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Euro-Mediterranean agricultural trade policies : are they sustainable ?

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Abstract. Agriculture in the southern Mediterranean area suffers overall from a shortage of natural resources (water, cultivable land, etc.), inadequate infrastructure and limited access to the European market. This results in strong dependence of the countries concerned on food product imports. The degradation of the environment results essentially from the use of biotechnologies to increase production and the lack of control and legislation covering suitable use of water and land. The liberalization of agriculture should theoretically enhance the production of a number of products during the winter months, but the countries south and east of the Mediterranean suffer from CAP restrictions on the most profitable products. Farmers in the south are unable to benefit from European market openings because of high production costs, lack of information about organic crops and the lack of appropriate technologies.
Liberalization can have very negative effects on the environmental and social sectors. Indeed, growth of the agricultural economic sector may aggravate existing problems, and in particular the overexploitation of land and natural resources, pollution, the disappearance of rural societies and impacts on health. The measures that are essential for ensuring better sustainable development policies are presented here.

Keywords. Agriculture - Mediterranean – free trade zone – Mediterranean policy of the European Union - Degradation of the environment

Résumé. *De façon générale l'agriculture du Sud méditerranéen souffre d'un manque en ressources naturelles (eau, terres cultivables…), d'infrastructures inadéquates et d'un accès restreint au marché européen. De cela résulte une forte dépendance de ces pays en importations de produits alimentaires. La dégradation de l'environnement est essentiellement due à l'utilisation des biotechnologies pour augmenter les productions et au manque de contrôles et de législations pour l'utilisation de l'eau et des terres appropriées. La libéralisation de l'agriculture devrait théoriquement favoriser la production d'un certain nombre de produits pendant les mois d'hiver, mais les pays du Sud et de l'Est de la Méditerranée souffrent des restrictions de la PAC sur les produits les plus avantageux. Les agriculteurs du Sud ne peuvent pas profiter des ouvertures du marché européen en raison des coûts élevés de production, du manque d'informations sur les cultures organiques et du manque de technologies appropriées. La libéralisation peut avoir des effets très négatifs sur les secteurs environnementaux et sociaux. En effet, l'augmentation du secteur économique agricole peut aggraver les problèmes déjà existants notamment : la surexploitation des terres et des ressources naturelles, la pollution, la disparition des sociétés rurales et les impacts sur la santé. Ce document présente les mesures qu'il faut absolument prendre pour assurer de meilleures politiques de développement durable.*

Mots clés. *Agriculture - Méditerranée – zone de libre-échange – politique méditerranéenne de l'Union européenne – Dégradation de l'environnement*

Introduction

The Euro-Med Partnership was established in November 1995 between the 15 EU member governments and Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, the Palestinian Authority, Syria, Tunisia, and Turkey. The proposed creation of the Mediterranean Free Trade Zone (MFTZ) is a central component of the Euro-Med Partnership. The MFTZ, the most ambitious goal of the Euro-Med process, is hoped to become fully functional by the year 2010. If established, the MFTZ would become the world's most populous regional free trade zone.

Agriculture is an economically and socially important sector in the southeast Mediterranean (SEM) region. A one-year research study was coordinated by Friends of the Earth Middle East (FoEME) in 1999 to assess the potential environmental implications of the proposed MFTZ. Within the study, the environmental implications of trade liberalization in several sectors of economic and social importance to the region were investigated. Included in this study was the examination of the agricultural sectors of several Mediterranean countries-Jordan, Egypt, Palestine, and Israel.

The agricultural sector is a major source of employment and income for many of the SEM countries. The total population of Egypt, Israel, Palestine, and Jordan is estimated at 77 million for the year 2000 and is projected to grow to 92 million by 2010, with an average annual increase rate of roughly 2.0%. Agriculture in the region plays a significant social role in securing jobs and generating income for rural people, which constitute a relatively high proportion of the population, although figures vary among the SEM countries. The rural proportion of the population is especially high in Egypt, in which 56% of the population is rural, while comprising 29% of the population of Palestine, 22% in Jordan and 8.8% in Israel.

The economic significance of agriculture in the region is highlighted by the sector's role in each country's Gross Domestic Product (GDP). Within the region, the agricultural sector's contribution to GDP varies from one country to another, but is relatively high overall. Agriculture accounted for around 20% of the GDP of Egypt in 1996, compared to 17% in Palestine, 7% in Jordan and a considerably lower 2.5% in Israel. The agricultural sector also comprises an important part of export earnings, constituting 22% of total exports for Egypt, 20-25% for Palestine, 14% for Jordan, and 7.5% for Israel.

