

## Dynamic Agro-commercial in the South East Mediterranean: Between the European Union and the new trading powers

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**ABSTRACT:** The South and East Mediterranean countries (SEMC) import huge food commodities that form the bulk of their food consumption. However, imports of basic products have been exposed to several hazards making it more difficult to improve agricultural performance and the satisfaction of the increasing demand due to population growth in the region. Indeed, political and social instability, the crisis in the euro area, food inflation and rising international prices of agricultural products only increase the import of food commodities prices. Moreover, our work is to analyze the agricultural vitality for this region. To do this, it is called in the first place to meet the Euro-Mediterranean agro business dynamics as well as emerging countries, secondly see the relevance of agricultural policies being implemented and finally an econometric investigation for Tunisia on agricultural competitiveness is required. From the study of reaction of the agricultural trade balance to a depreciation of the exchange rate, a change in national GDP and abroad, a price change on imports (including tariffs on imports) and improved factors of non-price competitiveness; we could determine the effect of openness on foreign trade under free trade area between Tunisia and the EU and within a framework of MFN with some new trading powers.

**KEYWORDS:** Dynamic Agro-commercial, performance agricol, security food.

### 1 INTRODUCTION

Social and political stability in times of crisis depends on the ability of States to ensure a distribution of bread, milk, sugar or oil to domestic prices compatible with the purchasing power of the population. This finding remains a major problem in the air today. The South and East Mediterranean countries (SEMC) import huge food commodities that form the bulk of their food consumption. However, imports of basic products have been exposed to several hazards making it more difficult to improve agricultural performance and the satisfaction of the increasing demand due to population growth in the region. Indeed, political and social instability, the crisis in the euro area, food inflation and rising international prices of agricultural products only increase the import of food commodities prices.

Moreover, our work is to analyze the agricultural vitality for this region. To do this, it is called in the first place to meet the Euro-Mediterranean agro business dynamics as well as emerging countries, secondly see the relevance of agricultural policies being implemented and finally an econometric investigation for Tunisia on agricultural competitiveness is required.

Put agriculture in a country in the hands of the only global trade, at a time when financial speculation and market volatility are increasing, would be taking a risk inadvisable. For agricultural and rural development, the promotion of multilateralism, dialogue and regional cooperation, whether technical or political, should certainly be imposed on the Mediterranean scale.

What model of agricultural development? Getting all economic, commercial benefits but also social and even political diversity of farms and territories? In this perspective, what roles will the professional actors and local actors?

We must therefore turn to other structural factors and in particular the withdrawal of Public policy of agriculture in many developing countries, such as Withdrawal of international donor agencies and bilateral donors, emphasized elsewhere in the Report on World Development 2008.

Nevertheless, the air of globalization many disadvantages and problems arise. Moreover, a careful analysis of regional agricultural trade flows with EU countries and major non-EU partners has to understand the dynamics of this sector.

## 2 TRADE FLOWS AND REGIONAL INTEGRATION

Trade in agricultural products is very complex. Indeed, the first committed infrastructure and logistics differentiated several speakers from different regions. Moreover, «border effects «which include all costs made to cross a border, integrates logistics performance and distance that encourage trade. However, low logistics performance SEMC and internal barriers in the destination country discourages the development of these countries' exports to the EU. The problem for these countries is the lack of structural reforms like the introduction of a system of financing the agricultural sector, which is consistent with the promotion of small-scale agriculture. Indeed, the latter anomaly advocated by the presence of tariff and non-tariff barriers, generated a development model based on high-value crops.

### 2.1 DYNAMICS AGRO COMMERCIAL EURO-MEDITERRANEAN

International cooperation and partnership is a tool to promote agricultural exports. Indeed, small producers SEMC are being sanctioned at the lack of investment and technology needed for the production of fruits and vegetables for export. However, companies and operators are associated with European companies with high capital intensity are able to adapt their production systems and export these products comply with European standards.

Moreover, the shelving of farms and operators of small and medium size limiting trade in agricultural products between the two shores of the Mediterranean, a factor of production shortfalls. However, outside Euromed agreements are a generator of exports South East Mediterranean countries to the EU, as is the case of Lebanon and Egypt. By focusing on the pattern of specialization of these countries, there is a strong export of fruits, vegetables, dates and olive oil. By analyzing the evolution of the balance of trade in agricultural products, for some countries SEMC with the EU, we find that the former is favorable to the EU, except for Morocco. Indeed, the EU trade balance recorded a deficit agro only with Morocco will turn - 500 million in 2012 (Figure 1).

