Article in Press

THE EU IMPORT REGIME FOR ORANGES – MUCH ADO ABOUT NOTHING?

Linde Götz[1] and Harald Grethe[2]

[1]PhD Student, Institute of Agricultural Economics and Rural Development,
Georg-August-University Göttingen, Germany
[2] Assistant Professor, Institute of Agricultural Economics and Social Sciences,
Humboldt-University of Berlin, Germany

ABSTRACT

EU orange imports are restricted by ad valorem tariffs and an entry-price system establishing a minimum import price. In addition, the EU applies a comprehensive system of trade preferences. Despite its complexity, the effectiveness of the EU import system for oranges is low. Import prices for oranges from extra-EU countries are 40% higher than the EU entry price on average. Also, at least 72% of extra-EU orange imports during the EU harvest season enter the EU tariff free. Concordantly, the preferential entry price is not utilized by eligible orange exporters, and quota fill rates have decreased over time. The analysis suggests that EU trade preferences for oranges were not decisive for the development of Mediterranean countries' orange exports to the EU. In the light of the low effectiveness of the entry-price system for oranges and high transaction costs involved, the system's abolishment should be considered.

Keywords: trade preferences, oranges, tariff rate quota, entry price, Mediterranean countries
JEL code: F13, Q17, Q18.

The EU import system for oranges is designed to follow two contrasting goals. On the one hand, it intends to protect EU orange growers by the means of an *ad valorem* tariff and a *de facto* minimum import price established by the EU entry-price system. This allows creating an EU market price, which is higher than the world market price. On the other hand, the EU aims to induce orange imports from preferred trading partners by a comprehensive system of trade preferences. Countries that are granted trade preferences have superior EU orange market access compared to countries that are not covered by trade preferences, the so-called most-favored-nation (MFN) suppliers. Preferential market access is established by a preferential *ad valorem* tariff, which is lower than the MFN *ad valorem* tariff, and is in some cases supplemented by a preferential entry price, which is lower than the MFN entry price.

This article investigates the effectiveness of the EU import system for oranges. In particular, it addresses the following questions. Does the EU entry price indeed affect the EU import price level for oranges? Do the preferred trading partners actually utilize the trade preferences for oranges? Is the origin of EU orange imports determined by the development of trade preferences? We show that the EU market price for oranges is substantially higher than the entry price and hence, the entry-price system for this product has little effect. In addition, it becomes evident that EU trade preferences for oranges are complex. They are specified, negotiated and repeatedly revised for each preferred trading partner individually.

The results of this study demonstrate that, in contrast to its complexity, the effectiveness of the EU import system for oranges is low with respect to its goals, i.e. protecting EU orange growers on the one hand and creating orange imports from the preference receiving countries on the other. The low effectiveness of trade preferences for oranges in contrast to their high complexity is in line with findings from other authors for trade preferences in general (e.g., Brenton and Ikezuki, 2005), as well as for the Mediterranean countries (Grethe, Nolte, and Tangermann, 2005).

This article is organized as follows. Section 2 describes in detail EU orange imports and import policies for oranges, including trade preferences. Section 3 explains the methodology and presents the results of the analysis of the entry-price system and the preferential orange quotas. Section 4 draws summarizing conclusions and puts results in perspective.

EU IMPORTS OF ORANGES

The EU is the largest orange importer in the world. In 2003, EU orange imports amounted to about 805,000 metric tons (mt), equivalent to 23% of world orange imports (FAO, 2005). In addition, EU intra-trade of oranges, originating in the southern EU member countries Spain, Italy, Greece, and Portugal, accounted for about 1.6 million tons, of which 74% originated in Spain. The non-EU countries exporting oranges to the EU can be divided into northern and southern-hemisphere suppliers, characterized by distinct orange export seasons. The major northern-hemisphere suppliers are the Mediterranean countries (MED),[1] which accounted for 88.4% of total EU orange imports from January to June in the period 1988-2004, and Cuba (Eurostat). In contrast, the orange export season of the primary southern-hemisphere suppliers, including South Africa, Brazil, Argentina, Uruguay, Zimbabwe, and Swaziland lasts from June to November (figure 1).