I - Characteristics of agriculture in the Mediterranean

The agricultural sector of the SEM region is characterized by both advantages and disadvantages. Collectively, the SEM countries have several comparative advantages in the agricultural sector, which allow higher degrees of competence and thus a potential to exploit marketing opportunities opened to the region through the liberalization of trade, especially with European markets. The strengths of the region's agriculture include:

- cost effective off-season production of vegetables and fruits, especially in the Jordan Valley;
- abundance of production technology, know-how, and accumulated experience;
- comparatively low labor costs relative to the agricultural sectors of other countries.

Within the region, there are variations in the structure of the agricultural sectors. Most of Egyptian and Jordanian cultivated areas are allocated to perennial crops (vegetables and field crops), whereas in Palestine, most of the cultivated areas are allocated for fruit trees, due to the predominance of semi-humid (rain-fed) farming. In Egypt, almost all cultivated areas are under irrigation (98%), with over 40% in Israel, 13% in Jordan and 10% in Palestine. There is a general trend towards cultivating more lands throughout the region, with specific interest in irrigated agriculture, since rainfall is inadequate for most vegetables, fruit trees and many other crops.

A number of limitations also characterize the agricultural sector of the south Mediterranean. Among the more significant constraints is the lack of natural resources most notably water, shortage of arable land, inadequate infrastructure, insufficient marketing services, and restricted access to the EU market.

Overall, agricultural trade in the SEM countries is characterized by high dependence on food imports due to the scarcity of water resources in the region and dominance of fruit and vegetables in agricultural exports. The EU represents the major trade partner for most southern Mediterranean countries, importing from them off-season fruits, vegetables and horticulture, while supplying them with cereals and dairy, which the region's limited supplies of arable land and of fresh water do not allow. As such, most southern Mediterranean countries remain net food importers.

The current condition of the agricultural sector is considered to be detrimental to the already polluted environment of the South Mediterranean region, for the reason that agriculture accounts for two-thirds or more of consumption of scarce water supplies in the southern Mediterranean. As a result, agriculture in the SEMs represents the single largest contributor to deterioration of water supplies and destruction of natural ecosystems, due to over-pumping. In several Mediterranean countries, ground water sources are being used for agriculture in excess of the natural replenishment rate; as a result the water table is steadily dropping.

There is also the factor of soil degradation and deterioration that can result from increased salinization and soil compaction, eventually making the soil unsuitable for agriculture in the future. Salinization results from the overuse of water resources, and soil compaction can result from overstocking of the land. Salt water intrusion is one of the most serious environmental threats.

An example of the seriousness of damage by saltwater intrusion is in the Gaza Strip in the Palestinian Territories where land is no longer suitable for agriculture and groundwater is highly contaminated by salt water. Furthermore, according to report published at the Twenty-sixth FAO Regional Conference for the Near East entitled : “Trade Liberalization Policies, Intra-Regional Trade and Opportunities for Sustainable Agricultural Development” it states that the salt-affected areas in Egypt comprise 33% of the total irrigated areas.

In addition, the environmental degradation is compounded by excessive use of pesticides and fertilizers in intensified agricultural production especially in export-oriented agriculture, often contaminating fresh water supplies and adversely affecting wildlife. Although overall pesticide and fertilizer use has decreased, it is still necessary to encourage the use of bio-fertilizers and bio-pesticides in order to limit environmental damage.

Increased attention has been given recently to the use of biotechnology in agricultural production. The long-term effects of biotechnology, such as the use of genetically modified organisms (GMOs), are unknown. However, the effects of such technology are potentially detrimental to biodiversity, natural and agricultural eco-systems, and human and animal health. While European public opinion strongly reflects concerns about these dangers, in several Mediterranean countries policy-makers, farmers, and business entrepreneurs are looking to the possible use of such biotechnology to boost agricultural production.

The current environmental problems are compounded by the fact that there are also ambiguous laws in the South Mediterranean to control and determine best management practices for the amount of water used for agriculture, the amount of pesticides applied, the types of land suitable or unsuitable for agriculture, and the types of applications used and their health impacts. There is also a poor enforcement of these laws which has the effect of fuelling mismanagement of lands and mismanagement of resource use, creating a burden to the already scarce and highly polluted natural resources in the area, as well as imposing a health threat as a result of the high pesticide use.

