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The EEC Trade Policies in Manufactures, the Mediterranean Market

Access Problems and Israel –
Implications of the Second Enlargement

ROLF J. LANGHAMMER

Introduction: Discrimination as the Core of EEC Trade Policies

The EEC is, unlike other major trade entities such as the US or Japan, a group of countries which maintain special trade relations with one another. In its ultimate form, the customs union, the relations imply a discrimination against non-members by the full rate of the external tariff. This 100% discrimination was allowed as the only major deviation from the GATT principle of non-discrimination mainly because it was assumed to stimulate world trade if the intra-union trade captured a relatively large part of world trade. The discrimination element would become weaker and the trade liberalization element stronger along with rising shares of the customs union in world trade. If, furthermore, the external tariff would be reduced simultaneously in reciprocal tariff-cutting rounds with non-members, concern about negative allocation effects of discrimination should shrink.

However, with regard to the EEC this optimistic view of a customs union is far from reality. There are at least four caveats which cloud this view.

First, EEC internal trade accounts for only about 15% of world trade (18% of non-fuel world trade). If the trade with former EFTA countries, most of which is free of duties, is included, this share does not exceed 22%. Thus, the discrimination argument seems to matter more than the internal trade liberalization aspects.

Second, while the last two GATT tariff cutting rounds (Kennedy Round and Tokyo Round) have helped to lower the EEC external tariff, the agricultural sector remained highly protected. Furthermore, barriers to entry in general shifted from tariffs to non-tariff barriers so that the EEC protection level against third-country suppliers is now higher.

Third, conflicts between more liberal and more restrictive members of the EEC have intensified. These disputes have been relaxed by taking recourse to art. 115 of the EEC Treaty (temporary exemption of free internal trade in

order to make national safeguards effective). The number of cases in which art. 115 has been applied has grown rapidly during the last years¹. The national safeguard measures imply that within the EEC there are country-specific deviations from a common average nominal protection level against third countries in both directions.

Fourth, the EEC does not only discriminate against third countries but also between individual third countries. The focus of this trade policy has been the implementation of special trade relations, in short, the establishment of a "pyramid of privilege" which divides the "sheep" (the ACP countries for instance) from the "goats" (the NICs)². It is obvious that this discrimination has its roots in the maintenance of reciprocal trade preferences with former French and Belgian colonies after they became independent (in the Yaoundé agreements)³. These preferences became non-reciprocal in the Lomé conventions after long disputes with the US. The preferences for Mediterranean countries, regardless of whether they have been reciprocal or non-reciprocal, represent the second large bloc of special relations. Both ACP and Mediterranean preferences partly overlap with preferences conceded to the Group of 77 members, the Generalized System of Preferences.

The repeated trade policy disputes between the EEC and the US in the past illustrate the basic policy perceptions of special relations from two views. By discrimination between third countries the EEC erodes the transparency and predictability of the international trading system to the detriment of those relatively weak partners, viz., the developing countries, which have the greatest interest in an unconditional, non-discriminatory and transparent trading system⁴. According to this view, which is vigorously supported by the US, the EEC impose arbitrary "divide and rule" policies upon developing countries, that is to treat unequals unequally.

The EEC on the other side justifies its increasing deviation from an unconditional MFN treatment on grounds of justice. The equal treatment of unequals would in its view be unjust to those countries which suffer from comparative disadvantages in acquiring technological, commercial and

¹ Appendix table 1 provides an EEC country-third country matrix of applications of art. 115 during the first nine months of 1983. The table may serve as an indicator of more liberal and more restrictive patterns.

² For an elaboration of the economic rationale of differentiation see Wolf, "Dividing the 'Sheep' from the 'Goats': Protectionism, the European Community and the Third World", Conference on the EEC and the World Economy, National Committee for the Study of Int'l Affairs, The Royal Irish Academy, Dublin, 17-18 Nov. 1983 (not published).

³ The GATT allowed for special trade relations between metropolitan countries and colonies.