---

[1] The MED countries comprise Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestine Authority, Syria, Tunisia, and Turkey, the countries covered by the Euro-Mediterranean Partnership. Cyprus and Malta became EU members in 2004.
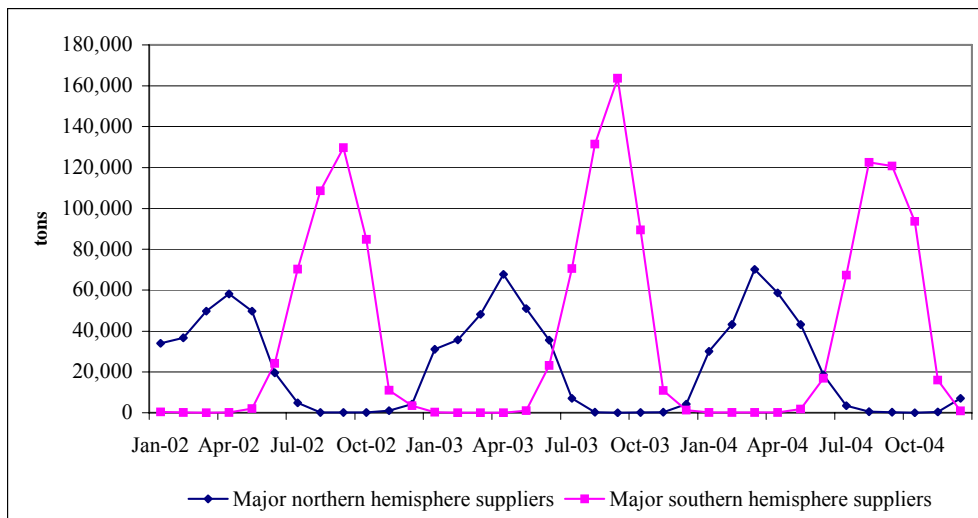
Major northern-hemisphere suppliers: Morocco, Israel, Tunisia, Turkey, Cyprus, Egypt, and Cuba;
Major southern-hemisphere suppliers: South Africa, Brazil, Argentina, Uruguay, Zimbabwe, and
Swaziland.
Source: Eurostat.

Figure 1. Seasonal pattern of extra-EU orange imports, 2002-2004.
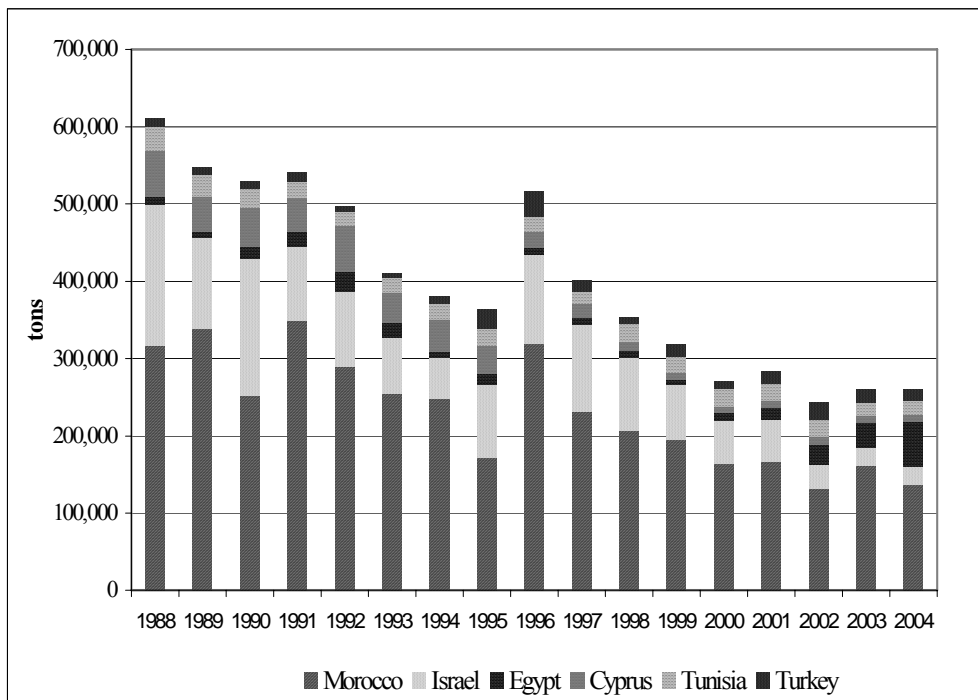
Source: Eurostat.

Figure 2. EU orange imports from major northern-hemisphere suppliers, 1988-2004.

The most important MED countries exporting oranges to the EU are Morocco and Israel. Both countries' orange exports decreased markedly between 1988 and 2004 (figure 2). Additional MED countries exporting oranges to the EU are Egypt, Cyprus, Tunisia, and Turkey. Cypriot orange exports to the EU have decreased while Egyptian orange exports have recently increased. MED orange exports to the EU represented 72% of EU imports from non-EU countries during the EU harvest season lasting from November 1 to May 31 in the period 1988 to 2004.

EU ORANGE IMPORT POLICY

The EU MFN external-market regulation for oranges includes a seasonally varying *ad valorem* tariff, with the highest tariff (16%) applied from October 16 to March 31 during the EU orange harvest season (see table 1). In addition, an entry-price system is in effect from December 1 to May 31. In the event that the entry price is undercut, an additional specific tariff is levied; its size varies proportionately to the difference between the product's actual import price and the entry price. The maximum tariff equivalent (MTE) is the maximum specific tariff of 71 Euro that is levied if the minimum entry price is undercut by 8% or more.

The EU orange import system has been changed substantially in the course of the implementation of the results of the Uruguay Round. Applied *ad valorem* tariffs for oranges were reduced by 20% between 1995 and 2001, and the former reference-price system was replaced by the entry-price system as of December 1995. The MFN entry price for oranges, introduced on December 1995, was 34.3% higher than the former reference price, which was kept constant since 1975. This rise in the *de facto* minimum import price was designed to compensate EU orange growers, mainly in Italy, for the abolition of the market penetration premium[2] in the course of the EU accession of Spain and Portugal. Following its introduction in 1995, the MFN entry price for oranges was reduced slightly by 4% until 2001, due to the way in which the EU implemented its market access commitments resulting from the Uruguay Round Agreement.

