



**IMPLICATIONS  
OF THE SECOND ENLARGEMENT  
FOR THE MEDITERRANEAN  
AND "ACP" POLICIES  
OF THE EUROPEAN COMMUNITY**

BY: E. Guth, Bruxelles

H.O. Aeikens, Göttingen

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IMPLICATIONS OF THE SECOND ENLARGEMENT FOR THE MEDITERRANEAN AND "ACP" 1)  
POLICIES OF THE EUROPEAN COMMUNITY.

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The entry of the three southern European countries Greece, Spain and Portugal into the European Community will in addition to having widespread effects within the Community itself also have considerable impact on the Community's commercial and development policies. Our aim here is to look more closely at two areas of the Community's external relations, namely its Mediterranean and "ACP" policies which both feature particularly close contractual links.

Our intention is to examine the consequences for the Community's policy towards non-member Mediterranean states and the ACP states following the internal changes that can be expected to take place in the economic, financial, agricultural and social policy fields as a result of enlargement. After a look at the aims of this extension of the Community and the objectives of the Mediterranean and ACP policies, the main features of the policies themselves will be described, an account given of the development of relations to date, and the problems likely to arise in the future pointed out. On this basis a scenario will be constructed for the effects of southward enlargement on the Community's Mediterranean and ACP policies.

1. The aims of southward enlargement and the Mediterranean and ACP policies

The Community's positive stand on southward enlargement is based largely on political and strategic objectives. The Community is anxious to provide support for the fledgeling democracies in Greece, Spain and Portugal in order to enhance their political stability and thus make an important contribution to the strategic security of its southern flank. This overriding objective is felt unequivocally by the Nine to outweigh all the economic, social and financial problems of integrating the three new southern members (Rheins, 28, p. 51). A certain change of attitude was detectable earlier this year in the remarks on the timing of enlargement made - doubtless with an eye to electoral considerations - by the French President. These remarks reflect the conflict between the objectives of the common agricultural policy and those of Community external policy and it can be assumed that the Mediterranean policy will bear the marks of this dichotomy for the foreseeable future.

1) 60 African, Caribbean and Pacific (ACP Countries have signed a global cooperation agreement with the EEC, called "Lomé-Convention".

From the applicant countries' standpoint it was felt that in particular the aim of support for the new democratic regimes could tie in well with the Community's goals. What these countries expect from the Community is above all help in overcoming their extremely severe economic, financial and social problems (Papaligouras, 27, p. 523 ff, Soares, 30, p. 552 ff and Garrigues, 7, p. 533 ff). The common historical, cultural, social and geopolitical context is regarded, particularly from the political angles, as the unifying force in this disparity of interests between the Nine and the applicant countries. The objectives of the Community's Mediterranean policy are closely bound up with the goals of the southward enlargement. By contributing to the economic development and political stability of this region the Community is also helping to establish Europe's presence there as a prerequisite for the protection of the fundamental interests of both sides. The Mediterranean region's political, strategic, economic and cultural importance for Europe means that the Community must stake its claim to be the Mediterranean countries' preferred partner. (See van Well, 33, p. 3).

The Community's ACP policy has its roots in the colonial past of certain Member States. Today, policy towards the countries of the ACP group is designed to intensify mutual cooperation and economic relations on a footing of genuine equality, and is geared to development, making it the cornerstone of EEC development policy (Meyer, 23, p. 88 ff; Krohn, 22, p. 177 ff; Cosgrove-Twitchett, 3, p. 121 ff).

## 2. Main features of the Mediterranean and ACP policies

### 2.1. Mediterranean policy

The Mediterranean policy originated in the Association Agreements with Greece (1962) and Turkey (1964)<sup>1)</sup>. At the time of the first enlargement, the Community announced (at the Paris Summit of 1972) an overall approach to its Mediterranean policy designed to remedy the ad hoc nature of the agreements concluded up to that time (Commission, 15, p. 13; Commission, 19, p. 509).

The overall approach to Mediterranean policy is essentially based on the existing measures taken to expand and liberalize trade, but also includes the new dimension of technical, economic, social and financial cooperation. As table 1 shows, the Community today has a comprehensive network of agreements with the Mediterranean countries. In concluding new agreements, it has attempted to put into effect the unifying principles behind the overall approach. But there are also individual circumstances which mean that the agreements show distinct differences in content and application.

The agreement with Israel, for example, exceptionally applies the principle of reciprocity (two-way trade preferences), - since Israel's industry is too advanced to justify the unilateral granting of preferences.