⁴ T. N. Srinivasan, "Why Developing Countries Should Participate in the GATT System", 5 *World Econ.* 85 (1982).

managerial know-how⁵. In view of the recent developments in the EEC and US trade policy towards developing countries, however, criticisms against universal and the demands for uniform rules seem to be well-based. The GSP for example which by its nature should be non-reciprocal, generalized and non-discriminatory, has turned to be just the opposite. It is partly reciprocal for it links preferential treatment in sensitive textiles with self-restraining export agreements. It is not generalized for it excludes certain items and puts rigid breaks to duty-free entry on others, and it is discriminatory for it excludes countries such as Taiwan and Israel who are not members of the Group of 77.

In short, the above four caveats provide strong evidence for characterizing the EEC trade policy as discriminatory against third countries, regardless of whether they are GATT members or not.

In addition, EEC trade policy has become increasingly controversial among EEC members depending on their susceptibility to sectoral domestic protectionist pressures. It is indisputable that the Mediterranean trade preferences will be affected by these characteristics.

The "Sensitivity" of the Mediterranean Export Supply in Manufactures

The degree of vulnerability of the Mediterranean countries' export supply of manufactures (including processed agricultural products) to the EEC protectionist measures depends on two factors. First, the importance of products in the total supply of goods classified by the Community as "sensitive" and hence subjected to closed-ended market access (or to permanent surveillance in the case of "semi-sensitive" products). Second, the direction of the Mediterranean countries' sensitive and semi-sensitive exports either to more liberal or to more protectionist EEC members. With regard to the first criterion, the breakdown of Mediterranean exports into various sensitivity categories for GSP-eligible products may serve as an indicator (table 1)⁶.

⁵ P. Streeten, "What New International Economic Order?" in *Ordnungspolitische Fragen zum Nord-Süd-Konflikt* (U. E. Simonis ed. 1983) has coined the term uniform (or general) versus universal rules in international trade: uniform rules like the MFN principle are simple but unfair in a world of unequals, whereas universal rules (or specific rules) are complicated (like non-reciprocal preferences) but fair because they pay attention to the varying characteristics of different countries.

⁶ The data refer to 1979. This year was the last one for which the Statistical Office of the Community compiled the complete list of GSP-eligible imports from those countries which were excluded from either special or generalized unilateral preferences (as for example the applicant countries, Israel and Taiwan). The absolute figures may therefore be outdated whereas the export composition may still allow for conclusions on the susceptibility of Mediterranean exports against quantitative restrictions.

Table 1: *EC 9 Processed and Manufactured Imports from Mediterranean Countries, by GSP Preferential Categories, 1979*
(million ECU)

Country	Sensitive industrial products (except textiles)	Semi-sensitive industrial products (except textiles) ^a	Non-sensitive industrial products (except textiles) ^b	Sensitive textiles	Semi-sensitive textiles	Non-sensitive textiles	Sensitive processed agricultural products (Virginia-type tobacco, cocoa butter, canned pineapple)	Semi-sensitive processed agricultural products	Non-sensitive processed agricultural products	Total GSP-eligible products	
										In absolute terms	In percent of total EC9 imports
Algeria	4.9	21.0	226.2	0.6	0	0	0.1	—	4.2	257.0	9.3
Cyprus	9.0	0.4	7.2	32.9	0.6	0.1	0.6	0.3	5.5	56.6	28.7
Egypt	16.7	22.8	15.9	53.8	7.4	2.8	—	—	4.6	124.0	10.5
Israel	24.7	81.5	367.8	129.9	32.5	1.6	1.2	—	106.8	746.0	55.5
Jordan	0.1	1.1	9.0	0.1	0	0	—	—	0.1	10.4	57.8
Lebanon	4.0	4.0	8.5	1.0	0.4	0.1	—	0	0.1	18.1	47.6
Malta	14.0	11.1	57.4	110.0	5.4	2.2	—	5.6	0.6	206.3	89.0
Morocco	19.9	51.3	43.7	135.3	8.6	1.4	0.5	—	68.3	329.0	32.5
Syria	0.9	4.1	3.4	2.2	0.1	1.6	—	0	2.3	14.6	2.4
Tunisia	12.0	83.1	34.3	216.6	1.8	0.6	0.1	—	19.5	368.0	46.5
Turkey	17.6	9.9	31.3	241.1	14.7	11.7	0.2	5.4	115.9	447.8	47.6
Total Mediterranean countries	123.8	290.3	804.7	923.5	71.5	22.1	2.7	11.3	327.9	2,577.8	28.2