Table 1. EU MFN Import Regime for Oranges

Time period	MFN ad valorem tariff (%)	MFN entry price (Euro/ton)	Specific tariff (Euro/ton)
01.01.-31.03.	16.0	354	≤ 71
01.04.-30.04.	10.4	354	≤ 71
01.05.-15.05.	4.8	354	≤ 71
16.05.-31.05.	3.2	354	≤ 71
01.06.-30.09.	3.2	NA	NA
01.10.-15.10.	3.2	NA	NA
16.10.-30.11.	16.0	NA	NA
01.12.-31.12.	16.0	354	≤ 71

Sources: European Commission (2005a), own calculations.

---

[2] Market penetration premiums, a policy instrument to subsidize orange production, were paid to orange growers on class I orange exports to other EU member countries prior to December 1995 (Swinbank and Ritson, 1995).

The substantial seasonal differences of the external market regulation for oranges imply that northern-hemisphere suppliers are confronted with stronger import restrictions than southern-hemisphere suppliers. Since 2001, northern-hemisphere suppliers are charged an average *ad valorem* tariff of 10.9% during their main export season from January to June, which is significantly higher than the average *ad valorem* tariff of 4.3% southern-hemisphere suppliers are confronted with throughout their export season from June to November. Southern-hemisphere suppliers are subject to a substantial *ad valorem* tariff only from October 16 to November 31, amounting to 16% since 2001. Also, northern-hemisphere suppliers have to comply with the entry-price system from January to May, thus during almost their complete export season, whereas the entry-price system is not at all effective during the southern-hemisphere suppliers' season.

EU trade preferences for oranges are mainly granted to the MED countries, the major northern-hemisphere orange suppliers to the EU. The primary southern-hemisphere suppliers, such as South Africa and Brazil, do not enjoy preferential orange market access. The only exception among the southern-hemisphere suppliers are Zimbabwe and Swaziland, which are offered an 80% reduction in *ad valorem* tariff since 2000.

The EU grants trade preferences for oranges using three kinds of instruments. A general tariff reduction lowers the MFN *ad valorem* tariff by a certain percentage for any amount of orange exports. A tariff rate quota (TRQ) and an entry price quota (EPQ) are both quantitative limits, i.e. the respective preference is applicable only up to a certain export quantity. Similarly to the general tariff reduction, the TRQ specifies a particular percentage of MFN tariff reduction. The EPQ includes a lowered entry price in addition to a 100% *ad valorem* tariff reduction (elimination).

In general, preferential access to the EU orange market might induce a competitive advantage for the preference receiving country's exporters against non-preference receiving countries' exporters. Also, trade preferences might diminish the competitive advantage of the protected EU domestic producers vis-à-vis non-EU suppliers in preference receiving countries. In particular, a preferential tariff may increase the non-EU exporters' profits by raising the export price. A preferential entry price might allow utilizing a cost advantage if the produce can profitably be supplied to the EU market at a price below the MFN entry price.

TRQs for oranges were first introduced for Morocco, Israel, Egypt, and Tunisia in 1991 to quantitatively limit the *ad valorem* tariff reductions granted analogously to the tariff reduction for Spain and Portugal in the context of EU market accession (table 2). In the ensuing years, TRQs increased slightly, and in January 1993 the *ad valorem* tariff within the TRQ was abolished completely to coincide with the tariff cancellation for Spanish and Portuguese orange exports. EPQs were introduced for Morocco and Israel concurrently with the transformation of the reference price into the entry-price system in December 1995. Thus, Morocco and Israel were not concerned by the large increase in the MFN entry price compared to the former reference price. Instead, the preferential entry price for oranges in 1995/96 was set equal to the former reference price, amounting to 74.6% of the MFN entry price. It was successively diminished by 4% until 2001, parallel to the reduction of the MFN entry price. For Egypt, an EPQ was established in December 1996.