Several economic and environmental studies already conducted by research institutes, governments and NGOs have all pointed to the potential of Euro-Med policies to impact the rural, social, and economic stability and the environmental integrity of the region. A report by, FEMISE, a network of economic research institutes, evaluates the first five years of the Euro-Med Partnership, stressing “the decisive role of the Euro-Mediterranean agricultural file not only for strictly commercial reasons, but also in relation to stable Mediterranean societies and to the cohesion of rural and urban communities.” It concluded, however, that given the current Euro-Med “ad-lib” policies towards agriculture and the distortions created by the EU’s Common Agricultural Policy (CAP), “the agricultural sector in the Mediterranean will not benefit from the partnership“.

Moreover, the Blue Plan, in a report commissioned by the Mediterranean Commission for Sustainable Development (MCSD) warned that Euro-Med agricultural trade policy risks loss in biodiversity, desertification, disruption of rural societies and migration towards urban and coastal areas already suffering from significant environmental and social problems.

The study conducted by Friends of the Earth-Middle East (FoEME) and the Palestinian Agricultural Relief Committees (PARC) made similar conclusions, and stressed that small-scale farmers in southern Mediterranean countries risked being marginalized by intensive corporate farming. It also found that the farmers generally lacked the physical infrastructure, financial capital, information, and contacts necessary to take advantage of financially and environmentally beneficial alternatives, such as the use of drip-irrigation or taking advantage of potentially lucrative markets, such as organic food markets in Europe. As a result, many farmers resort to monoculture cash crops that demand intensive applications of inputs such as water and agro-chemicals.

II - Agriculture under the Euro-Med FTZ

The Euro-Med Partnership calls for progressive liberalization of agricultural trade in the region, although stopping short of the free trade arrangements that are included in trade manufactured goods. The nature of this liberalization is left to the bilateral agreements between EU and South Mediterranean countries. Theoretically, free trade should give south Mediterranean agriculture a comparative advantage on a number of products in the winter months. However, a number of products in which the SEMs have a comparative advantage are subject to restrictions due to the CAP. The EU fears the competition of foreign goods (particularly fruits and vegetables) with its domestic products. Therefore, tariffs on fruits and vegetables in the EU vary by product, season and country of origin, with higher tariffs being imposed during the periods when imports compete with domestic production.

In addition, agricultural production in the South Euro-Med countries is a victim of the EU's Common agriculture Policy which protects its EU Mediterranean members from competition by non-EU members in the region with comparative advantages in similar crops. The CAP guarantees higher prices for EU producers, which amount up to about 75% of their production costs. It also involves the levying of taxes to compensate for lower international prices, as well as the use of non-tariff barriers, such as quotas on imports of agricultural products, which vary according to the European agricultural production season.

The various EU – Mediterranean Association Agreements show that concessions granted for the agricultural sector in the South Mediterranean are limited and comprise only a fraction of quotas requested during the negotiations. Furthermore, these concessions primarily affect trade in crops that do not compete with those produced by European farmers. Several crops, especially fruits -but also some vegetables- that show seasonal overproduction and could compete in the EU markets, are not considered for preferential treatment. These products include cucumbers, grapes, and figs, among others. In addition, some agricultural products that are typical to the area and which could be produced cost- effectively were not included in the partnership agreement, for example figs, pomegranates, and cactus plants.

Furthermore, time quotas are short for several commodities and inconsistent with production peaks in the Mediterranean region. As a result, farmers in the SEMs may have to choose crops that are not suitable to the region, with the result of requiring more intensive applications of water and agro-chemicals. The Euro-Mediterranean Partnership does call for more emphasis on environmentally-friendly agricultural production. However, these practices are not yet apparent in the southeast Mediterranean countries. While the EU market for organically grown products is increasing, farmers in the Mediterranean countries can not yet take

advantage of this market because of higher costs of production, lack of information about organic farming, and appropriate technologies.

III - Potential negative impacts

Given the current state of the agricultural sector in the SMEs, and in light of recent studies on the impacts of the Euro- Med Partnership, it is very likely that future trade liberalization will potentially have very negative environmental and social impacts on the region. Increased economic activity in this sector could potentially compound already existing problems in the agricultural sector if no action is taken to ensure more sustainable development policies.