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1) The Community's Mediterranean policy covers Algeria, Morocco, Tunisia, Egypt, Jordan, Israel, Lebanon, Syria, Turkey, Greece, Yugoslavia, Spain, Portugal and the islands of Malta and Cyprus. There are no contractual links with Albania or Libya.

Table 1

## The Community's agreements with Mediterranean and ACP countries

Entry into force	Industry	Agriculture	Other measures: a) social b) econ. and tech. cooperation c) financial protocol
<u>Maghreb</u> 1977 Algeria Tunisia Morocco	duty-free access to EEC market except for cork and refined petroleum products	30-100% tariff preferences, special rules for wine, vegetables, olive oil	a + b + c
<u>Mashrek</u> 1976 Egypt Jordan Syria Lebanon	duty-free access to EEC market with import ceilings for certain woven cotton fabrics, refined petroleum products, phosphate fertilizers and aluminiums	tariff preferences of 40-100% on some products	b + c
Malta 1971	70% tariff preferences, except for textile products	tariff preferences of 40-75% for particular periods and products	b + c
Cyprus 1973	70% tariff preferences	tariff preferences special rules for potatoes and grapes	b + c
Israel 1975	duty-free access to EEC market	20-80% tariff preferences, special rules for certain products	b + c
Yugoslavia 1980	duty-free access to EEC market, tariff ceilings on 29 products	tariff preferences coupled with ceilings on wine, tobacco, beef and veal	a + b
Turkey 1964	duty-free access to EEC market, except for petroleum and textile products	tariff preferences on certain products	a + b + c
ACP States 1976	duty-free access to EEC market	tariff preferences, sugar protocol for guaranteed purchase of 1.4 million t	b + c
Stabilization of export earnings (Stabex)			

See: for classification of agreements, Flaesch-Mougin, 6; for legal basis, Muller M., 26.

- ii. The agreements with the Maghreb countries reflect particularly in social measures those countries' former status as French colonies.
- iii. In order to put Turkey on a par with Greece in terms of its contractual relations, an Association Agreement was also concluded with this country which provides for eventual Community membership.

## 2.2. ACP policy

Under both the first and second Lomé Conventions, cooperation with the ACP states is rooted in free access to the Community market for ACP exports. There are a number of exceptions for products covered by the common agricultural policy, but even here special concessions in form of reductions in the fixed or variable levies are granted. As a result, approximately 99.5% of imports from the ACP states, in terms of value, now enjoy free access to the Community market. In the second Lomé Convention the Community has extended its concessions on certain agricultural products which, while exported only in limited quantities, are of major importance for particular ACP States (1). The other main features of the Convention are (Hasenpflug, 11):

- a) The sugar protocol, containing an undertaking to purchase 1.4 million t a year from the ACP States at Community prices (for a discussion of this agreement see Strangmann, 31).
- b) Most-favoured-nation status (2) for Community exports to ACP countries. This, however, excluded preferences accorded by ACP States to other developing countries. The Community waives any claim to reciprocity and applies special rules of origin (3) whereby the ACP States are treated virtually as a single zone of origin, a concession designed to foster the division of labour and cooperation between ACP States.
- c) Stabex, the system for stabilization of export earnings on a wide range of commodities including coffee, cocoa, groundnuts, tea, cotton and iron ore. The system is applicable as a rule when a particular commodity accounts for over 6.5% of a country's total export earnings (or 2% in the case of least developed countries). If export earnings fall below a level based on the average for previous years, the Community provides funds to make up for the lost earnings (Meyer, 23). Table 2 shows the development of trade between the ACP States and the Community.

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(1) E.g. tomatoes from Senegal, onions from Cape Verde and beef from Botswana.

(2) Any advantage granted by a state to one of its trading partners must likewise be extended to all countries which it has accorded most-favoured-nation treatment.

(3) Rules of origin exist to determine which country is to be regarded as an article's place of origin.

### 3. The implementation of Mediterranean and ACP policy to date and the problems ahead

One of the principles underlying the accession of Greece, Portugal and Spain is that these States will have to adopt Community legislation to date, including agreements and conventions and autonomous obligations in the field of external relations (Morawitz, 25, p. 183); in other words a prerequisite for the negotiations was that the applicant countries should adopt the "acquis communautaire" (1). Hence the agreements referred to in chapter 2 will be applied by the new member countries subject to transitional periods (Commission of the EC, 18, p. 30). The same applies to adoption of the common agricultural policy, the common market for industrial goods and the introduction of the Common External-Tariff. Access to the applicant countries' markets will be made easier for the other Mediterranean countries and the ACP States by the fact that the agreements already concluded with them will have to be applied by the new members; up to now these countries have granted tariff concessions to certain Mediterranean and ACP States on a number of products only (Commission of the EC, 16). This will, however, also lead to increased competition between the new members and the contractual partners on the present Member States' markets.