**Table 2. Development of EU Preferences for Primary Northern-hemisphere
Orange Exporters, 1991-2004**

	Morocco	Israel	Egypt	Tunisia	Cyprus	Turkey	MED
Thousand metric tons							
Preferential tariff-rate quota (TRQ)							
1991	265.0	293.0	7.0	28.0	0.0	0.0	593.0
1992	273.0	301.8	7.2	28.0	0.0	0.0	610.0
1993	280.9	310.6	7.4	28.0	0.0	0.0	626.9
1994	288.9	323.7	7.6	28.0	0.0	0.0	648.2
1995	292.8	328.1	7.7	30.9	0.0	0.0	659.5
1996	296.8	0.0	7.8	31.4	0.0	0.0	336.0
1997	296.8	0.0	7.8	32.3	0.0	0.0	336.9
1998	296.8	0.0	7.8	33.2	0.0	0.0	337.8
1999	296.8	0.0	7.8	34.2	0.0	0.0	338.8
2000	340.0	0.0	7.8	35.1	0.0	0.0	382.9
2001	340.0	0.0	7.8	35.1	0.0	0.0	382.9
2002	340.0	0.0	7.8	35.1	0.0	0.0	382.9
2003	340.0	0.0	7.8	35.1	0.0	0.0	382.9
2004	0.0	0.0	0.0	35.1	0.0	0.0	35.1
Entry price quota (EPQ)							
1996	300.0	200.0	0.0	0.0	0.0	0.0	500.0
1997	300.0	200.0	8.0	0.0	48.2	0.0	556.2
1998	300.0	200.0	8.0	0.0	48.2	0.0	556.2
1999	300.0	200.0	8.0	0.0	48.2	0.0	556.2
2000	300.0	200.0	8.0	0.0	48.2	0.0	556.2
2001	300.0	200.0	8.0	0.0	48.2	0.0	556.2
2002	300.0	200.0	8.0	0.0	48.2	0.0	556.2
2003	300.0	200.0	8.0	0.0	48.2	0.0	556.2
2004	300.0	201.5	50.0	0.0	48.2	0.0	599.7
Preferential intra-quota tariffs (% of MFN duty)							
1989-1992	20.0*	40.0*	40.0*	20.0*	60.0*	0.0	
1993-2004	0.0	0.0	0.0	0.0	24.0*	0.0	
Preferential extra-quota tariffs (% of MFN duty)							
1989-1992	20.0	40.0	40.0	20.0	0.0	0.0	
1993-2004	20.0	40.0	40.0	20.0	0.0	0.0	

Notes: *Further reduction of intra-quota tariffs in line with reductions for imports from Spain and
Portugal. Malta, Algeria, Jordan, Lebanon, Syria and Palestine are no relevant orange exporters to
the EU and are therefore not included in the table.
Source: European Union.

Spain and Portugal had to comply with the reference price until December 1993. In the
second phase of EU accession transition (January 1990 to December 1993), oranges exported
from Spain to the EU had to adhere with the reference price indirectly due to a compensation
mechanism. In the event that the market price of Spanish oranges fell below the average EU
supply price, which could not be lower than the reference price, Spanish exporters had to pay

a compensation, equivalent to the difference between the reference price and the EU market price (see European Union, OJ L302, 15.11.1985, Article 152).

Between 1996 and 2004, TRQs were first increased for Morocco, Egypt, and Tunisia and were finally abolished for Morocco, Egypt, and Israel, which were granted EPQs in the meantime. In addition, the EPQ increased significantly for Egypt in 2004. For Cyprus, the tariff reduction rate gradually increased until the tariff was fully removed in December 1997. The tariff preference was supplemented by a preferential entry price, levied within an EPQ of 48,200 mt. With Cyprus' EU accession in 2004, trade barriers were completely eliminated. For Turkey, the *ad valorem* tariff for orange exports to the EU was removed completely in 1987. Overall, total orange quotas, including the TRQ and EPQ, granted by the EU to the MED orange suppliers amounted to 593,000 mt in 1991, increasing to about 939,000 mt in 2000, and contracting to about 635,000 mt in 2004, when the TRQ for Morocco was eliminated.

To sum up, the EU import regime for oranges is highly complex and evolved in a multitude of separate agreements and regulations. All MED countries may export oranges to the EU within the respective quotas tariff free since 1993. Also, orange exports enter the EU at preferential entry prices for Morocco and Israel since December 1995, Egypt since December 1996 and Cyprus since December 1997. Thus, the relatively high MFN entry price was at no time applied to Morocco and Israel, the largest MED orange exporters. Further, the MED trade preferences for oranges did not erode relative to those of Spain and Portugal until December 1993.

ANALYSIS OF THE EFFECTIVENESS OF THE EU IMPORT SYSTEM FOR ORANGES

To analyze whether and how the EU entry price impacts the EU import price for oranges, and thus the domestic orange market price, the standard import value (SIV) of oranges, an indicator for the import price, is compared to the entry price. The European Commission calculates the SIV daily as the weighted average of wholesale market prices surveyed by origin of the produce in all EU countries and less marketing and transportation margins and custom duties (for further details see European Union, OJ 1994, L337/66, Regulation 3223/94).