Country	Sensitive industrial products (except textiles)	Semi-sensitive industrial products (except textiles) ^a	Non-sensitive industrial products (except textiles) ^b	Sensitive textiles	Semi-sensitive textiles	Non-sensitive textiles	Sensitive processed agricultural products (Virginia-type tobacco, cocoa butter, canned pineapple)	Semi-sensitive processed agricultural products	Non-sensitive processed agricultural products	Total GSP-eligible products	In percent of total EC9 imports
										In absolute terms	
Greece	120.3	153.9	385.4	552.3	66.5	6.8	4.3	8.6	129.7	1,427.8	64.9
Portugal	141.0	293.8	382.6	427.7	40.2	8.6	—	0	21.0	1,314.9	81.6
Spain	540.1	859.6	2,951.7	187.4	106.0	42.9	0	—	176.6	4,864.3	73.0
Total applicant countries	801.4	1,307.3	3,719.7	1,167.4	212.7	58.3	4.3	8.6	327.3	7,607.0	72.6
Annexed:											
South Korea	505.0	210.1	270.2	526.4	56.0	2.6	48.7	—	10.5	1,629.7	96.9
Taiwan	443.7	317.0	359.3	271.5	57.6	3.9	4.9	—	101.5	1,559.5	95.7
Total developing countries	2,354	3,349.8	5,082.8	4,188.5	597.6	162.0	788.0	52.3	5,711.0	22,285.9	25.3

^a This category includes some medium and heavy mineral oils (CCT 27.10) exported mainly by Algeria.

^b This category includes petroleum gas (CCT 27.11) exported mainly by Algeria.

Source: Microfiche statistics provided by Eurostat. — Eurostat, Analytical Tables of Foreign Trade, current issues.

In general, the breakdown yields that only about 28% of total Mediterranean countries' exports would have fallen under the GSP regime for manufactures in 1979. This proportion highlights the predominance of crude mineral oil, non-processed agricultural and CAP products in the export supply which are not eligible for GSP treatment and whose market access conditions shall not be discussed here. The proportion of processed goods in the Mediterranean exports to the EEC was similar to that of all developing countries (about 25%) but fell considerably short of both the applicant countries' shares, which exceeded 70%, and two newly industrializing countries' shares approaching 100%. To put the amount of semi-manufactures and manufactures exported from Mediterranean countries into perspective, it was only one-third of the applicant countries' exports, and it was less than the exports of South Korea and Taiwan. It amounted to only 12% of all developing countries' exports.

However, total figures for the Mediterranean group conceal large differences among the eleven countries. The spread ranges from oil and gas exporters (Algeria) to exporters of manufactures among which Israel in absolute terms and Malta in relative terms are the most important ones. Israel comprised more than 50% of the total area's processed-goods exports and – if we exclude the Algerian exports of mineral oil derivatives – almost two-thirds of the area's non-sensitive industrial exports. Again, to put this figure into perspective it was only 10% of the applicant countries' exports in this category.

Turning to the vulnerability aspect, the two Asian NICs provide a relevant yardstick. About 70% of Taiwanese exports of processed goods and 83% of the South Korean exports were classified by the Community as being sensitive or semi-sensitive. That means that these imports were permanently under surveillance and under quotas, tariff quotas and ceilings. Restrictions were launched not only to protect domestic industries, but also in order to avoid the erosion of ACP and Mediterranean preferences. Greece reveals a similarly high concentration of its exports in sensitive and semi-sensitive products, especially sensitive textiles (63% of its exports of processed goods) and thus seems to have worsened after its accession in 1981 the market access conditions for third-countries competitors. Further, problems would arise for third-countries if Portugal's export supply in manufactures would come under the umbrella of the common trade policy. In 1979 about 70% of her exports consisted of sensitive and semi-sensitive products.