#### 3.1. Agriculture

The Community's agricultural policy constitutes an unfavourable basis for liberalization of trade in agricultural products. The strong protection given to Community produce in particular by the system of reference prices, runs counter to the partner countries' desire for an increase in their agricultural exports. Their interests are taken into account in that the Mediterranean and ACP States are often granted considerable tariff concessions on agricultural products which go well beyond concessions granted to other countries, under the system of generalized preference, for example (Bormann et al. 2, p. 164 et seq.). The Community's need for protection comes out strongly in the implementation of the agreements, as is shown by the following examples:

- i. Large-scale reductions in or suspension of customs duties without any further charges being imposed are accorded only for agricultural products such as spices, dried fruit and certain kinds of vegetables that do not compete to any great extent with Community products.
- ii. Preferences for fresh fruit and vegetables are granted in many instances only for certain periods, chosen so as to restore full preferential conditions for Community produce when it is in season.
- iii. Tariff concessions for certain processed products (such as tomato concentrate) are granted only within the limits of certain quotas or are subject to voluntary restraint on quantities.

Occasionally the last two measures are combined (as in the case of new potatoes from Cyprus).

The ultimate safeguard of Community interests is the protective clause contained in all agreements and in the common organization of the markets:

this clause was invoked, for example, in the spring of 1980 when France and the United Kingdom banned imports of new potatoes from Greece and when France banned imports of tomatoes from Morocco. Another problem area in Mediterranean policy is the granting of different preferences according to when the agreement was concluded. This has led to situations where, for example, the value of the preferences in the Association Agreement with Turkey was eroded and the Maghreb countries acquired higher tariff preferences for their citrus fruit than Israel, which had originally been in a more favourable position (Gsaenger, 9, p. 8).

There is, however, considerably less room for conflict between the Community and the ACP States over agricultural issues. The main cause of dissent is the Community's high sugar output. The quantities of sugar imported into the Community at guaranteed prices under the Lomé Convention usually have to be re-exported, with payment of export refunds, and hence have the effect of depressing prices for the Lomé countries for that part of their sugar sales which is not governed by the Convention.

When the applicant countries accede to the Community, the level of self-supply in citrus fruit, peaches, wine and sheep and goat meat will rise sharply and this will cause the Community demand for imports of these products to shrink considerably. The Community will become self-sufficient in olive oil, wine, peaches and certain kinds of vegetables. The only additional import opportunities worth mentioning will be those for maize (see Table 3). Viewed statically, this change in the level of self-supply will have the following effects:

- i. The new member countries will try to sell the largest possible proportion of their production within the Community.
- ii. This will result in gaps appearing in the markets of non-member countries - gaps which could in principle be filled by Mediterranean and ACP States, which will, however, have to accept considerably lower earnings in the process.
- iii. The earnings could drop even lower if the Community makes use of export refunds to try to dispose of its surplus produce on the world markets.

These effects will be magnified if we take into consideration the dynamic view that production is likely to rise, especially in the new member countries. These developments concern first and foremost those States that produce agricultural products for which there will be a lower or no demand at all in the enlarged Community and that have a large share of agricultural exports to the Community at the moment (Minerbi, 24). This applies mainly to Cyprus, Israel, Morocco, Tunisia and Turkey (see tables 3 and 4). For instance around 60% of Cyprus' earnings from its agricultural exports to the Community comes from products in respect of which there will be hardly any demand for imports in the enlarged Community. In the case of Morocco, about one third of total exports of agricultural produce to the Community falls into the affected produce categories and in the case of Tunisia about a quarter (Kramer, 20, p. 47 et seq.). To judge by the proportion of affected products in its total agricultural exports, Israel is also one of the States that will suffer badly; however, agricultural exports are considerably less important for Israel than for the other countries referred to above. Where processed fruit and vegetables are concerned, Turkey is the country whose interests will be particularly affected and this should be especially stressed in view of the country's precarious economic situation.