Our analysis is based on about 5,500 observations of the SIV for the orange exporting MED, including Morocco, Israel, Tunisia, Egypt, Cyprus, and Turkey, with about 600 to 1,100 observations for each individual country (figure 3). Each single dot corresponds to the SIV of oranges originating in a particular country at a given date. The data set includes SIV observations from December 1, 1995, when the entry-price system was first introduced, until May 31, 2005. The gaps in the data correspond to the SIVs surveyed exclusively when the entry-price system is in effect, i.e., from December 1 until May 31.
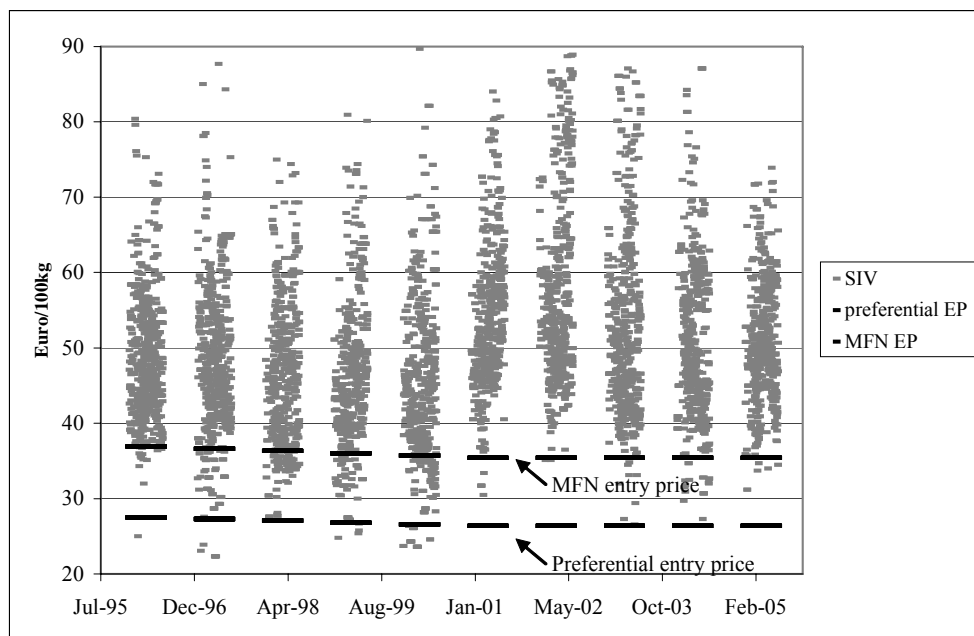
Sources: European Commission (2005a, 2005b).

Figure 3. SIV, MFN entry price and preferential entry price of MED orange exports to the EU, December 1995 to May 2005.

Figure 3 reveals directly that the vast majority of observations lies distinctively above the MFN entry price. Few SIV observations lie below the MFN entry price and even less are lower than the preferential entry price. In particular, the share of SIV observations that exceed the MFN entry price is highest for Israel with 99.9%, followed by Cyprus with 98.7%, Tunisia with 97.2%, and Morocco with 93% (table 3).

For Morocco and Israel, none of those observations lies below the applied entry price, which is the preferential entry price introduced on December 1, 1995. This means that the specific tariff was not at all imposed on Moroccan or Israeli oranges in this time period. Two observations for Cyprus and 24 observations for Tunisia lie below the respective entry price. The SIV was below the applied entry price most frequently for Egyptian oranges with 31 and Turkey with 90 observations, corresponding to 4.2% and 8.0% of all observations respectively. The average difference between the SIV and the MFN entry price is highest for Israel with the SIV amounting to 158.1% of the MFN entry price and 212% of the preferential entry price on average, followed by Turkey, Cyprus, and Tunisia. The differences are lowest for Egypt, with 124.1% and 166.5%, respectively. On average, the EU import price for oranges originating in the MEDs is 40% higher than the MFN entry price and about 90% higher than the preferential entry price. This indicates that the entry-price system for oranges is largely redundant.

Table 3. SIV in Relation to MFN Entry Price and Preferential Entry Price of MED Exports of Oranges to the EU, December 1995to May 2005

	Number of observations	SIV > MFN EP % of observations	SIV < Applied EP*		SIV as % of MFN EP average	SIV as % of pref. EP average
			number of observations	% of observations		
Israel	961	99.9%	0	0%	158.3%	212.4%
Tunisia	854	97.2%	24	2.8%	141.5%	185.8%
Turkey	1,132	92.0%	90	8.0%	144.5%	193.8%
Morocco	1,133	93.0%	0	0.0%	127.6%	171.1%
Egypt	746	79.1%	31	4.2%	124.1%	166.5%
Cyprus	613	98.7%	2	0.3%	144.4%	193.7%
Total	5439	93.3%	147	2.7%	140.1%	187.9%

Note: for Morocco and Israel: applied EP = pref. EP; for Turkey and Tunisia: applied EP = MFN EP; for Egypt: applied EP = MFN EP before Dec. 96 and pref. EP afterwards; for Cyprus: applied EP = MFN EP before Dec. 97; pref. EP afterwards.
Sources: European Commission (2005a, 2005b), own calculations.

## Evidence from other Fruit Markets

To check whether this result can be generalized, two other fruits are investigated. The size of the difference between the import price and the MFN entry price for oranges is exceeded by the corresponding difference for table grape exports from the MED countries to the EU (figure 4). On average, the SIV for table grapes amounts to 199.1% of the MFN entry price effective July 21 to November 20.
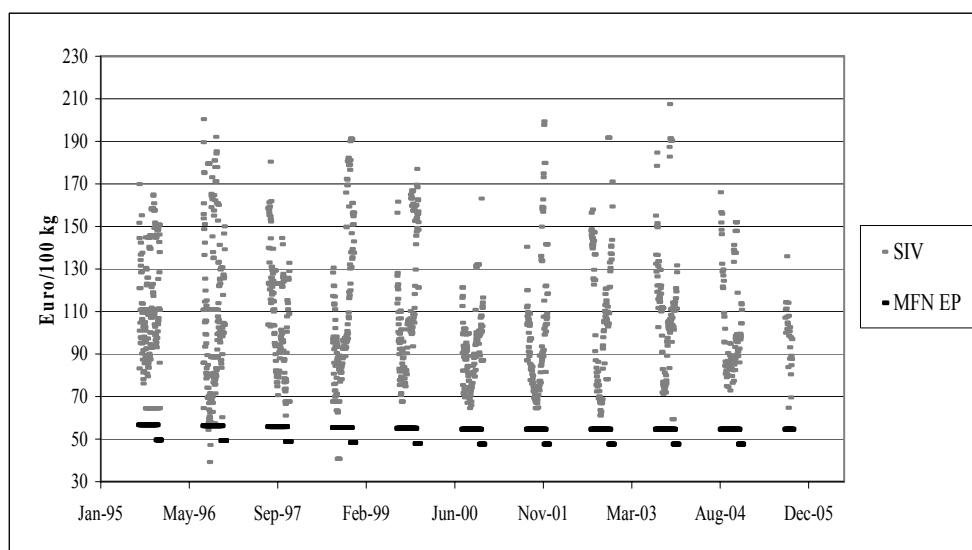
Sources: European Commission (2005a, 2005b).