At first glance, Spain's exports supply does not seem to provoke such problems since only about one-third of its exports in GSP eligible items has been sensitive or semi-sensitive. However, such a view neglects that the EEC defines import market penetration in closed-ended categories in *absolute* terms and therefore fixes upper limits to market accession in volume of imports. According to the 1979 figures, the Spanish accession would bring nearly the same volume of sensitive and semi-sensitive goods behind the protection

walls of the Community as the Greek plus Portuguese accession. In total, the EEC enlargement by the three countries would convert a volume of one-third of total developing countries' sensitive and semi-sensitive industrial goods exports (including textiles) to the EEC from extra-EEC trade into intra-EEC trade, and this would most probably deteriorate the market-access conditions of countries outside the Community. Regardless of their special trade relations Mediterranean countries' preferences would suffer in terms of stricter upper limits on the exports rather than in terms of reimposed tariffs. This conclusion necessarily follows from the Community preference for intra-EEC sources of supply vis-à-vis extra-EEC sources and from the zero-sum game perception to freeze the penetration ratios of third-country imports in sensitive sectors.

Which of the Mediterranean countries would be affected the most? Measured in terms of the share of vulnerable items in an individual country exports, Tunisia (85%), Egypt (81%), Cyprus (75%) and Malta (70%) are likely to be the most seriously affected⁷. On the other hand, Israel seems to have less ground for concern since only 36% of its semi-manufactured and manufactured exports were semi-sensitive of sensitive items. However, given the country's weight in absolute terms, Israel and Morocco are next to Turkey and Tunisia holding the lion's share of sensitive textile exports from the GSP countries.

To conclude, the Mediterranean market access problem in processed goods is most relevant for the category of sensitive textiles, which accounted for two-thirds of total Mediterranean exports of sensitive and semi-sensitive goods in 1979. It is in this category comprising mainly cotton yarn, cotton fabrics and clothing where

- Greece and Portugal are leading suppliers;
- the developing countries have found a strong export base; and where
- the EEC has implemented the most sophisticated network of restrictions through the Multifibre Agreement (MFA)

Turning to the second criterion of vulnerability, i.e. the direction of Mediterranean exports to individual EEC members, the appropriateness of this indicator depends on the degree of national trade policy autonomy. Article 115 (Appendix table 1) gives first evidence of theory and practice of autonomy. A second one is provided by options of individual members to maintain national quotas for manufactured imports. These options stem from the pre-integration imports. It has been estimated that in 1978 21% of the EEC imports of non-oil semi-manufactures and manufactures (CCT 25–99 minus 27) from developing countries were not yet commonly-liberalized⁸;

⁷ Algeria again is excluded because of special market access conditions which prevail for mineral oil derivatives and gas.

⁸ R. Langhammer, "Nationaler Protektionismus im Rahmen der EG-Handelspolitik, dargestellt am Beispiel der Industriegüterimporte aus ASEAN-Ländern", 1 *Die Weltwirtschaft* 74 (1981).

that means that at least one member country could restrict its imports by a national quota. France and the UK were the members which overproportionately embarked upon national autonomy (10.8 and 12.3%, respectively, of their individual imports) in contrast to West Germany (0.1%) and the Benelux countries (0.6%).

To summarize national trade policy autonomy, EEC members do have options either to claim for individual safeguard measures or to apply national quotas if they do not already exist. It is the experience of the trade policies in operation that some EEC members did frequently use their options whereas other members did not.

Thus, it matters to which EEC sub-market third-country exports are traditionally directed through established trade links. Especially in sensitive products, where each EEC member country imposes its own quota, the concept of a customs union in which products should be able to move freely has become a fiction: without controls of intra-EEC trade the member quotas cannot be made effective if some members are more liberal than others. Stricter controls, as a recent report of the French Conseil Economique et Social on the situation of the French textile industry states, are justified because

... les tentatives d'organisation des échanges internationaux se sont en effet heurtées très vite aux difficultés d'application tenant à la souveraineté des Etats et aux comportements jalousement autonomes des différents services de douane (même au niveau de la CEE). Il apparaît que trop souvent la France s'efforce de respecter des normes internationales dont les données sont faussées par des partenaires qui, eux, ne les respectent guère⁹.