Table 2

Development of trade between the ACP States and the Community

'000 million EUA

	1973	1974	1975	1976	1977	1978	1979
Total EEC imports from developing countries, of which:	31.9	61.4	55.0	70.0	75.2	71.2	88.2
OPEC	15.3	38.9	33.4	41.8	42.3	38.2	51.9
ACP	6.2	10.5	8.4	10.5	12.5	11.9	14.8
Annual increase in imports from the ACP States	+28%	+70%	-17%	+20%	+19%	-5%	+24.4%
ACP States share of EEC's total imports	7.4%	8%	6.7%	6.6%	7.3%	6.7%	6.8%
Total EEC exports to developing countries, of which:	22.9	35.2	44.1	50.9	61.8	66.5	69.7
OPEC	6.6	11.4	18.4	24.1	29.7	31.1	30.3
ACP	4.4	6.1	8.1	9.8	12.5	12.7	11.8
Annual increase in exports to the ACP States	+10%	+37%	+33%	+22%	+27%	+2%	-7%
ACP States' share of EEC's total exports	5.5%	5.3%	6.7%	7%	7.6%	7.3%	6.1%
ACP-EEC trade balance	-1.7%	-4.4%	-0.6%	-0.6%	0.0	+0.8%	-3%

Source: SOEC

Table 3

Self-supply in the major agricultural products (average 1975-77)

Product	EUR 9	EUR 12		EUR 9	EUR 12
Total cereals	87%	86%	Total citrus fruit	51%	89%
of which			Tomatoes	94%	99%
Wheat	104%	104%	Potatoes	99%	100%
Rye	98%	98%	Pig meat	99%	98%
Barley	102%	104%	Beef and veal	101%	99%
Oats	97%	97%	Sheep and goat meat	66%	74%
Maize	53%	47%	Eggs	101%	101%
Rice	93%	95%	Skimmed-milk powder	131%	- (1)
Sugar (raw sugar units)	113%	109%	Butter	104%	103%
Olive oil	88%	109%			
Wine	98%	104%			

(1) Slight reductions are to be expected, depending on the level of subsidies in respect of animal feedingstuffs.

Source: Commission of the European Communities - working papers.  
 Statistical Office of the European Communities.  
 Yearbook of Agricultural Statistics (1974-77) p. 206 et seq.  
 and own calculations.



Table 4

Structure of Mediterranean countries' exports to the European Community by SITC section 1) (%)

SITC	MOROCCO			ALGERIA			TUNISIA			EGYPT		
	1973	1976	1977	1973	1976	1977	1973	1976	1977	1973	1976	1977
0 + 1	54.6	36.9	34.8	8.0	2.1	2.1	22.6	9.1	8.1	24.9	17.4	16.9
3	0.5	0.4	0.3	87.9	94.6	95.1	11.5	23.1	25.8	26.7	48.1	49.0
2 + 4	33.5	41.6	37.1	1.0	1.9	1.2	38.0	27.6	15.8	33.4	20.0	20.1
5	0.8	2.1	5.7	0.2	0.2	0.2	12.2	12.8	13.3	2.2	1.3	2.4
7	0.7	0.3	0.6	0.7	0.0	0.0	0.4	1.8	1.9	0.5	0.1	0.0
6 + 8	9.0	18.6	21.4	1.9	1.1	1.3	15.0	25.6	35.1	12.1	12.9	11.5
	SYRIA			JORDAN			LEBANON			TURKEY		
0 + 1	10.4	0.7	.	9.7	0.0	0.1	-	-	.	42.0	35.8	45.4
3	53.5	89.9	.	-	0.0	0.0	-	55.0	.	3.0	1.2	0.0
2 + 4	32.1	8.4	.	18.8	99.7	99.0	37.0	-	.	33.0	30.2	22.8
5	-	-	.	-	0.0	0.0	1.0	10.5	.	1.0	2.5	1.3
7	0.9	0.2	.	53.7	0.0	0.0	11.0	10.5	.	2.0	0.2	0.5
6 + 8	2.7	0.6	.	11.9	0.3	0.8	21.0	24.0	.	17.0	30.1	30.0
	MALTA			CYPRUS			ISRAEL			YUGOSLAVIA		
0 + 1	-	6.5	5.7	72.0	82.5	78.7	39.5	27.2	25.9	20.2	21.1	18.7
3	-	0.0	0.0	-	-	-	4.0	0.0	0.0	-	1.8	6.0
2 + 4	-	1.5	1.2	16.0	8.8	9.0	6.0	8.3	8.2	12.0	15.8	18.7
5	-	-	0.2	-	-	0.1	7.5	12.2	10.7	4.0	5.4	5.0
7	12.0	6.0	4.7	2.0	2.6	1.0	6.0	4.0	4.3	14.0	20.2	20.4
6 + 8	86.0	85.8	88.2	3.0	5.6	10.6	37.0	48.2	50.8	50.0	35.7	31.0

1) Sections of the Standard International Trade Classification (SITC)

0 + 1 = Food and live animals - Beverages and tobacco

5 = Chemicals

3 = Mineral fuels, lubricants and related materials

7 = Machinery and transport equipment

2 + 4 = Crude materials, inedible, except fuels - Animal and vegetable oils and fats

6 + 8 = Manufactured goods

Sources: United Nations and Eurostat (microfiches).

