with an EP>627 ECU/T		8.0%	6.4%	-20
Other	(SSG)	297	238	-20
	+MAX			
ECU/T		6.0%	3.8%	-36
0808 1099 From 1 April - 31 July		6.0%	3.8%	-36
From 1 Apr.-30 June with an EP>627 ECU/T		6.0%	3.8%	-36
From 1 July-31 July with an EP>516 ECU/T		297	238	-20
Other	(SSG)			
	+MAX			
ECU/T				

82. Concessions have not been given to any Mediterranean country on apples. The only concessions given are to Hungary and to Poland (tariff quota) and to the Czech Republic and Slovakia (reduction of duty).

[10] For a discussion of the term "off season" see Christopher Ritson and Alan Swinbank, *Prospects for Exports of Fruit and Vegetables to the European Community after 1992* (Rome, FAO, 1993). In view of the EU dispute with Chile, there might be some changes in the EU GATT-94 commitments on apples presented here.

15. Pears, fresh (CN080820) (Egypt, Jordan and Saudi Arabia)

83. The pear is a product that appeared recently on the export list of ESCWA member countries to the EU, though in very small quantities. The EU pear trade with third countries is currently regulated, apart from import duties, by a withdrawal system (1 July - 30 April), quality standards and reference prices (for 1991-1992 these were [ECU/100 kg]: July 47.03, August 39.96, September 39.66, October 42.86, November 45.94, December 49.29, and January - April 51.33). The marketing conditions and the marketing cycle are more or less the same as for apples. The main competitors for the EU produce are again the Southern hemisphere countries. The new regime to govern imports from third countries for the calendar of interest to ESCWA member countries is as follows:

	DUTY		Reduction percentage (by 2000)
	Base rate	Bound rate	
0808 2031 Pears Other			
From 1 Jan. - 31 March with an EP>569 ECU/T	10.0%	8.0%	-20
Other (SSG)	10.0%	8.0%	-20
+MAX ECU/T	297	238	-20
0808 2033 From 1 April to 15 July			
From 1 Apr.-30 Apr. with an EP>569 ECU/T	5.0%	4.0%	-20
From 1 May-30 June	5.0%	4.0%	-20
MIN. ECU/100 Kg Net	2.0	1.6	-20
From 1 July-15 July with an EP>524 ECU/T	5.0%	4.0%	-20
Other (SSG)	5.0%	4.0%	-20
+MAX ECU/T	297	238	-20

16. Miscellaneous

Cherries (CN080920) (Lebanon and the Syrian Arab Republic)
Peaches (CN080930) (Egypt and the Syrian Arab Republic)
Plums (CN080940) (Egypt, Lebanon and the Syrian Arab Republic)
Strawberry (CN081010) (Egypt and the United Arab Emirates)
Kiwifruit, fresh (CN081090) (Egypt, Iraq and Lebanon)

84. In view of the very small quantities of exports to the EU so far, no further analysis on the above products has been made. The new import regime of the EU, after 1995, is however appended below:[11]

[11] Only for the periods of possible interest to the ESCWA region.

	DUTY		Reduction percentage (by 2000)
	Base rate	Bound rate	
0809 20 Cherries			
0809 2090			
From 1 May-15 July			
From 1 May-20 May	15.0%	12.0%	-20
MIN. ECU/100 Kg net	3.0	2.4	-20
From 21 May-31 May with an EP>1562 ECU/T	15.0%	12.0%	-20
From 1 June-15 July with an EP>1562 ECU/T	15.0%	12.0%	-20
Other (SSG)	15.0%	12.0%	-20
+MAX ECU/T	342	274	-20
0809 3000 Peaches, including Nectarines			
From 11 January-20 June with an EP>916 ECU/T	22.0%	17.6%	-20
From 21 June-31 July with an EP>809 ECU/T	22.0%	17.6%	-20
From 1 August-30 September with an EP>633 ECU/T	22.0%	17.6%	-20
From 1 October-10 June	22.0%	17.6%	-20
Other (SSG)	22.0%	17.6%	-20
+MAX ECU/T	163	130	-20
080940 Plums and Sloes			
Plums			
0809 4011 From 1 July-30 September			
with an EP>722 ECU/T	15.0%	12.0%	-20
Other (SSG)	15.0%	12.0%	-20
+MAX ECU/T	129	103	-20
08094019 From 1 October to 30 June			
From 1 October-10 June	8.0%	6.4%	-20
From 11 June-30 June with an EP>722 ECU/T	8.0%	6.4%	-20
Other (SSG)	8.0%	6.4%	-20
+MAX ECU/T	129	103	-20
0809 4090 Sloes	15.0%	17.0%	-20
0810 Other Fruit, Fresh			
0810 10 Strawberries			
0810 1010 From 1 May-31 July	16.0%	12.8%	-20
MIN ECU/100kg net	3.0	2.4	-20
0810 1020 From 1 August-30 April	14.0%	11.2%	-20
0810 90 Other			
0810 9010			
Kiwifruit (Actinidia chinensis Planch)	11.0%	8.8%	-20
0810 9091			
Tamarinds, cashew-apples, Tychees, jackfruit, sapodillo plums, passion fruit, carombola, starfruit, petya	11.0%	free	-100
0810 9092 Other	11.0%	8.8%	-20