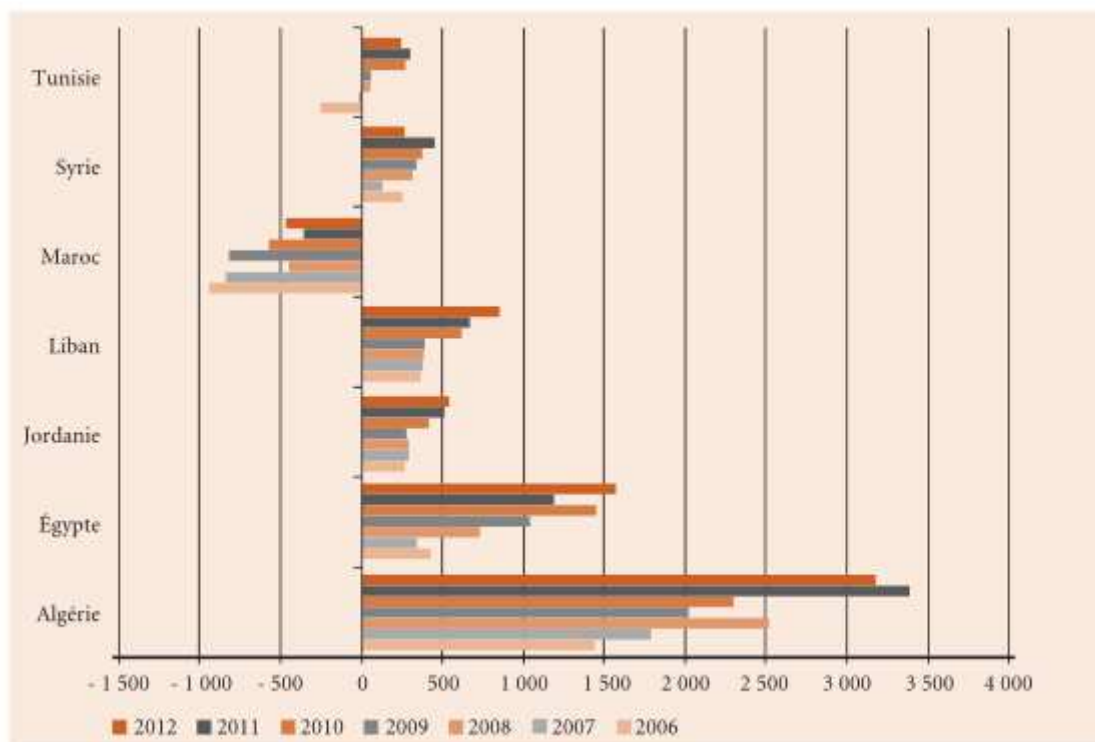


Figure 1: Agro-EU trade balance with the Arab Mediterranean countries (in millions of Euros)

However, with Tunisia, the main EU trading partner marks a deficit in agricultural trade balance in 2006, thus registering a favorable situation in Tunisia. Moreover, despite a lack of regulation in this sector, a remarkable lack of structural degradation and logistics performance and lack of innovation and use of new technology that counteracts the adverse effect of change climate, the deficit goes to a surplus in 2012, marking an average value of about 250 million Euros. By against Algeria reveals the most unfavorable situation. Indeed, there has been an ample surplus in 2012 agro commercial scale, of the order of 3.2 billion €, which was only 1500 in 2006. Moreover, it can't go unnoticed before this favorable situation for Morocco. This dynamism and competitiveness of agricultural exports is explained by the active policy for the sector and specifically by "Green Morocco Plan". This model develops a successful agricultural development that African countries can take as an example for their policies to promote the sector model.

This model coating a success thanks to its integrated and forward-looking approach, involving different actors and stakeholders in the agricultural sector. Certainly such an approach to succeed, the international political dreaming to achieve the green revolution to the SEMC action must be accompanied by an unpleasant international legal framework for the international community.

In Medays Forum ( 13-16 November), the director of the Foundation " Health of Mother Earth ," Nnimmo Bassey, has mentioned that the support for small farmers , enhancing their access to markets and agricultural infrastructure are determinants of the green revolution in Africa.