The ACP countries' share of the Community's imports of sensitive products - for which there will be even less scope following enlargement - is very small (Kramer, 20, p. 72) and so adverse effects on sales of ACP agricultural produce in the Community are unlikely. On the contrary, the applicant countries, which at present levy duties on products from the ACP States, will no longer be able to do so. Thus, the ACP States will obtain better terms and prices for their particular products (cocoa, coffee, spices, tea) (Von der Groeben, 34, p. 55 and 13, p. 220).

### 3.2. Industry

Account should be taken of the fact that preferential access to the Community market for industrial products is meaningful only to countries that have already achieved - or will shortly achieve - a certain minimum level of industrial development. In many cases, the Community's partner in the Mediterranean could have difficulty in availing themselves of the tariff preferences or, as has been agreed in many instances, zero duties for an expansion of their trade with the Community. In those sectors where the Mediterranean partners stand a good chance of being able to use the tariff preferences offered there is always the risk that the Community will, sooner or later, in the interests of its own industries, take measures to regulate imports in accordance with Council Regulation (EEC) No 926/79 (1) on common rules for imports (including the use of protective measures) (Shlaim, 27, p. 90).

Since provision is made in the existing agreements with Mediterranean countries for free access to the Community market for nearly all industrial products, the non-member countries will gain easier access to the markets of the new member countries as the latter will have to align their foreign trade arrangements on those of the Community. Hence, competition could become keener since the structure of industry in the applicant countries is very similar to that in some of the associate Mediterranean countries. There are certain Mediterranean countries in particular whose industrial trade interests will be affected as industrial products (chemicals, machinery and transport equipment, manufactured goods). These countries are Israel, Jordan, Lebanon, Malta, Tunisia, Turkey and Yugoslavia (see Table 4). Where the steel industry is concerned Spain's accession will further increase overcapacity in the EEC and endanger Algeria's and Egypt's plans to step up steel production for export (Kramer, 20, p. 51). More problems may also be caused by the fact that there are plans in some Mediterranean countries (Algeria, Egypt, Jordan, Morocco, Tunisia), as well as in the applicant countries, to set up a fertilizer industry or expand the existing one. The most serious effects will be felt in the textiles, clothing and footwear industries. The structural problems in these sectors in the Nine will be aggravated considerably by enlargement. Since these industries are very important for the overall economy of the applicant countries as well, efforts will be stepped up to make market access more difficult for non-member countries. This will be detrimental primarily to Egypt, Lebanon, Tunisia, Turkey and especially Malta since these industries account for around 50% of total export earnings (Graenger, 10, p. 179). The ACP countries, too, could be affected by the situation in the textiles industry (Von der Graeben, 34, p. 56) but only to a small degree because "sensitive products", as they are called, are not among the ACP States' major exports to the EEC (Kramer, 20, p. 72). In the long term, however, intensive industrialization in the ACP countries may mean increased competition for

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(1) Official Journal of the European Communities, No L 131 of 29 May 1979.

products from the applicant countries (1).

### 3.3. Labour

For states that have a high proportion of workers employed in the Community the rules on social cooperation in the different agreements (2) are of special significance. The equality of treatment with Community workers applied under the agreements to nationals from these states employed in the Community, both from the viewpoint of labour law and that of the crediting and transferring of social security benefits, provides some kind of guarantee for the maintenance of migrant worker remittances, which help offset these countries' balance of payments deficits.

It has been illustrated by Allaya (Allaya, 1) that in the early seventies remittances from migrant workers more than compensated for the trade deficits of some Mediterranean countries (Algeria, Morocco, Turkey). The ban on recruitment of workers from non-member countries imposed in 1973, the high number of unemployed in the Nine and in the applicant countries, the increase in the number of potential migrant workers there, the fact that children born in periods of high birth-rates are coming on to the employment market and that some agricultural workers are likely to be laid off all mean that the outlook for improved employment opportunities for workers from non-member countries is rather bleak. It can be seen from the number of foreign workers employed in the nine Community countries (Commission of the EC, 14, p. 69) that some of the Mediterranean countries (Algeria, Turkey, Yugoslavia) are particularly badly affected by this trend. This factor is, however, less important for the ACP countries. In view of the probable employment situation in the Community, moreover, it is questionable whether it will be possible to keep the promise made to Turkey in the Association Agreement that complete freedom of movement for workers would be achieved by 1986.