IV. THE IMPACT OF SEM AND THE EUROPEAN UNION'S GATT COMMITMENTS ON THE ESCWA REGION

A. GENERAL REMARKS

85. In a review of the main recent changes in the institutional set-up of international trade in agricultural products, especially the Single Market developments in the EU, as well as the state of trade exchanges between the EU and ESCWA member countries and the many obstacles that the region will face with regard to fruits and vegetables, a number of conclusions can be drawn regarding the impact on trade in agricultural commodities.

Fears expressed in various circles that the SEM and the 1992 changes in CAP were to create a more restrictive import regime would seem unjustified. However, there is nothing to suggest that these developments will benefit the ESCWA member countries directly in their export efforts.

Definitely, the concerned policy makers should devote serious attention to the SEM and GATT 1994 as they open up new longer-term perspectives in development efforts. Immediate action would also be necessary with regard to a number of problems that ESCWA member countries will face, notably with regard to the technical and quality standards that their exports will have to satisfy. Both the short-term and long-term implications should be dealt with in revised agricultural plans, which will integrate and realign internal and external requirements.

B. TRADE IN AGRICULTURAL COMMODITIES

86. Studies made on the possible impact of the SEM on developing countries, including some NENA countries, with which the EU maintains economic cooperation agreements, have indicated generally positive net effects in their agricultural exports to the EU (Davenport and Page, 1991 and Stevens, 1994). However, the issue is so complex that it cannot be generalized. The outcome will depend on the circumstances of each country and of each product. The trade profile of each of the main fruit and vegetable products for the ESCWA region, including the new rules of the trade network, were given. In what follows, the favourable and unfavourable impact of the SEM and the EU GATT commitments on the region's agricultural trade will be further examined.

87. As all countries in the region are net importers of food and agricultural products, their import bills are expected to increase on account of rising prices of certain food products on the world market. These price changes are anticipated because of GATT commitments to reduce export subsidies by exporting countries and abide by stricter rules regarding dumping. The same pattern of developments of imports from the EU should be expected, since the EU supplies a large part of such imports. The final outcome will depend on the interplay of a number of factors, whether an imported product is on the list for which export subsidies will be reduced under GATT, whether its market price in the EU will be reduced or not according to the CAP 1992 changes, and whether the elasticity of demand is low and vice versa in the importing country. Of course, the import bill will be more affected now by climatic and other natural conditions elsewhere since both the SEM and GATT 1994 are steps in the direction of globalization of the world economy.

88. The effects on agricultural exports will also depend on a number of factors. The importance of each one of them for the particular product will be decisive in shaping the final result. The proponents of the thesis that the SEM and GATT 1994 will boost exports from third countries, including the ESCWA region, base their arguments on the additional demand that will be created through savings in costs and increasing efficiency of productive units in the EU. Theoretically this is correct. But the questions are: how much extra demand will be added; how much of this additional demand will be directed to food consumption, which is

generally price- and income-inelastic; which products have not reached their saturation level? Which products can satisfy the increasingly sophisticated consumer trends? The original high optimism about the impact of SEM on growth in the EU has been replaced by a less optimistic position. It is by no means certain that the SEM will boost growth significantly. Regarding the issue of demand, another aspect would be the effect of the SEM on the levels of per capita consumption of various food commodities and the pattern of consumption from country to country. Studies have shown that consumption per head of fresh fruits and vegetables is more or less static within the EU, but the pattern is changing both in terms of products and in terms of individual markets (Ritson and Swinbank, 1993). Per capita consumption should normally be expected to increase in cases where the exhaustion of domestic production was not replaced by drawing on that of other countries owing to the pre-1992 barriers to trade.