1. Environmental Implications

Among the more damaging effects of trade liberalization and an increase in agricultural activity are the accelerated use of the region's resources, threats to marginal lands, increased use of fertilizers, and the inability of regulatory measures to cope with future environmental degradation. Some of the negative environmental outcomes that are expected as a result of the current situation include but are not limited to:

- **inefficient resource use**. Excessive use of resources, accompanied by the existing low prices for these resources, is a very significant threat to the environmental integrity of the region. If environmental costs are not internalized and pricing remains with the status quo, increased production may lead to additional inefficient factor use (e.g. of water, minerals, land), with serious consequences for already overburdened natural resource bases. Furthermore, expansion of export- oriented cultivation without proper pricing will lead to further waste of resources, resulting in the overall export of resources, rather than profitable crops;

- **threat to range and marginal lands**. Higher market prices for livestock products and other substantial food crops, decreases in prices for fruits and vegetables, drops in farm incomes, and high rates of urban unemployment may accelerate risks of encroachment on environmentally sensitive areas. Both subsistence agriculture and export-oriented farming can be expected to grow. Farmers may be encouraged to plant food crops in marginal lands and/or to overstock range lands with herds exceeding the carrying capacity of the land. In addition, attempts to reduce the food deficit between the SEM region and the EU could also contribute to more intensive agriculture and overuse of unsuitable land;

- **expanded use of fertilizers and agro-chemicals**. Despite possible reduction of price supports for the use of fertilizers, and thus potentially more efficient use of agro-chemicals per unit of production, a trend towards intensive export agriculture is likely to increase overall chemical use in agriculture production in SEMs, unless comprehensive programmes are established to encourage alternative production methods. Excessive fertilizer and agro-chemical use could have serious effects on water and soil quality, the health of workers and consumers, and the marine environment;

- **loss in bio-diversity and desertification**. Cultivation of naturally sensitive eco-systems and the increased use of scarce water resources in the region will risk a loss in bio-diversity and result in increased desertification in many of the areas;

- **regulatory failures**. National legislation to protect natural resources and the enforcement of environmental standards are not sufficiently stressed currently. In addition, central governments with public deficits may not be able to afford to properly implement environmental policies. Whatever regulatory standards will be in place, however, further exploitation of natural capital should be expected, either to

finance balance of trade distortions by the central governments or simply because of expanded production of subsistence agriculture.

2. Social Implications

Increased trade liberalization can also be expected to have significant social consequences. Societies face negative social implications as a result of the Euro-Med agricultural trade policies, these include:

- disruption of rural societies. Changes brought about through agricultural trade policies may have a major impact on rural populations. Rural societies could potentially be disrupted due to expected migration towards coastal and urban areas. Large populations and poor environmental conditions already characterize Coastal and urban areas;

- small-scale farmers in SEM risk being taken over by intensive corporate farming. There is also the risk that small-scale farmers in the South Mediterranean risk being taken over by intensive corporate farming. The more large- scale, intensive farming practices tend to promote monoculture/ cash crop farming and contribute to risking the loss of agricultural diversity and local small-scale farming;

- health impacts due to intensive use of fertilizers Negative health impacts of the more intensive use of agro-chemicals and chemical residues in edible fruits and vegetables can be expected, despite the probability of higher quality standards and enforcement of these standards on the export-oriented production.

IV - Agricultural policy under Euro-Med : still waiting…

The Barcelona Declaration establishing the Euro-Mediterranean Partnership calls for promotion of environmentally-friendly agriculture. The Declaration of the Euro-Mediterranean Ministerial Conference on Local Water Management held in Turin in 1999 called for reasserting the principles put forth in the Rome Mediterranean Charter for Water of 1992 and the Marseilles Declaration of November 1996. In addition, this declaration promoted an action plan with irrigation management as one of its priority areas.

Aside from limited efforts in the areas of information exchange and the creation of databases, actual activities promoting such environmentally-friendly objectives, however, are not readily apparent. The Euro-Med's environmental program, SMAP, lists integrated water management and combating desertification, both clearly applicable towards promotion of sustainable agriculture in the Mediterranean region, as two of its five priority action areas. While a step in the right direction, the relatively small scale of the SMAP program is clearly insufficient to address what is clearly a large-scale set of issues.

Furthermore, in the absence of a regional policy regarding GMOs, the reduction of tariffs and trade regulations in the Euro-Med region may complicate efforts to screen for genetically modified products, increasing the chances that they will enter countries despite existing domestic restrictions on these products.

Overall, the measures taken so far to ensure sustainable agricultural trade policies have been inadequate to handle the large- scale environmental problems and concerns, present and future, of the south Mediterranean region.