Indeed, the SEMC have an interest in redesigning their agricultural policies, taking into account the reality on the ground and especially encourage the fabric of small farmers. Nevertheless, mistakes means for some countries in the area, international cooperation should be imposed by international organizations and institutions, is to extend an aid to support these countries in their efforts to guarantee system security food . Moreover, imploring SEMC from the EU substantially coating the grains are twice as SEMC exports to the EU representing products with high added value (Mediterra 2014). The problem for the Maghreb countries is that more than 50% of cereals are grown in the arid and semi-arid triangle, and the extension of the sole grain is realized primarily in steppe areas or semi-steppe. SEMC beginning to diversify their sources of supply by diversifying their partners other than the EU and due to high prices in the EU.

Nevertheless, SEMC exports of agricultural products are very diversified. While the Maghreb countries are characterized by exchanges only with the Mediterranean European countries, Middle Eastern countries like Egypt and Lebanon have created trade relations with the countries of amplified Golfs. In 2009, 44% of Egypt's exports are destined for the Arab market and only 29% for the European market.

After the revolution, Tunisia and Libya experienced a strengthening of their trade being supported by preferential trade agreements since 2010. Libya was absorbed in 2011 nearly 6.9 % of total exports Tunisian, marking the second largest after the EU. Tunisian exports to Libya are diverse and consists mainly of food products, marking a 13% share of total exports in 2010 (African Development Bank, Quarterly Analytical Note for North Africa, July 2011). This leaves design an exchange within Arab countries, North Africa and Eastern important way, supported by the Council of Arab Economic Unity. So the first challenge is certainly necessary to develop trade in agricultural products between the SEMC and the neighboring Arab countries, because they do not prescribe restrictions in terms of quality and quantity. The second challenge is to free themselves from dependency on the outside as regards the supply of food staples and by focusing on structural reforms and the efficiency of the logistics system to boost sectors.

## **2.2 THE EMERGENCE OF NEW TRADING POWERS**

Liberalization of the Mediterranean countries and specifically the Maghreb dependence with the EU, forcing their food security, must be resolved by the food supply by lower prices and fewer regulatory constraints. However, a business relationship outside the EU facing some countries in America and Asia do not she will be an alternative agricultural performance?

Brazil has become in a few years the first agricultural supplier of Mediterranean countries, with more than 7mil-lion. In 2010, this market power has increased its exports almost Mediterranean of 10 times or more than 2 times the global average rate. Egypt is the second commercial customer brazil with excess of a billion dollars, after Spain with \$ 2.5 billion (Comtrade 2013). In the case of Brazil , among produce food exported to the Mediterranean countries, there has been a significant part to feed mainly Soybean meal , coffee and sugar, with respective shares of 26 % , 20 % and 18 % in 2011 ( Comtrade 2013).

Moreover , exports of fruits and vegetables to the United States experienced a massive increase to the Mediterranean countries , not to mention the first product exported Cereals , marking a 12% share of total exports agricultural . Egypt , Turkey, Spain, Morocco , Israel and Italy covered a large part of total agricultural exports from the United States, with a share of 8%. Moreover , Brazil and the United States are the two big American suppliers Mediterranean Countries . Agricultural and

food imports from Mediterranean countries from the Asia Oceania Zone remain relatively low market share . Indeed , China has a by 1.5% , Indonesia 1.2% , Turkey 1.1% , India 1.1% , Thailand 0.9% , Vietnam 0.8% and Malaysia 0.7 % . China has a large supplier of the Mediterranean, this generates power in the Mediterranean countries more than \$ 2.5 billion in turnover , which has tripled in the last decade . The main agricultural exports is coffee with a share of 15% , Oilseeds ( 18%), and fruits and vegetables ( 6 %). Apart from china, we note that Indonesia recorded a gap in agricultural exports to Mediterranean countries by establishing a model of industrial agro planting oil palm. Indeed, for the SEMC , 80% of agricultural imports from Indonesia are palm oil . The third Asian agro- exporters to the Mediterranean countries is occupied by Turkey (1.9 billion). Indeed, political instability marked in those countries made so that Turkey plays a political role for his government and economic experience. She recorded a record level of FDI for the food industry (IAA) , marking a second sector in terms of flows ( € 3.8 billion). While for the SEMC the agro-industrial complex (IAA and retail attracts a little over 8 % of total FDI (2.7 € billion).