89. Would exports of third countries be affected by increased competition from inside the EU as a result of SEM? The removal of all remaining barriers to trade among member countries will not affect exports from third countries (and the ESCWA region) because the Single Market for the majority of fruits and vegetables preceded SEM. For these products there has been a common organization of the market and quality standards applied. The main effects of SEM will be in the case of products that were not under common organization of the market, or they will be affected by the new arrangements regarding technical harmonization under both the SEM and the GATT commitments. The most important product excluded from the fruit and vegetable policy of interest the ESCWA member countries is the potato, the trade profile of which was outlined above. Technical harmonization refers to pre- and post-harvest treatments, residues content, packaging and sanitary/phytosanitary measures. The latter represents a field in which GATT has been particularly active. More about technical standards will be noted below. Some students of the effects of technical harmonization on imports from third countries argue that these will be positive, in the sense that, in the end, exporters will have only one technical requirement to meet instead of many. Though this will simplify things, the attainment of the technical and quality standards by ESCWA member countries will be a major task and will necessitate a tremendous effort in view of the fact that they are not equipped to adjust promptly to the new EU rules.

90. A more important competitive situation for ESCWA member countries will be created by the finalization of the entry of Spain into the EU. Until 1992 Spain had to respect the reference price, mechanism, which was replaced by the community offer price system, with offer prices drifting below reference prices, especially for courgettes, artichokes and tomatoes. In parallel, a Supplementary Trade Mechanism will operate until 1996 to monitor imports; a "surveillance" system is applied to certain imports from third countries (i.e., the establishment of a reference quantity should imports from a country cause difficulties on the community market). The fruit and vegetable products that will most probably be adversely affected by the unrestricted circulation of Spanish produce were pinpointed above (see chapter III).

91. Competition for ESCWA members' exports to the SEM will also come from the EU economic cooperation with Central and Eastern European countries as well as from other NENA countries. The main weapon for ESCWA region products will be earliness of production both against Western Mediterranean produce (e.g. Spain) and Eastern Europe (e.g for vegetables). The main question, however, is whether the European Union's new GATT import regime will be less or more protective than the existing one or whether the system of reference prices was more or less restrictive than the system of entry prices and maximum tariff equivalents. This aspect was studied by Swinbank and Ritson (1994), who concluded that the Maximum Tariff Equivalent (MTE), the new "player" for protection (together with entry prices) of local production from low-cost imports, has been set on the high side. On the contrary, entry prices, which correspond to the minimum import prices applied between 1986 and 1988 under the reference price system, together with their anticipated reduction by 20 per cent (in line with the reduction in the MTE) could prove to be a real reduction in the price barriers set to protect the EU fruit and vegetable growers. Finally, under the new system, unlike under the reference price system in which subsequent shipments were penalized, each

consignment will be considered on its own, which is a fair and welcome development. Some problems might arise in finding out whether or not the entry price has been respected in the case of commission-based transactions. It must be reiterated that there should be more clarification on how the system would work.

C. Quality and technical requirements

92. Perhaps the most important element in SEM has been the effort to harmonize national standards and technical regulations, which impeded the free circulation of goods. The general solutions given were described above. ESCWA member countries should do their utmost to meet these requirements. This task will be facilitated by the GATT 1994 Agreement on the Application of Sanitary and Phytosanitary Measures, which aims both at minimizing the negative effects on trade as a result of the application of such measures and at assisting developing countries to adjust to the new requirements through the granting of technical assistance to these countries in the areas, *inter alia*, of preparation and application of phytosanitary standards as well as of maintaining and expanding their market access opportunities. This Agreement, together with the GATT 1994 Agreement on Technical Barriers to Trade (TBT), covers all aspects of food standards, including food safety and quality and additional matters such as labelling, consumer protection, biotechnology, food irradiation and "organic" food production. It should be noted that the EU is a signatory to these Agreements and has played a significant role in their conclusion. In what follows, some important quality and technical requirements by SEM for agricultural products, especially fruits and vegetables, will be analysed.