Even if one analyses the regional export patterns of all developing countries, applicant countries, and the Mediterranean countries on an aggregate level, differences do emerge (table 2). Whereas the three groups run parallel in directing about 40% of their sensitive EEC textile exports to the West German market, the applicant countries (due to strong Portuguese trade links with the UK) and the developing countries are much more affiliated with the UK market than are the Mediterranean countries. On the other hand, the Italian market and also the French and Benelux markets are more relevant absorbers of Mediterranean textiles than is the UK market.

At a disaggregated level, however, this pattern becomes diffuse. Among the larger exporters, Cyprus and Israel ship the largest part of their textiles to the UK and thus strongly overlap with Portugal. On the other hand, Tunisia, Turkey and Morocco are linked to the West German market with Greece as the competitor from the applicant side. Besides the two largest sub-markets, there are notable textile exports of Morocco to France and Turkish exports to Italy which strongly deviate from the aggregate pattern.

⁹ Conseil Econ. et Soc., 1982, p. 242.

Table 2: *Direction of Mediterranean and Applicant Countries' Exports of Sensitive Textiles to EEC Member Markets, 1979*
(Shares in Total EC Imports of Sensitive Textiles)

	W. Germany	France	Italy	Benelux	UK	Ireland	Denmark
Algeria	83.3	16.7	—	—	—	—	—
Cyprus	20.4	0.9	0.6	0.7	64.7	0.6	5.8
Egypt	31.6	14.1	12.4	21.2	16.2	0.4	4.1
Israel	35.3	6.8	0.4	11.5	40.8	3.7	1.5
Jordan	—	—	—	—	100.0	—	—
Lebanon	10.0	10.0	30.0	40.0	10.0	—	—
Malta	61.6	2.7	3.9	16.1	12.8	1.3	1.6
Morocco	42.3	49.2	0.4	7.0	0.9	—	0.2
Syria	59.1	9.1	22.7	—	9.1	—	—
Tunisia	42.1	23.2	5.2	28.1	1.2	—	0.2
Turkey	41.1	6.2	26.9	17.8	7.1	0.5	0.4
Total Mediterranean countries	41.8	16.4	9.7	17.3	12.8	0.9	1.1
Greece	67.7	8.8	6.1	12.0	3.3	0.1	2.0
Portugal	15.0	15.0	1.9	10.8	49.5	1.4	6.4
Spain	24.2	33.4	2.7	27.2	8.9	0.8	2.8
Total applicant countries	41.4	15.0	4.0	14.0	21.1	0.7	3.8
Total development countries	42.5	10.8	5.4	12.0	26.0	0.5	2.8

Source: See table 1.

With regard to market access, the MFA involves the tendency to reinforce bilateral trade links through additional national quotas under outward processing regimes of the Mediterranean countries. Mainly clothing exports of Tunisia, Morocco, Turkey, Cyprus and Malta to the West German market are affected by these regimes, which basically allow for the assembling of fabrics originating in EEC countries for finished goods in Mediterranean countries and for exporting the finished goods back to the EEC country