In analyzing this sector in terms of FDI for the SEMC, there was a significant change from the first in the total FDI; in fact, in 2003 we recorded a share of 3.7% to 14.7% 2011 table 1.

**Table 1: Evolution of FDI in IAA SEMC (in millions of Euros)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
IAA	354	288	249	2349	1052	1687	1206	264	3892	11 340
Total IDE	9 271	11 283	36 871	64 470	53 278	36 942	27 441	38 519	26 516	304 591
% IAA/total	3,7	2,6	0,7	3,6	2	4,6	4,4	0,7	14,7	3,7
Rang IAA/ 25 secteurs	8 <sup>e</sup>	10 <sup>e</sup>	13 <sup>e</sup>	10 <sup>e</sup>	9 <sup>e</sup>	8 <sup>e</sup>	5 <sup>e</sup>	15 <sup>e</sup>	2 <sup>e</sup>	7 <sup>e</sup>

Source: Comtrade 2013

This dramatic change in FDI is explained largely by the number of reported projects. Indeed, the countries of the region have a preferred destination for FDI agricultural and agro-food projects. Turkey is top of the list by scoring 88 projects, 72 Morocco, 44 for Egypt, Tunisia 33 and 29 in Algeria. To conclude, it is clear to note that recorded in terms of trade flows with countries outside the EC dynamism is accompanied by a lack of dynamism in terms of FDI. Indeed, trade flows are more dependent on political relations between countries rather than acting alone firms. In addition, a combination of geopolitical commercial strengthens commercial presence in emerging countries in MENA.

### 3 PERFORMANCE AGRICULTURAL AND POLITICAL PERSPECTIVES

Knowing that liberal agricultural reforms undertaken during the years 1994-1999 have not scored significant results, the governments of the Maghreb countries have maintained since 2000, new strategies for agricultural and rural development aimed at strengthening policies agricultural modernization to ensure food security and to address social and territorial challenges. Across North Africa, rural populations and net predominantly combined with changes social urbanization and wage employment - population growth revolution was also the cause of an explosion of unprecedented demand for food in the history of SEMC. The break occurred in the early 1970s. Nearly all SEMC become, in this period, dependent on imports of food commodities for cereals, dairy products, sugar and edible oils. Consumption of soft wheat flour, unknown before the staple food colonization vigorously stimulate imports. Models of agricultural growth that are based on a growing mobilization of agricultural water development and equipment of land in difficult areas ( Egypt desert or steppe zones , mountain or southern territories Maghreb ) or development of intensive sectors ( fruits, vegetables, olive oil or date ) dedicated to export have reached their limits.

❖ In Tunisia, the year 2004 marks a departure of projects to integrated rural development , focusing on the conservation of natural resources and their better utilization , improved living conditions and income of rural populations and promotion rural Women's interventions in the areas of mobilization and exploitation of water resources , forests and rangelands , soil conservation and promotion difficult areas fit into the framework of the national program fight against

desertification. New generations of IRDP try insertion in regional development programs and allocate more resources to the protection of natural resources (conservation works water and soil, fight against desertification and land collective term).

❖ In Algeria, the National Plan for Agricultural and Rural Development ( NADP) has been driven by 2000. Dans this context several actions were financed , as outreach projects for rural development, community projects and building projects the local economy (" mobilization of water resources", " development land and land improvement achievement plantation shares, deferred grazing and pastoral plantations ", " creation of livestock units and small farms. Politics rural renewal ( PRR ), adopted in 2005 ( MARD , 2005), which specifically targets rural households in remote areas or isolated , is structured around four major programs.

❖ In Morocco, the registered agricultural performance is explained largely by the introduction of new dams and water mobilization techniques ( drilling) during the last decades in all regions . Indeed, this initiative has resulted in land reclamation and expansion of export crops. In Egypt we see a mobilization of more than 3.5 million ha in 2010 thanks to the Aswan Dam . If the mobilization of new land, the extension of irrigation helped loosen the constraints and pressures on natural resources are very strong. In Morocco, the spread of poverty in rural areas, increasing social disparities between urban and rural areas, low labor productivity in smallholder agriculture and natural resource degradation are the central objectives of the 2020 Rural Development which adopts the country in the late 1990s strategy. This strategy mobilizes around projects in social, economic or environmental, as well as national resources of international cooperation and public assistance development. It was reinforced in May 2005 by the National Initiative for Human Development (NIHD), which still sets targets for the reduction of deficits in infrastructure in the poorest rural communities, and the promotion of economic activities generating income and employment.