D. Quality standards

93. Under the common organization of the market in fresh fruits and vegetables, the EU has applied quality standards for a good number of fruits and vegetables covering quality, size, packaging and labelling. These are not newly invented standards. They were derived from the United Nations Economic Commission for Europe Geneva standards. The product when displayed should be labelled with its quality class, origin, and variety at all stages. These standards apply to both domestic and imported products and are uniform throughout the EU. Adherence to these quality standards preceded the SEM. The advent of SEM will require conformity with new requirements in these fields.

E. Sanitary and phytosanitary measures

94. So far member States were allowed to apply their own regulations on phytosanitary matters. Member States could ban imports not only from third countries but even from other EU members on grounds of such issues. For instance, the EU Mediterranean countries virtually prohibited imports of such products as citrus, melons and watermelons. The EU Commission has been active in dismantling national regulations and establishing an overall EU regime managed centrally. In some cases the outcome will be beneficial to third countries, especially when the right of complete prohibition of imports is taken away. In others, adoption of a stricter rule on a wider basis will be an adverse development. Nevertheless, certain basic provisions of the GATT SPS (Agreement on Sanitary and Phytosanitary Measures) will regularize the situation, even if the EU standards are high. For instance the Agreement, though recognizing the right of countries to take sanitary and phytosanitary measures for the protection of human, animal and plant life, stipulates that these measures must be consistent with recognized scientific evidence, and should not be applied in an arbitrary way in the form of disguised barriers to trade. Thus once food regulations are transparent and non-discriminatory, interested countries would have a clear understanding of the task that confronts them.

F. Other standards (packaging, labelling, handling and storage)

95. These are matters dealt with by the GATT TBT Agreement, which stipulates that the technical standards and regulations must have a legitimate purpose and be justifiable *vis-à-vis* the impact or cost of

implementation. As in the case of phytosanitary measures, countries must use international standards as a basis for their own standards. Within the SEM project there has been a great deal of activity, especially on the Community's legislation regarding packaging in view of the environmental issues raised. Parallel to the Commission's own drafting of legislation, many countries have developed their own regulations. The overall position is that member States cannot maintain measures that may distort or restrict competition or trade in packaging or packaged products.

96. The adoption of quality standards, sanitary and phytosanitary and other standards by the SEM, apart from offering protection to its own production would normally benefit trade between the EU and developed countries. At the same time, however, it will set a common yardstick for all third countries, benefiting in this way traditional trading partners, including the ESCWA member countries. But the main benefit will come about if gradually the quality and other technical standards are adhered to. This is actually the crux of the matter. If ESCWA member countries would like to reap the fruits of the highly remunerative EU market, which is constantly expanding with the addition of new members (with the exception of Cyprus and Malta this expansion will include only Northern European countries), the only way is to overcome the barrier set by these standards. Both the EU (mainly for the countries with which it maintains Economic Cooperation Agreements) and international organizations such as FAO could help in making the necessary arrangements.

G. Transfer of technology

97. It is now recognized even among the EU circles that the very limited trade and financial concessions made from the 1970s onwards to the NENA (including ESCWA members) countries were not enough for a real breakthrough in their development process. It has been argued that the only way of effectively reducing existing imbalances between them and the Community was to attack structural causes of uneven development, and that the only way to do this was by transferring investment, technology, research and innovation from the EU to the countries concerned. The current protocols on financial and technical cooperation do not envisage such breakthroughs in human resource development and only modestly touch upon such areas as science and technology and energy.

98. The SEM and the GATT 1994 do not envisage direct programmes or measures for the transfer of technology to developing countries. The impact in this domain will be only indirect. The harmonization of quality and technical standards envisaged in SEM to facilitate unimpeded circulation and use of commodities produced or imported by one EU country in the remaining countries would lead third countries to adopt similar standards themselves. The same will happen in the sphere of standards aimed at the protection of human, animal and plant health. A less costly approach would be for all testing and certification to be done in the exporting third country through accredited institutions and laboratories. These requirements will cause ESCWA member countries to import appropriate technology through allowing and encouraging foreign investment or simply by buying technology as such. Appropriate government institutions should be set up to handle both policy matters and generic, especially applied, research, preferably in cooperation with other countries in the region.