Figure 4. SIV and MFN entry price of MED exports of table grapes to the EU, December 1995 to May 2005.

The situation for EU clementine imports from the MED countries differs considerably. The SIV is below the MFN entry price (operative November 1 to the end of February) for Turkey in 44%, Morocco in 31% and Israel in 23% of the surveyed cases for clementines, although a preferential entry price is granted to Morocco exclusively (figure 5). Morocco also benefits heavily from an EPQ granted by the EU for Moroccan tomatoes. For the period 2000 to 2003 about 58% of Moroccan tomato exports enter the EU at a price between the MFN and the preferential entry price (Chemnitz and Grethe, 2005). Thus, the EU entry-price system for oranges and grapes is by and large redundant for MED country exports. For clementines and tomatoes, however, import prices are much closer to entry prices, and the entry-price system seems to have an import restricting effect.
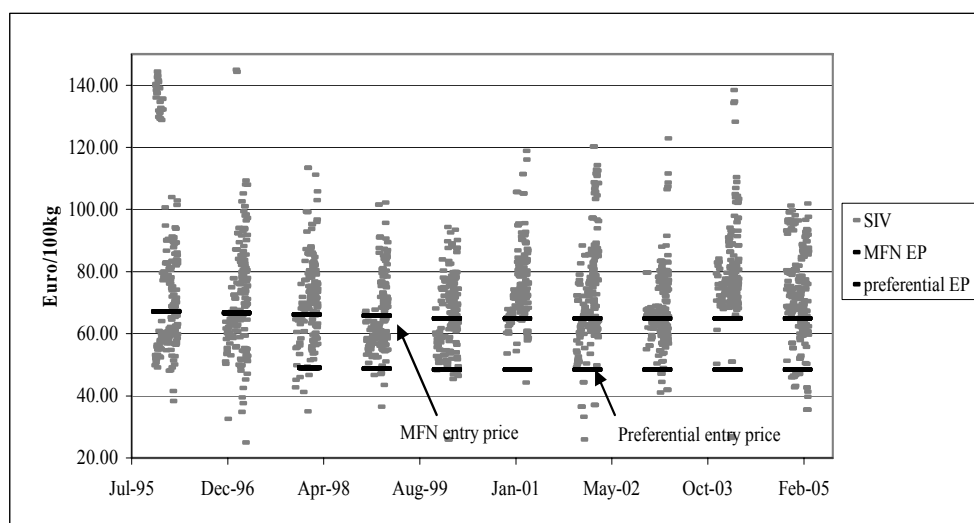
Sources: European Commission (2005a, 2005b).

Figure 5. SIV, MFN and preferential EP of MED exports of clementines to the EU, December 1995 to May 2005.

Development of Quota Fill Rates

The utilization of the preferential quotas for oranges is investigated by comparing the development of orange exports to the evolution of the total orange quota, comprising TRQ and EPQ. The corresponding quota fill rates, equal to the orange exports in percentage of the total orange quota, are given in Table 4 for the period 1991 to 2004. The only countries for which exports exceed the respective quota in some years are Morocco and Egypt. Morocco's orange exports exceed quotas in 1991 and 1992, but fall below afterwards. Since 1997, Morocco's fill rate has been below 50%. The removal of the TRQ in 2004 caused an increase in the fill rate in that year. Egypt exceeds its quota from 2002 to 2004 due to the rise of Egyptian orange exports to the EU in this period. Tunisia's quota fill rate varies between 48% and 75%. The rate for Cyprus is always below 50%. Israel exhibits the lowest fill rates,

declining from 32% in 1991 to 12% in 2004. The unweighted average fill rate fell from more than 100% in 1991 to 39% in 1999, but rose again to over 50% in 2002.

Table 4. Orange Quota Fill Rates (Orange Exports in % of Quota)

	Morocco	**Israel**	**Cyprus**	**Egypt**	**Tunisia**	**Average**
1991	132	32	-	279	75	130
1992	106	33	-	347	69	139
1993	91	23	-	264	72	113
1994	86	17	-	92	73	67
1995	59	28	-	184	73	86
1996	54	58	-	105	64	70
1997	39	57	38	61	45	48
1998	35	47	25	54	69	46
1999	33	35	18	50	61	39
2000	26	27	16	68	69	41
2001	26	27	19	95	61	46
2002	21	15	21	170	61	58
2003	25	12	19	195	48	60
2004	46	12	19	114	53	49

Sources: Eurostat, European Union, own calculations.