If the food crisis of 2008 revealed the vulnerability of food SEMC and revived the need for relevant agricultural policies, changes that country in the region live call for revisions needed in the medium term and call for the implementation of measures to cushion impacts related to market volatility and ensure the safety of food supplies. If coverage targets domestic needs for commodities by a local agricultural supply remain a utopia, the SEMC are then required to prevent shocks to volatility in foreign markets and the volatility of world prices. In terms of public policy, it requires in the short term, the SEMC consolidate information on external and internal markets systems to ensure sound management of strategic stocks on food products. The development of infrastructure to improve storage capacity is a priority. In the medium and long term, the SEMC must finally initiate a revision of their model of agricultural growth. The model used as a reference today to be revised and reconstructed as face of demographic challenges that lie ahead, the pattern of agricultural growth based on intensive exploitation of water resources and soil entrusted to a " capital pole" may not be or face the challenges of climate change, or that of protection to the fine food security largely degraded natural resources, or in.

In addition to better understand agricultural performance, we are called to investigate the multilateral context. To reform the trading system in agriculture, developing countries are faced with five types of problems [Josling.T and Tangerman.S, 2000]. The first problem is evident in the fact that some developing countries have preferential access to protected markets of industrialized countries. While liberalization and reforms in this sector are beneficial to all countries in the long run they prove harmful to developing countries benefiting from preferences. Indeed, the liberalization measures pursued via a drop right MFN is eroding trade preferences granted by industrial countries to developing countries [Kura M. Reynolds, 2005]. Agriculture is a sector in which there is the most tariff peaks and tariff escalation. Despite the concessions made by developed countries in the negotiations of the Uruguay Round countries, protection remains high in this sensitive area, where preferential access to agricultural markets of developed countries by developing countries that are able to create significant economic benefits.

Furthermore, after discussing agricultural performance in the SEMC and the commercial agro dynamism with EU countries and some countries outside the EC, in what follows we will analyze econometrically the performance. Indeed, the competitiveness of the agricultural sector being detected by the trade balance is responsive to a number of economic variables. This work will be applied in the case of Tunisia, since it has a relatively low agricultural potential. It will be a political tool to leverage the most telling factors.

#### 4 COMPARATIVE STUDY BETWEEN THE AGRICULTURAL TRADE BALANCE WITH THE EU AND WITH COUNTRIES OUTSIDE THE EC: AN INVESTIGATION INTO TIME SERIES FOR THE CASE OF TUNISIA

The reduced form of the equation of the trade balance is:  $B = B(\text{REER}, Y_w, Y_d, t, P_m, \text{IPC}, R \& D, \text{GFCF})$ . The structure used to explain the external deficit assumes that foreign and domestic products are perfect substitutes.

$$B_{it} = \beta_0 - \beta_0 + \beta_1 \log(Y_w)_{it} - \beta_1 \log(Y_d)_{it} + \beta_2 \log(TCER)_{it} + \beta_2 \log\left(\frac{(1+t)_{it} P_m}{\text{IPC}}\right)_{it} + \beta_3 \log(R \& D)_{it} + \beta_4 \log(FBCF)_{it} + \varepsilon_t$$

From the study of reaction of the trade balance to a depreciation of the exchange rate, a change in national GDP and abroad, a price change on imports (including tariffs on imports) and an improvement factor of non-price competitiveness; we could determine the effect of openness on foreign trade under free trade area with the EU and within a framework of MFN. In our econometric analysis, the data are taken annually from 1990 to 2011. The long-term results are more relevant when the length of the sample is large with a sample of high frequency, effectively Narayan (2004) maintains that the increase in the number of observations by the use of semi-annual or monthly data adds no reliability analysis results of cointegration, since the interest of such analyzes is the duration of the sample period. The data used in this empirical application from the CD ROM IFS, National Institute of Statistics, Office of Trade, Ministry of Scientific Research and Technology and financial statistics of UNCTAD. The first step in this work is to establish the time series properties of the variables used in the analysis, it is to test the non-stationarities of the variables and their order of integration using the Dickey Fuller test increased.