99. The two GATT-94 Agreements on quality and technical standards referred to above, though aimed at liberalizing trade by abolishing non-tariff barriers, point to the same direction. As already noted, the Agreements envisage the elevation of standards internationally to accepted levels, the introduction of transparency to the use of these standards through recourse to scientific methods and the provision of assistance to developing countries for the upgrading of their standards. These developments are both challenges and opportunities to ESCWA member countries regarding the crucial issue of transfer of technology.

V. CONCLUSIONS AND RECOMMENDATIONS

100. ESCWA member countries in general are endowed with limited agricultural resources (agricultural land and water), but they are characterized by good climatic conditions and hardworking farming communities. Improvements in quality of products and productivity of agricultural activities, which can be achieved, would render farming a competitive and viable occupation. Of course farming has to be put on a proper footing (sizeable units, professionally managed, without the adverse interventions of the past and a commercially sound environment, supported by appropriate infrastructural projects and research and development work). Agriculture is an important sector and should not be subservient to any other sector. It carries with it a technological depth that no other sector does and when addressed scientifically, it could become a leader in innovations. It is commendable that most Governments in the ESCWA member region have decided to review the agriculture sector in their plans and to introduce structural adjustment measures to create the right environment for the revival of the sector.

101. Apart from the technological upgrading that proper farming activities entail, there is a practical aim to be achieved, i.e. increasing food and agricultural products in which, as seen above, the region and the individual countries have a large deficit. In fact the burden of such imports is becoming heavy, even for oil-producing members of the region. The situation is going to be aggravated in view of certain international developments, such as the signing of the Agreement on Agriculture under the auspices of GATT. Irrespective of the fact that most of the ESCWA member countries have not signed yet the GATT 1994 Final Act, all countries will feel the consequences. The main consequences will be the gradual liberalization of trade through the abolition of other barriers to trade and the lowering of tariffs as well as the restoration of prices to reflect world market forces. ESCWA member countries should speed up the implementation of structural adjustment programmes in agriculture and rural development, bearing in mind these developments. The finalization of plans should take into account, among other things, the specific developments in the EU, i.e. the creation of SEM and the EU GATT commitments, as well as other developments in the international trade institutional set-up. The small contribution of the ESCWA region's trade in agriculture provides a high degree of flexibility regarding the search for markets.

102. Though still at low levels, the ESCWA member countries have experienced a higher level of intraregional exchanges in food and agricultural items than the whole NENA region, a normal phenomenon in view of the compactness of the area and the similarity of habits. This state of affairs will be encouraged in the future by the increasing prices of imported products in view of GATT 1994 and SEM, with lower export subsidies, though relatively lower prices in the EU of certain temperate (climate) products, including cereals, milk and beef). Intraregional cooperation should be encouraged and further facilitated now that agriculture has been given new impetus, the food needs in the region are increasing, and harmonization of quality and technical standards is a universal requirement. In addition, the ESCWA member countries should not close an eye on other trading partners, especially the ASEAN countries and the Commonwealth of Independent States.

103. For the time being and for many years to come, the most rewarding market for ESCWA member countries' agricultural exports is the market of the EU 12 (members), which became as from 1 January 1995 the market of the EU 15 with the entry of the Scandinavian countries and Austria. Further expansion will include mainly northern countries. Such an expansion will strengthen further the importance of the EU for Mediterranean products. For the protection of its own farmers, the EU has kept the prices of agricultural products high, something which it will continue to do in the future, despite the reduction of the expenditure on domestic support (aggregate measure of support [AMS]) in line with its commitments to GATT 1994 and the replacement of variable import levies and reference prices with tariffs (*ad valorem* and specific) and entry prices. ESCWA member countries, like all NENA countries, should do their utmost to surmount the

obstacles and place their agricultural products, in particular fruit and vegetables, on the renumerative EU market.

104. However justifiable it may be, instead of complaining over the restrictive policies of the EU, the task ahead should entail a critical assessment of the developments regarding SEM 1992 and GATT 1994 and the preparation of action plans. The assessment should encompass both the negative as well as the positive elements.