V - Recommendations

The agricultural sector comprises an important factor in the social and economic stability of the entire Euro-Med area, as well as in the sustainable development of the region. However, the current piecemeal approach towards the issues of agricultural trade and sustainable development is inadequate and needs to be addressed. Furthermore, as many of the southern Mediterranean countries produce similar and competing agricultural crops and/or are subject to similar climatic conditions and resource scarcity, a coordinated policy for promoting sustainable agriculture and rural development throughout the Euro-Mediterranean region is warranted.

At the regional level, principles for such an integrated policy should include:

- reduction of freshwater consumption in the agricultural sector. This can be achieved through a restructuring of subsidies, facilitation and adoption of water-saving technologies, and a general shift toward the cultivation of less water-consuming crops. Such an initiative could provide both environmental and economic benefits;

- guaranteeing that appropriate levels of water flows are returned to nature in a negotiated water-saving / water-for-nature swap scenario;

- reduction of chemical inputs. Chemical inputs are still widespread in the region, and are at risk of increasing as the region shifts towards more export- oriented cultivation. Several countries, however, such as Egypt and Algeria, have already been able to reduce fertilizer inputs while at the same time increasing agricultural output. These achievements have been accomplished through education and training about sustainable agricultural practices, as well as through a reduction in subsidies for agro-chemical use;

- active promotion of organic farming and marketing. Markets for organic foods are increasing rapidly throughout the EU. However, strict CAP quotas, combined with limited information and capital available to the farmers in the southern Mediterranean, effectively constrain access to this market;

- assistance to small-scale farming. As small-scale farming represents a significant portion of the rural population in the Mediterranean region, Euro-Med trade policies that currently favor large-scale, industrial agriculture. This trend should be altered in order to avoid large-scale social disruption and additional hardships for small- scale farmers;

- a complete moratorium on the introduction of GMOs until their impact on the environment and human and animal health has been thoroughly assessed;

To implement such principles, steps toward progress needs to be made in the areas of reforming the structure of trade barriers, improving programming, and improving funding practices. We recommend the following concrete actions take place:

1. Reform of Trade Barriers and Resource Pricing

- eliminate all export subsidies immediately in the European Union;
- ensure that countries have the right to impose controls and restrictions on imports, such as those products that are dumped on their markets, other lower price imports, or restrictions on the import of Genetically Modified food;
- exempt organically/ecologically-produced agricultural goods from tariffs and quotas in order to encourage production;
- reform agricultural quotas and tariffs to more accurately reflect peak production periods in Mediterranean countries. Such a restructuring of the agricultural policy would encourage resource efficiency, while providing economic opportunities for rural populations that are likely to otherwise suffer from the Euro-Med agreements. In addition, domestic production subsidies that promote unsustainable agriculture and inequitable land tenure patterns should be phased out. Support should be targeted instead at integrated agrarian reform programs and sustainable farming practices;
- develop a region-wide work programme to investigate methods for pricing natural resources and chemical inputs so that they reflect their true social cost, based on the polluter- pays principle. Revenues gained from higher resource prices can be used to offer assistance to those industries that suffer most from the removal of subsidies. Such a price restructuring would also facilitate fairer trade by creating a more level playing field;
- place an indefinite moratorium on any trade of genetically modified organisms.

2. Programming

International trade must not be given priority over developmental, social, environmental, and cultural goals. Priority should be granted to affordable, safe, healthy, and good quality food supplies, and to culturally appropriate subsistence production, for the domestic market and for sub-regional or regional markets.

Establish a Euro-Med programme with the responsibility of providing technical and financial assistance to farmers to adopt environmentally friendly agricultural techniques. This would include:

- provide information on market opportunities of organic cultivation, and develop programs to provide training on organic farming techniques;
- develop a network of distributional contacts for environmentally friendly goods;
- establish centers to train representatives regarding environmental and health regulations regarding agricultural products in the EU;
- monitor to ensure conservation of native crop varieties.

3. Funding

Initiatives should be taken to provide adequate funding of programs oriented toward initiating and/ or improving environmentally friendly agricultural practices:

- ❑ commit to providing a minimum amount of MEDA and/or EIB funding per year for the purposes of expanding use of water conservation technologies in agriculture in the region and for assistance to farmers in attaining product quality certification;

- ❑ establish a budget-line within MEDA specifically for support of small-scale traditional agricultural enterprises;

- ❑ support should be given for all partners to ratify and implement the POPs Convention as well as the Biosafety and Kyoto Protocols.