##### 4.1 STUDY OF THE ELASTICITIES OF THE TRADE BALANCE WITH THE EU

External constraint imposed Tunisia depends of course on the evolution of its manufacturing trade, but a more detailed analysis by major sector (excluding services) shows that commercial results reflect the changes in the sectoral specialization. The results of the estimation of the function of the trade balance for agricultural products and fisheries are as follows:

$$B = 1.445 \log(Y_w) - 1.575 \log(Y_d) + 1.212 \log(TCER) + 0.175 \log\left[\frac{(1+t) P_m}{\text{IPC}}\right] + 0.098 \log(R \& D) - 0.997 \log(FBCF) + \varepsilon_t$$

(2.60)            (-3.57)            (4.75)            (-1.61)            (0.39)            (4.02)

$$R^2 = 0.66, \text{DW} = 2.4$$

The coefficients of the independent variables show the sensitivity of the trade balance to changes in relative prices on import, domestic and foreign GDP, exchange rate of expenditure on research and development effort and investment. Price elasticities and GDP are expected sign and statistically significant. According to the long-term equation, an increase of 10% of the real exchange rate, ie a 10% devaluation of the Tunisian Dinar produces an improvement in the trade balance of 12.2%, which is consistent with economic theory which postulates that a devaluation improves the trade balance. Indeed, the sum of elasticities - prices of imports and exports in the estimated model is greater than unity (1.21 + 0.17). It is thus obvious that the trade balance responds positively to any depreciation of the national currency and any impairment in relative prices. At the same time, the relatively low value of the sum (1.38) requires Tunisia do not forget the other demand factors (non-price) which in turn seem to play a role in determining the extent of trade bilateral. The elasticity of the gross domestic product of the EU in this activity is positive and statistically significant. In the long run a 10% increase in the GDP of the European Union would improve the balance of trade in agricultural products 14.45%; strong economic growth in the EU would lead to a promotion of local exports and the same attenuation of the trade imbalance. Furthermore, the relative price elasticity of imports is positive sign but this variable is not significant (Student's t equal to -1.6). Indeed, a decrease in relative import prices might include a reduction of the tariff on imports would lead to a deterioration of the trade balance. Thus, we demonstrate that the long-term effect of trade policy on the competitiveness of the agricultural and fishing is insignificant. The balance of trade in agricultural products is significantly related to national economic activity, long-term effect this first deteriorates 15.75% when the national GDP of the industry increased by 10%; economic growth produces an increase in demand for domestic and foreign products causing increased imports and reduced exports.

During the last decade, agricultural products and fisheries recorded a deterioration of its competitive position manifested in the trade exceeding degradation. The main exports in this sector are fish, shellfish and other animal products and the main products imported fish and shellfish, milk, butter, cheese, eggs and honey. The resumption of foreign sales of fish,

crustaceans and mollusks recorded despite the decline in production was due to the strengthening of external demand. In addition, rising import prices is due to high tariff protection, which explains the evolution of imports and the trade balance. The agricultural products are primary products with low technological content including adverse weather conditions, insufficient agricultural production and higher international prices contribute to the weakness of their price elasticities.

However, the relatively small size of the domestic production has made suppliers unable to monitor progress towards the retail facing client countries. The price elasticity of the trade balance is highly significant (t -statistic equal to 4.75), this shows that Tunisia is specialized in a number of productions where price competition is strong. Indeed, the price elasticities are higher when one is specialized in technology goods low and medium level.

The estimation results show the lack of spending on R & D effort in Tunisia over the past two decades, their influence on the trade balance thus remains very limited. The investment effort seems to contribute to the deterioration of the trade balance with an effect that remains somehow quite small but significant (coefficient of -0.99 negative sign and t greater than 2 student). The investment in agriculture and fishing effort is not sufficient to allow Tunisia to materialize export opportunities. Therefore, this indicator does not answer the question of the quality of the Tunisian offer and the leadership role of intangible investment in competitiveness gains [Mzoughi. N, 2000].