105. Among the possibly negative changes of the last few years and the years to come for the ESCWA members' exports of agricultural products, one could include the coming to the end of the transition period for the entry of Spain into the EU, which will release from inside the Community market a formidable competitor with all the privileges of the CAP. Other negative developments were the granting of concessions to almost all Central and Eastern European countries, the high entry prices and the maximum tariff equivalent (though countervailing charges are maximum amounts to be reduced) adopted under GATT 1994, which could prove to be very prohibitive indeed. At the same time some positive aspects could be detected in the latter case, such as the adoption of the consignment basis by the new system, the more simple customs clearing procedures, *a priori* knowledge of price yardsticks and the countervailing charges to be expected, and the commitment to reduce entry prices (unlike always increasing reference prices).

106. The positive aspects of the SEM and GATT 1994 changes are the underlying timid efforts to globalize international trade through the removal of non-tariff barriers to trade, the reduction of tariffs and the "harmonization" of technical barriers to trade. Specifically, in the case of SEM, non-tariff barriers to trade to be abolished relate to certain products for which national import restrictions could be applied, a measure which was extensively used by many countries of the EU to ban or to limit imports of fruits and vegetables from third countries for certain periods. Another source of measures, also used against such imports several times by EU members, has been the reference to "technical" specifications of the products especially the phytosanitary ones. It has been explained above that, under both the "harmonization" element of SEM and the transparency requirements of GATT 1994, such action will be minimized. As for the reduction of tariffs, this will only be beneficial for those ESCWA member countries and for those products that are not covered by economic cooperation agreements with the EU. As noted, the EU has undertaken under the latest protocols to abolish tariffs by 1993 in the case of Egypt, Jordan, Lebanon and the Syrian Arab Republic for the products included therein. The positive repercussions of SEM could include an increase in the growth in demand of the EU, though its effects could be diluted until food products, usually inelastic, come into the picture. Finally, the simplification of the import regime and the introduction of more transparency into the whole system are improvements over the present system.

107. The repercussions on other sectors of the economy should also be studied to decide on national priorities. Some scholars maintain that certain branches of the manufacturing industry have been more responsive and will be even more so under the new import regime of the EU. This is correct and understandable. More and more places of work are been created in third countries for the supply of lower value added or technologically inferior industrial products. A pertinent example is the boom in textile exports from NENA countries to the EU, despite restrictions and quotas. Apparently the advantages for EU industries of relocating production (or subcontracting) have broken the protectionist market access of the Community. The super-protectionist character of the CAP has also started being shaken with SEM and GATT 1994. The creation of surpluses and the artificial preservation of agricultural prices at higher than international levels most probably will lead to the same trend as the one now experienced in the agricultural manufacturing industry. Studies on this should be carried out with regard to tourism and services.

108. The agricultural action plans of ESCWA member countries to be promoted, separately or jointly, should take into account and provide solutions to the following :

(1) ESCWA member countries should seek to open discussions on economic cooperation with the EU to reinsure their concessions on at least the products covered. Since tariffs have been abolished, anyway, the request should turn to the level of the entry price, the MTE and the calendars. It is only logical to expect that the EU will negotiate such preferential agreements. Countries must be alert to the possibility of an EU counter-proposal for a licensing system. It should be borne in mind that GATT-94 has accepted the setting up of an export certificate system and the establishment of quotas on bananas for a number of Caribbean and Latin American countries. The arguments for reopening the cases should be the loss of the advantages by ESCWA member countries, in view of the across-the-board reduction of border protection or the expansion of access on a most favoured nation basis and should be product specific. Another loss will be in terms of having to pay more on imports of food and other agricultural items. Global arguments for the entire NENA area should be put forward by representative organization(s) of the area. The inadequacy of the Mediterranean policy of the EU has been severely criticized by the EU Economic and Social Committee on more than one occasion.

(2) ESCWA member countries should speed up the implementation of their structural adjustment programmes and can now plan production based on their comparative advantage and the new structure of prices and trading rules to obtain gains from trade with EU.