### 3.4. Financial transfers

With financial aid from the Community, projects are to be promoted in the Mediterranean countries which, by improving infrastructure, setting up industrial enterprises, creating marketing facilities and promoting training of the labour force, will contribute towards economic development. The Community sees its aid first and foremost as an incentive for investors to play a part in developing the Mediterranean countries; Table 5 shows what financial aid is being granted to the Mediterranean and ACP countries under agreements. The agreements referred to are due to expire in 1981, 1983 and 1985. The amount of aid to be granted in the future to the Mediterranean countries will depend on the results of the negotiations that will be held then. Transfers to the ACP States should be higher in future since the new Member States will also have to contribute to the European Development Fund.

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(1) A very informative description of industrial cooperation between the EEC and the ACP States is given in Afrika-Spektrum No 3 (see No 8 in the bibliography).

(2) Special arrangements exist between Algeria and France on the employment of Algerian workers in France (Commission of the EC, 13, p. 211).

Table 5

The Community's financial assistance to non-member countries in the Mediterranean and to the ACP States

Country	Total amount	Agreement expires	Country	Total amount	Agreement expires
Morocco	130	31.10.1981	Israel	30	31.10.1981
Algeria	114	"	Cyprus	30	31.12.1983
Tunisia	95	"	Malta	26	31.10.1983
Egypt	170	"	Turkey	745	31.10.1981
Jordan	40	"	Yugoslavia	200	30.06.1985
Syria	60	"	ACP States	9064	28.02.1985
Lebanon	50	"	(Lomé I and Lomé II)		

Sources: Commission of the European Communities -  
Community aid to the Third World: the Lomé Convention,  
European File No 17/79, p. 7.  
Commission of the European Communities - working papers.

### 3.5. Overall assessment

Economic relations with the ACP and the Mediterranean states have been intensified as the agreements referred to above have been implemented. The trade balances have, however, developed more to the benefit of the European Community, and this, coupled with the fact that the agricultural components of some of the agreements have been applied very restrictively has given rise to dissatisfaction among the partners. For the Mediterranean countries in particular, the problems will become more acute following enlargement of the Community. Cyprus and Malta could be among those especially affected since they are heavily dependent on exports because of the limited absorption capacity of their domestic markets: Turkey, Tunisia, and Morocco, whose economic policies are very much geared to selling their goods in the Community, are also likely to be affected (see Table 6).

For the ACP States, however, the effects on agricultural trade will tend to be more positive, although problems could arise in the longer term in the industrial sector. The change in economic and political circumstances which will come about as a result of enlargement of the Community cannot but affect the framing of Community policy towards the Mediterranean and the ACP States.

Table 6

EC share of the Mediterranean countries' foreign trade as  
a percentage of their overall foreign trade

	Algeria		Morocco		Tunisia		Egypt		Syria		Lebanon	
	Ex.	Im.	Ex.	Im.	Ex.	Im.	Ex.	Im.	Ex.	Im.	Ex.	Im.
1968-1971	76.7	69.9	65.8	55.7	56.7	56.3	12.5	27.8	19.4	29.1	10.9	40.5
1972-1975	59.1	64.2	59.3	53.1	57.3	61.3	14.3	30.0	31.0	36.9	11.2 (1)	43.8 (1)
1976	45.4	60.0	57.2	52.3	51.8	61.2	21.7	38.0	48.7	39.9	6.1	20.2
1977	38.1	57.8	55.9	51.4	57.2	58.4	24.8	36.6	46.8	38.2	6.0	42.2
1978	37.3	59.8	56.4	63.3	57.3	65.2	30.9	38.6	44.6	35.3	6.6	49.9
	Israel		Jordan		Turkey		Malta		Cyprus		Yugoslavia	
	Ex.	Im.	Ex.	Im.	Ex.	Im.	Ex.	Im.	Ex.	Im.	Ex.	Im.
1968-1971	37.8	48.3	3.6	31.3	45.5	48.6	73.6	72.1	62.9	60.8	36.6	45.0
1972-1975	37.4	49.3	6.2	29.7	45.7	50.1	76.0	68.3	55.0	51.7	30.4	41.8
1976	36.6	42.7	9.7	37.1	48.9	44.6	60.3	65.7	33.2	47.4	27.1	39.1
1977	35.7	40.7	5.9	34.8	49.5	41.9	67.8	68.2	34.0	46.2	26.5	39.5
1978	34.3	41.8	.	35.3	47.6	39.5	67.3	73.4	31.1	50.2	23.0	38.4

(1) 1972-1973.

Sources: UN Yearbook of International Trade Statistics 1977, Vol. 1 (Trade by Country), New York 1978, and 1976 EUROSTAT, CRONOS System.

Statistical Office of the European Communities, Monthly external trade bulletin, Special Number for 1958-78, Brussels-Luxembourg 1979, and own calculations.