#### 4.2 STUDY-ELASTICITIES OF THE TRADE BALANCE WITH NON-EU COUNTRIES

The successful model has the same explanatory variables as those presented in the model with the European Union. It allows estimating the price elasticity and revenues by sector over the United States, China and India. The goal is to guide trade policy and exchange rate policy that the monetary authorities should adopt. The results of the estimation of the function of the trade balance in agricultural and fishing products are as follows:

$$B = 0.464 \log(Y_w) - 0.484 \log \log(Y_d) + 1.157 \log(TCER) + 0.541 \log\left(\frac{(1+t)P_m}{IPC}\right) + 0.252 \log(R \& D) - 1.381 \log(FBCF) + \varepsilon_i$$

(2.74)	(-2.65)	(2.37)	(-2.16)	(-0.002)	(0.99)
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R<sup>2</sup>=0.69, DW=1.62

The elasticity of the average GDP abroad for agricultural products is low and the variable is statistically significant. Indeed, a 10% increase in the average gross domestic product Etas States, India and China would improve the trade balance of 4.64% , agricultural products and fisheries are a vulnerable sector in terms of exports to these countries . In terms of imports, there has been a significant source of products of animal origin from China and cheese, milk, eggs from the United States, which explains the deterioration in the trade balance in this sector of 9.3 % in 2003 and 12.9 % in 2005. Elasticity of the national gross domestic product is significant but low. An increase of 10 % of the national gross domestic product this sector would lead to a deterioration of the trade balance of 4 .84 % , which is due to geographical distance, transportation costs, supply costs and storage costs . The price elasticity for imports is correct and statistically significant sign, a decrease of 10% relative price induces a deterioration of our competitive position 5 .41%. Moreover, the effect of long-term protectionist trade policy on the competitiveness of this sector is significantly negative. High MFN tariff rate for agricultural products hinder the growth and productivity of this sector.

In the long run, a 10% devaluation of the dinar generates an improvement in the trade balance of 11.5%, however, trade with the EU in this sector are less price elastic than those with non-EU countries. In the medium and long term, the SEMC must finally initiate a revision of their model of agricultural growth. The model used as a reference today to be revised and reconstructed as face of demographic challenges that lie ahead, the pattern of agricultural growth based on intensive exploitation of water resources and soil entrusted to a " capital pole" may not be or face the challenges of climate change, or that of protection to the fine food security largely degraded natural resources, or in.

#### CONCLUSION

Thanks to our paper , we have deduced that the liberalization of the Mediterranean countries and specifically the Maghreb dependence with the EU , forcing their food safety is addressed through the food supply by lower prices and less normative constraints. However, a business relationship outside the EU facing some countries in America and Asia it is an alternative agricultural performance. Through our analysis of reaction of the trade balance to a tariff deprotection and a depreciation of the Tunisian dinar , we demonstrated that in the long term these determinants are likely to improve the trade balance with more pronounced for countries coefficients EU compared to countries outside the EU, while being

superior long term and short term. In the short term, the price elasticity of the trade balance with the EU is higher than the price elasticity of the trade balance with countries outside the EU. This allows to foresee the long-term effects of a policy of openness are more important on the trade balance with respect to short-term effects. Moreover, a decrease of tariff and a depreciation of the Tunisian Dinar in a framework with the EU are higher on the trade balance than lower MFN and a depreciation of the Tunisian Dinar in a multilateral framework. This result can be explained by the fact that the absence of a free trade area between Tunisia, the United States, India and China with preferential rules of origin, Tunisian exports remain modest. It could also be justified by the fact that neighboring countries are favored in providing products within very short delivery and low cost storage even if wages and manufacturing costs are higher than those in countries away. Therefore, to improve competitiveness and reduce the trade imbalance for all sectors of the economy, we should adopt measures to rapid effects by applying a zero MFN tariff on imports of raw materials and negotiating rules 'more liberal origins with the EU, the U.S., China and India to provide an opportunity for companies in the sector to make a tradeoff between the cost of inputs and good quality from the EU and cheap inputs U.S., India and China; easing customs procedures through the removal of various technical inspections and routine control on imports and the reduction of import formalities and the number of documents required for import and export.

As for delayed effects, it is to reduce transaction costs on trade logistics and deepening integration with the EU through the acceleration of the implementation of the programs of the new neighborhood policy of the EU.

#### ACKNOWLEDGMENT

I dedicate this paper in honor of our professor in Economics Ben Jaber Jmail that has so inspired me to work on agricultural policy

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