Overall, while TRQs and EPQs for oranges originating in the MED countries were increasing, the MED countries' orange exports to the EU were decreasing. Therefore, the quota fill rate has fallen for most MED countries, and the unweighted average quota fill rate has been 60% or less for all years since 1997.

DISCUSSION OF RESULTS AND IMPLICATIONS

Our analysis reveals that the import price of oranges originating in the MED countries is about 40% higher than the MFN entry price on average. In addition, the investigation on the EU trade preferences for oranges shows that about 70% of EU orange imports during the EU orange harvest season originate in the MED countries, and have entered the EU tariff-free since 1993 due to preferential tariff reductions. This suggests that the contribution of the external market regulation to the protection of EU orange growers is low. In particular, the entry-price system for oranges is of little effectiveness.

Low protectiveness of the EU reference-price system for oranges, the predecessor of the entry-price system until the implementation of the Uruguay Round results, was already detected by Swinbank and Ritson (1995). They find (p. 348) that countervailing charges were applied 500 times for all fruits and vegetables in the period August 1988 to August 1994, due to the shortfall of the import price under the reference price. For oranges, countervailing charges were induced altogether only 7 times, which may be interpreted as an indicator for a low protectiveness of the reference-price system for oranges or alternatively for a successful organization of the exporters concerned (Swinbank and Ritson 1995, p. 356). These results are in line with an earlier analysis of the EU external market regulations for oranges by Williams (1986).

Concordantly, Morocco, Israel, and Cyprus do not utilize the preferential entry price for oranges. Thus, MED countries do not compete with EU producers in this lower-price segment. Indeed, EU importers report that prices of Moroccan and Israeli orange imports are significantly higher than the import price of Spanish oranges. Egypt is the only MED country benefiting from the preferential entry price to some degree.

The analysis also reveals that although orange quotas increased from 1991 to 2004 for the MED countries as a whole, actual exports declined concurrently, and thus quota fill rates have decreased. A quota underfill can result from the method of quota administration and especially the red tape involved in importing under the quota (Skully, 2001). This, however, seems not to be relevant for the TRQs and EPQs granted by the EU for fresh fruit and vegetable imports. These quotas are administered according to the first-come-first-serve principle, and EU importers report that they do not involve significant red tape. Thus, the underfill reflects a market equilibrium, in which third country exporters' marginal cost equal the EU price.[3] As a conclusion, the quantitative limitations of tariff and entry price reductions within TRQs and EPQs are largely redundant.

Additionally, it is evident that the improvement of market access for Spain and Portugal due to their EU accession occurred almost parallel to the enhancement of preferences for the MED countries until 1993. This supports the conclusion that the development of trade preferences for the MED countries compared to market access conditions for Spain and Portugal was not decisive for the development of the MED's orange exports to the EU up to 1993. Furthermore, our results indicate that the erosion of orange trade preferences of Israel and Morocco relative to those of Spain and Portugal in the aftermath of 1993 did not cause the decline of orange exports from those countries. Both countries' orange exports enter the EU tariff free since 1993. Also, the preferential entry price is not utilized by the orange exporters in Israel and Morocco. Even, the average import price of oranges originating in Israel and Morocco is about 58% and 28% higher than the MFN entry price, respectively. Hence, any erosion of trade preferences compared to Spain, which is suggested by Cioffi and dell'Aquila (2004, p. 175), could not originate from EU trade policies. Also, we cannot find evidence for the assumption of Cioffi and dell'Aquila (2004, p. 178) that the large increase in the MFN entry price relative to the former reference price may have contributed to the decline of Moroccan and Israeli orange exports to the EU. Instead, we show that a preferential entry price for oranges originating in Israel and Morocco, which was equal to the former reference price, was introduced concurrently with the implementation of the entry-price system in December 1995. Thus, Morocco and Israel were never subject to the MFN entry price for oranges.

Hence, factors beyond EU trade policy would appear to have caused the decline of the MED's orange exports to the EU. For example, market distance and product variety are of particular importance for the decline of Israeli orange exports to Germany. German importers appreciate the high flexibility with orange imports from Spain. Due to Spain's proximity to the market, Spanish produce is packed directly in nets in Spain and transported by truck to retailers' distribution centers in Germany within 2 days. In contrast, Israeli produce is first packed in cardboard boxes in Israel, which are transported by ship within 4 days to Marseille (France). The produce is then carried by truck to packing stations in Germany where it is repacked in nets before it is brought to supermarkets. Of course, the resulting transportation

---

[3] See de Gorter and Kliauga (2005) for a detailed analysis of the economics of TRQs.

costs are lower for Spanish produce. Besides, Shamouti is the orange variety which still dominates Israeli orange production. In Spain, new orange varieties were introduced, e.g. the Navel varieties. German consumers prefer Navel over Shamouti oranges, but Israeli orange producers have not adapted to this change in consumer preferences.

It remains to determine the influence of EU internal agricultural policy as well as structural policy on the large increase in EU orange market share of Spanish produce. EU orange production is protected internally by processing aid and withdrawal compensation. Also, operational programs of producer organizations for improvement of product quality and market promotion activities are financially supported. Restructuring aids are granted to modernize marketing structure and to grub up old orange groves. Additional funds are provided by the EU Cohesion Fund, e.g. for enhancement of transport infrastructure.