#### 4. Effects on the Mediterranean and ACP policies

The above considerations have shown that southward enlargement of the Community can be expected to have marked ramifications in a number of areas covered by the Mediterranean and ACP policies. If the objectives of those policies are not to be jeopardized adjustments will have to be made to the content of the agreements and the way they are applied. It has, however, also become apparent that the integration of the three new Member States into the Community will entail consequences which will clearly restrict the Community's scope for reacting to the external policy exigencies referred to above.

Only two factors could to some extent mitigate the adverse effects of enlargement for the partner states:

- (i) a smaller loss of sales as a result of intensified economic growth in the applicant countries and a rising living standard in the old Community (Morawitz, 25, p. 183);
- (ii) in the short term, improved opportunities for exporting to the world market as a result of the applicant states' concentrating upon selling their goods within the Community. In the long term, however, it is more likely that non-member countries' sales will suffer from an increase in subsidized Community exports, particularly in the case of fruit and vegetables (Hoermann, 12, p. 50).

In addition, account should be taken of the following changed circumstances, which are not directly connected with enlargement.

As the conflict of interests between the great powers has shifted somewhat away from direct confrontation in regions outside their own spheres of influence, the political stance of the developing countries as a whole and of countries in areas which are particularly sensitive from both the security and geostrategic angles (e.g. the Mediterranean countries) is assuming special importance and political weight. The most recent examples of this are the UN resolution on Afghanistan, in which a large proportion of the developing countries supported the Western stance, and Turkey's growing importance to the West in terms of security. The pursuit of external policy objectives is, however, hampered by a whole host of problems internal to the Community. In addition to the difficulties of adjustment connected with the integration of the three new Member States there is the fact that the situation in most Member States of the Community is currently marked by a considerable slowdown in economic growth, energy problems, probable rises in defence expenditure and a high level of unemployment. This will make it more difficult to effect the necessary structural adjustments within the Community itself.

##### 4.1. Possible options

In view of this situation the Community must steer its Mediterranean and ACP policies along a middle path between two extreme, conflicting positions. On the one hand, it is possible to argue on the basis of external policy considerations that there will be no deterioration in relations between the Community and its partners under the agreements as a result of enlargement, which would mean that the improvements provided for in the treaties could be realized unreservedly (e.g. transition to the second stage in the Association Agreement with Cyprus). Such a policy would have to be

cushioned within the Community by pressure for greater structural adjustment in sectors which are already in difficulty in any case (agriculture, textiles, steel) or by a bigger financial effort (e.g. guarantees to purchase agricultural products as in the case of ACP sugar and financial transfers). Furthermore, the required adjustment process would be particularly necessary in the applicant countries. This means that for those countries only part of the expectations associated with accession to the Community would be fulfilled.

The other extreme solution is the temptation to shift the burden of the problems of adjustment within the Community as far as possible on to its partners under the agreements. However, dealing with the problem at the expense of non-member countries, and thereby maintaining social harmony within the Community through the prevention or slowing down of structural adjustment processes, could have positive effects only in the short term. In the longer term this approach would inevitably lead to the loss of allocations both internally and internationally, and in external policy terms it would precipitate a deterioration in relations with the states concerned with the result that the Western alliance might be jeopardized from the geostrategic angle. If the Community would like to prevent the Mediterranean countries that are hardest hit in the agricultural sector from switching their allegiances in trade policy and hence in their policy generally, it must seek ways of compensating for this, for instance more favourable arrangements for imports of industrial and craft goods. Such a strategy can, however, be successful only in those partner countries which have a minimum of industrial and craft production. Furthermore, here too the products will in many cases be sensitive ones, and after enlargement opposition to increased imports of such products will, if anything, be even stronger within the Community, so that compensation could be granted in the industrial and craft sector only in a few cases, for instance where the Community is particularly concerned about the security aspect or where the partner in question has a strong bargaining position because of its raw material resources.

In theory, the Community could conceivably also compensate its Mediterranean partners by improving foreign workers' access to the Community. The present situation on the labour market in the Community and the political sensitivity of the immigrant issue in a number of conurbations militate against this solution, however.

Lastly, since the negative effects of the Community's southward enlargement cannot be offset through the possibilities described above, there remains the financial transfer formula. In view of the Community's limited scope for manoeuvre where finance is concerned this formula too will, however, hardly be sufficient to meet all demands for compensation.