Table 3: *EEC Measures against Textile Imports from Mediterranean Countries*

Country Period	Common Quantitative Restrictions	Individual EC Member Countries' Quantitative Restrictions	Special Ceilings	Other Regulations
Tunisia 1982-84	Verbal note of Tunisia on self-restraints of exports in the MFA "hyper-sensitive" categories 2 (cotton fabrics) and 6 (trousers)	EC member quotas for exports of MFA categories 4 and 7: t-shirts and blouses (Benelux) 8: shirts (Benelux and FRG), and 21: anoraks (France).	Indicative ceilings for exports of categories 4, 7 and 8 to the Benelux and France.	Additional quotas for outward processing of trousers (FRG, France, Benelux), t-shirts, blouses and shirts (Benelux), shirts (FRG) and anoraks (France).
Morocco 1982-84	Verbal note of Morocco on self-restraints of exports in the category 6 (trousers).		Indicative ceilings for exports of blouses, shirts and robes (cat. 26) to France and of blouses and shirts to the Benelux.	Additional quotas for outward processing of trousers (FRG, France and the Benelux).
Spain	"Benign" prolongation of the 1982 "concerted action memorandum". In 1982: Quantitative restrictions for cotton yarn (cat. 1), trousers (cat. 6), slips (cat. 13), bed linen (cat. 20), and yarn of synthetic fibres (cat. 22).			Administrative surveillance for cotton fabrics, synthetic fibre fabrics, t-shirts, pull-overs (cat. 5) and yarn of regenerated fibres (cat. 23).
Portugal 1982-83	Concerted action memorandum. In 1983: Quantitative restrictions for all "hyper-sensitive" categories 1-8, for bed linen (cat. 20) and for synthetic fibre fabrics (cat. 33).	EC member quotas for trousers (UK), slips (Benelux), bed linen other than of cotton (France).	Indicative ceilings for terry towelling cotton fabrics (cat. 9: FRG, France and Benelux) and handkerchiefs (cat. 19: France, Italy).	Additional restrictions for outward processing of t-shirts, pullovers, shirts, blouses, bed linen, and synthetic fibre fabrics.

Country Period	Common Quantitative Restrictions	Individual EC Member Countries' Quantitative Restrictions	Special Ceilings	Other Regulations
Malta 1982-83	Agreement on self-restraints of cotton yarn and trousers exports.	Quotas for exports of cotton yarn, t-shirts, trousers, blouses and shirts to the UK.		Additional community quotas for outward processing of trousers. "Administrative cooperation" for surveillance of exports of cotton fabrics, t-shirts, blouses and shirts to the Community.
Cyprus 1982	Agreement on self-restraints of exports of t-shirts, trousers and blouses.	Quotas exist only for exports to the UK.		"Administrative cooperation" for export surveillance with regard to shirts and robes.
Egypt 1982-83	Agreement on self-restraints of exports of cotton yarn within the context of the MFA.			
Turkey	For 1982: Informal understanding on quotas and minimum prices for cotton yarn exports. No official agreement.	Authorization given by the Commission to France, Italy, UK and Ireland to safeguard measures in accordance with the association agreement against Turkish exports of cotton fabrics, shirts, t-shirts, pullovers, and bed linen. Anti-dumping measures against cotton yarn exports.		Application of Art. 115 by Ireland and France in 1983; common import surveillance and individual EEC member surveillance (France, UK).

Source: Derived from: Prométhée, Bureau d'Information Economiques CEE, Bruxelles, février 1983.

concerned¹⁰. Bilateralism, however, leads to discrimination, unilateral actions and dependency, if market access is closed-ended and if competing suppliers enjoy *ad hoc* more favorable access than other countries. Thus, Israel could be concerned with regard to its future textile exports to the UK if Portugal becomes a full member and the same holds for Algeria, Morocco, Tunisia, and Turkey after the transition period for Greece is over.

Bilateralism Exemplified: Mediterranean “Hyper-Sensitive” Textile Exports to the EEC

Bilateralism between individual EEC members and individual Mediterranean countries dominates trade in MFA textiles between the two areas. Table 3 provides a synopsis of recent common and national measures against textiles originating from both Mediterranean and the two applicant countries Portugal and Spain. Though the restrictions are mostly based on informal agreements, memoranda, notes and “understandings” (except the Egyptian case) and hence are an imperfect substitute to the formal MFA agreement, they have the same characteristics as the MFA framework. Under the umbrella of a “common” policy the customs-union principle is abandoned and the scope for individual EEC members’ restrictions is widened. The common regulations are hardly more than a framework which requires the approval of national measures by the EC Commission. It is politically unavoidable that such approvals are given in permissive way. Thus, what matters are the very detailed quantitative restrictions on the bilateral level rather than the broad framework of agreements between the Community and the Mediterranean country concerned. In this respect, those countries seem to face the most far-reaching restrictions which have specialized on certain products to be exported to an individual EEC country through special trade chains, i. e. outward processing. This holds especially for the eight so-called hyper-sensitive textile categories in the MFA, where an assumed market saturation shall legitimize the freezing of import market penetration at the level of individual countries. Table 4 yields that in 1982 Mediterranean countries and the applicant countries exported nearly the same amount of hyper-sensitive textiles to the EEC. That means that under freeze conditions for third-country products and the full Community preference for competing products originating from applicant countries the Mediterranean countries could lose their markets in the EEC. Some way out of this impasse could be derived from the fact that the overlap is weaker at a member-country level, with Mediterranean countries more oriented to the Italian market and less