Finally, all this implies that the liberalization of orange trade between the EU and the MED countries, which could be realized in the course of the ongoing Barcelona Process, would induce few, if any, trade effects. Theoretically, the entry-price system would prevent especially low qualities from entering the EU market. For oranges, however, interviews with trading companies did not reveal evidence of potential low-quality orange market segments below the entry price level. Existing regulatory standards for citrus fruits laid down in EC regulation 2200/96 specify minimum quality requirements regarding e.g. fruit size, external appearance and uniformity. Citrus produce which does not comply with those standards is not allowed to enter the EU market. Thus, inexpensive, low-quality produce is barred from the EU market, even if the EU entry-price system were removed. Recently, public standards are supplemented by even more restrictive private standards, in particular EUREPGAP, which evolves quickly and becomes a quasi-mandatory private sector quality assurance scheme for fresh fruits and vegetables in the EU (Codron, Giraud-Héraud, Soler, 2005).

Yet, as demonstrated for clementines, these results cannot be generalized, not even for citrus imported from the MED countries. It is highly probable that the removal of the entry price for clementines would result in a decrease of the average EU import price level. Table grapes, however, provide a second example for which the SIV of imports from the MED is far above the EU entry price, and thus the entry-price system is of little effect.

The conclusion that large parts of the EU external trade regime for oranges are redundant will potentially be amplified by the current round of trade negotiations in the WTO. Negotiations on market access will probably result in significant tariff reduction rates which would also apply to the specific tariffs which are part of the EU entry-price system. In implementing the results of the Uruguay Round, the EU reduced entry prices by the same monetary amount as specific tariffs—an approach which could be repeated and would thus further diminish the relevance of the EU entry-price system (Grethe 2005, p. 28-29).

In the light of the low effectiveness of the EU import regime for oranges along with high transaction costs involved in its administration and further development, the unlimited and free access by MED countries to the EU orange market could be considered as an alternative. This may be extended to grapes and possibly to other fruits and vegetables. In addition, the abolition of the entry-price system for some products would reduce the incidence of a clear non tariff barrier to market access which survived the Uruguay Round process of tariffication, but which is in clear conflict at least with its spirit.

ACKNOWLEDGEMENTS

REFERENCES

Brenton, P., and T. Ikezuki. 2005. "The Impact of Agricultural Trade Preferences, with Particular Attention to the Least Developed Countries." In A. Aksoy, and J. Beghin, eds., *Global Agricultural Trade and Developing Countries*. Washington DC: World Bank, pp. 55-73.

Chemnitz, C., and H. Grethe. 2005. "EU Trade Preferences for Moroccan Tomato Exports – Who Benefits?" In XIth Congress, European Association of Agricultural Economists, "The Future of Rural Europe in the Global Agri-Food System", Copenhagen, 24-27 August (CD).

Cioffi, A., and C. dell' Aquila. 2004. "The Effects of Trade Policies for Fresh Fruit and Vegetables of the European Union." *Food Policy*. 29:169-185.

Codron, J.-M., E. Giraud-Héraud, and L.-G. Soler. 2005. "Minimum Quality Standards, Premium Private Labels, and European Meat and Fresh Produce Retailing." *Food Policy*. 30:270-283.

de Gorter, H., and E. Kliauga. 2005. "Reducing Tariffs versus Expanding Tariff Rate Quotas." In Anderson, K. and Martin, W., eds., *Agricultural Trade Reform and the Doha Development Agenda*. New York: Macmillan and the World Bank.

European Commission. 2005a. TARIC.

_____. 2005b. Standard Import Values. Unpublished.

European Union. Various issues. *Official Journal of the European Communities* (OJ).

Eurostat. Various issues. External Trade Data.

Food and Agriculture Organization. 2005. FAOSTAT Agricultural data. http://www.fao.org. (Accessed at 30 July 2005).

Grethe, H. 2005. "EU Agricultural Trade Preferences for North Africa and the Near East and the EU Import Regime for Fresh Fruit and Vegetables." Paper prepared for the FAO Regional Trade Workshop Recent Development in the WTO Negotiations on Agriculture and in Regional Trade Agreements and their Implications for Trade, Agriculture and Food Security in the Near East Countries", Cairo 15th to 17th November.

Grethe, H., S. Nolte, and S. Tangermann. 2005. "Evolution, Current State and Future of EU Trade Preferences for Agricultural Products from North-African and Near-East Countries." *Journal of International Agricultural Trade and Development*. 2:109-133.

Skully, D. 2001. *Economics of Tariff-Rate Quota Administration*. Technical Bulletin No. 1893, Washington DC: U.S. Department of Agriculture, Economic Research Service.

Swinbank, A., and C. Ritson. 1995. "The Impact of the GATT Agreement on EU Fruit and Vegetable Policy." *Food Policy*. 20:339-357.

Williams, H. 1986. "Future Prospects of Cyprus Citrus Exports to the E.E.C." Discussion Paper 16, University of Newcastle upon Tyne, Department of Agricultural Economics.