#### 4.2. Probable Community reactions

In this situation what are the alternatives for the Community with regard to its Mediterranean and ACP policies? As has been shown in the analysis of how these two policies have been implemented there will be no serious adverse effects for the ACP States as a direct result of enlargement. To some extent even positive effects can be expected to result from the extension of the preferential area for ACP products. In view of the high degree of liberalization that has already been achieved in the ACP States' trade with the Community (agricultural products included) possible resistance within the Community to further liberalization of trade with

the ACP countries (for example as a result of the applicant countries' having a say) will hardly have any effect at all (Kramer, 21, p. 550).

The Community's agricultural policy will assume a key position as the Mediterranean policy develops further. In view of the growing need within the Community for adjustment in the agricultural sector, and the Mediterranean policy the common agricultural market cannot be expected to provide an improved platform for a liberal commercial policy irrespective of whether reform of the agricultural policy succeeds and, if so, to what extent (1).

On the contrary, it should be assumed that the internal problems will increasingly be used as an argument against concessions on agricultural trade that are motivated by external policy and commercial policy considerations. This observation is confirmed in a particularly unequivocal manner by two examples from recent experiences in connection with the accession of Spain. First, the possibility of introducing a tax on fats, which would hamper trade, was considered by the Commission for a long time, then it deliberately accepted in its proposal a considerable reduction in the Mediterranean countries' opportunities for exporting agricultural products to the Community (EC Commission, 16).

Secondly, the Community's new agreement with Yugoslavia and the current negotiations with Turkey and Cyprus show that the Community may also be prepared to make concessions on agricultural matters, although for this to happen considerable political pressure will be required. For instance, the negotiations on the agreement with Yugoslavia, which had been bogged down for years particularly on agricultural issues, started moving again at a brisk pace as soon as the country became a focal point of external policy as a result of the invasion of Afghanistan and Tito's illness. The policy towards Turkey is comparable with the Commission proposing progressive dismantling of all agricultural tariffs.

The Community can continue to try to cushion some of the negative effects of southward enlargement in the agricultural sector by improving its coordination of crop plans and harvesting dates. This strategy could, however, provide a certain amount of relief only in a number of special cases, such as fruit, vegetables and early potatoes. Generally speaking, the Community can be expected to make increasing use of the safeguard clauses insofar as agricultural trade is concerned in order to protect the interests of Community producers.

In the industrial and craft sectors the Community is likely, in view of the considerable problems of adjustment being experienced within the Community by a number of industries (e.g. textiles and footwear), to try to erode the right to free access which it guarantees its Mediterranean partners through negotiations or the application of safeguard clauses. Such a policy can, however, be expected to remain the exception rather than the rule, for otherwise it "would call into question the whole of the trade element in the cooperation agreements with the southern Mediterranean countries" (EC Commission, 13, p. 210). In particular, the Community would lose all credibility among its partners since it has always asked these countries to give development of the industrial sector priority over growth

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(1) Decision of the Council meeting (Foreign Affairs) of 29/30 May 1980.



in agricultural output (EC Commission, 13, p. 210). Since the Community will hardly be able to afford to give preferential status to non-member Mediterranean countries in the future (Van Well, 33, P. 3), it is likely to try and compensate for its curtailed freedom of action in commercial policy by granting financial aid, despite the foreseeable financial strictures of the next few years. Lastly, the Community could concentrate in its policy increasingly on the promotion of technical cooperation, the transfer of scientific and technological knowhow, support for training and educational measures, and economic cooperation - areas which will not be directly affected by enlargement.

In the light of the options open to the Community as described above the Community can be expected to pursue a more discriminating Mediterranean policy. This approach would put the countries which, for reasons of military security of raw material supplies, are of particular importance to the Community in a relatively favourable negotiating position. The extent to which the logical corollary of this - abandonment of the concept of the overall Mediterranean policy - is feasible vis-à-vis the countries without these assets will very much depend on the solidarity shown by the countries concerned. From this angle the Community could be in a relatively favourable bargaining position not only vis-à-vis the generally disunited ranks of the Mediterranean countries but also in dealings with the Arab states, given their relatively loose political and organizational links. The organizational cohesion of the ACP States and the positive experience of presenting a united front in negotiating two agreements could, however, give them greater leverage for the attainment of their aims in negotiations with the Community (Krohn, 22).

The probable reaction of the Community as set out above to the changing parameters in Mediterranean and ACP policy could best be described as "muddling through". If this policy, which in the short and medium term is the only realistic option, is not to jeopardize the objectives of the Mediterranean and ACP policies the Community should address itself to the following fundamental tasks:

- (i) promotion of structural change in sensitive sectors within the Community;
- (ii) coordination of industrialization between the Community and the states with which there are agreements;
- (iii) closer and longer-term coordination of economic development with other industrialized states;
- (iv) prevention of Mediterranean and ACP problems being passed on to other countries.

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