(3) A lot of coordination among ESCWA member countries related to exports to the EU is necessary at both the level of agricultural production and the marketing of produce to obtain the best possible results, because different products fetch different profit margins at different points in time. As they face different import regimes and different levels of competition, various fruits and vegetables will be subjected to the entry price system for varying periods (all the year round or certain periods) at different entry prices. The identification of the import prices to be compared with the entry prices is too crucial a point in the whole process to be left altogether to the importer. In general, out of season production and exports fetch higher prices and face less restrictive obstacles. Here is where the main comparative advantage of ESCWA member countries lies, to be able to beat timewise Western production of fruit and vegetables. Special projects should be experimented with for early fruit and vegetables annual crops. At the other end, every care must be taken to avoid a usual situation of the past, when different exports from the same country were competing between themselves. The most advanced arrangement to aim at should be a combined production-marketing chain in cooperation with importers or supermarkets under joint ventures or otherwise. It should be remembered that the provision of subsidies to reduce the cost of marketing exports and the more favourable internal transport and freight charges on export shipments are not precluded by GATT 1994 in the case of developing countries.

(4) The main groundwork to be done, however, is the upgrading and adoption of quality and technical standards comparable to those used in the EU and in accordance with the GATT 1994 Agreement on Sanitary and Phytosanitary Measures and the Agreement on Technical Barriers to Trade. The underlying strategic idea is this: prices of agricultural products in the EU market are kept high and will continue to be high for the foreseeable future despite certain changes in CAP in 1992 and the GATT 1994 commitments. Products from third countries to the EU will reap "premium" prices if they can get in, preferably in off-season periods of the year. Exports from ESCWA member countries with preferential agreements with the EU will not be charged with duties on products covered by the agreements, and provided they observe minimum entry prices no countervailing charges will be imposed either. Thus, the basic question that arises is whether these products are satisfying the quality and technical standards requirements of the EU so as to be allowed to enjoy the remunerative prices of the Community market. The same applies to all other ESCWA member countries, with the exception of concessions granted to their Mediterranean neighbours. Quality and technical upgrading is a formidable task but it has to be confronted in order to break the vicious circle of underdevelopment. Countries could start by establishing export produce inspectorates as well as agricultural extension services to assist at the production stage and supplement these through the provision of some

laboratory testing and analysis. Further technical know-how can be easily acquired from the private market. The aim should be to develop an efficient, modern agriculture and food industry in the ESCWA member countries, to be linked with the EU. Again the best possible way is to get firms operating at European level to form the vehicle for this transfer of technology and, of course, capital.

(5) Cooperation in agriculture, either at regional level or subregional level, should be enhanced. In view of SEM and GATT 1994 and the adoption of structural adjustment measures, certain constraints on this cooperation will start being dismantled, such as lack of harmonization of agricultural policies (pricing, subsidization, credit, foreign exchange), differences in the objectives of national agricultural plans, lack of cooperation in research, in the adoption of common standards in combating diseases of plants and animals, as well as in joint marketing. It seems that now there is going to be a more universal approach to agricultural policies in individual countries, both internally and externally. Cooperation should not remain in the government sphere alone; it should be opened up to the main actors, the businessmen themselves, who should be encouraged to work across borders in a free economic area. The main spearhead of external trade relations of the region should be its Mediterranean countries. ESCWA and the United Nation Development Programme (UNDP), as well as the EU could help in paving the way for cooperation at the grass roots level of business by bringing entrepreneurs together and demonstrating the importance of such cooperation to Governments. Funds could be made available from the IPF (indicative planning figure) of various countries, regional funds of other United Nations organizations and from the EU (possibly under its Mediterranean horizontal cooperation programme).

109. The objectives of this study were to provide a general picture of the impact of SEM and other developments in the institutional set-up of international trade in agriculture as this impact affects agriculture in the ESCWA region, especially fruits and vegetables. In addition to analysing the salient features of these changes within the context of trade relations between the ESCWA region and the EU, the export profile of major fruits and vegetables was portrayed from the institutional and the competitive environment points of view. This study, however, is neither a marketing study for the products covered nor an exhaustive examination of the export parameters. Certain recommendations were also made with regard to agricultural production and the marketing set-up. Again, further investigation is necessary, especially on the possibility for joint investment projects, regional exports, joint marketing programmes, joint quality and technical standards matters, and monitoring and coordination of efforts. Owing to time constraints, the study did not cover non-food agricultural products, such as cotton, which will be indirectly affected by GATT 1994 (Agreement on Textiles and Clothing).

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