¹⁰ S. Joekes, “The Multifibre Arrangement and Outward Processing: The Case of Morocco and Tunisia”, in *EEC and the Third World: A Survey* (C. Stevens ed. 1982) 2 Hunger in the World, ODI/IDS, London, 1982, pp. 102–112.

Table 4: *EC Imports of "Hyper-Sensitive"^a MFA Textiles from Mediterranean Countries and Applicant Countries 1975 and 1982 (Million ECU)*

Origin	Destination	EC		West Germany		France		Italy		UK	
		1975	1982	1975	1982	1975	1982	1975	1982	1975	1982
Algeria		—	3.1	—	—	—	3.1	—	—	—	—
Cyprus		—	19.6	—	5.8	—	1.0	—	0.2	—	7.9
Egypt		10.2	74.3	3.7	25.3	1.5	15.1	1.7	7.5	0.9	6.5
Israel		6.7	72.6	3.6	17.4	0.1	6.5	0.2	0.1	2.2	39.6
Jordan		—	—	—	—	—	—	—	—	—	—
Lebanon		—	1.0	—	0	—	0	—	0.3	—	0
Malta		20.9	70.5	12.0	27.0	1.0	2.5	0.9	16.4	2.2	10.7
Morocco		6.7	94.4	0.4	8.3	5.9	78.5	0	5.3	0	0.7
Syria		0.6	2.4	—	—	—	—	0.6	2.4	—	—
Tunisia		13.4	177.6	4.1	52.4	8.6	69.9	0.6	5.3	0.1	1.3
Turkey		43.7	287.3	20.0	109.3	1.6	19.8	9.8	88.1	3.8	22.6
Total Mediterranean countries		102.2	802.8	43.8	245.5	18.7	196.4	13.8	125.6	9.2	89.3
Greece		101.5	387.7	61.6	186.7	14.5	55.7	2.1	70.5	2.7	66.8
Portugal		59.2	274.7	5.4	54.7	4.6	56.7	1.2	5.6	33.1	98.6
Spain		31.5	138.0	7.9	20.0	8.1	55.1	1.0	4.9	4.1	13.3
Total applicant countries		192.2	800.4	74.9	261.4	27.2	167.5	4.3	81.0	39.9	178.7
Total developing countries		733.6	3,242.9	254.7	1,139.1	79.7	472.0	57.9	216.8	211.6	888.3

^a Categories 1–8 of the MFA agreement: cotton yarn, cotton fabrics, synthetic fibres fabrics, t-shirts, pullovers, trousers, blouses and shirts. Source: Calculated from Eurostat, Analytical Tables of Foreign Trade, current issues.

specialized on the UK market, whereas for the applicant countries the opposite holds.

However, it seems that in the past the applicant countries in general have directed their textile exports to less-protectionist members (especially West Germany) than did the Mediterranean countries (particularly Morocco and Tunisia with their export base on the French market). Again, Israel with its relatively strong affiliation to the UK market deviates from this pattern. Whether this distribution of bilateral trade flows tends to enhance the market-access problem of the Mediterranean textile exporters after the enlargement, is purely speculative. However, the more the common-trade policies give scope for individual member safeguards, the more attention must be devoted to bilateral trade flows and to strategies which enable the shift from closed member-country markets which are still open. The latest experience in textiles and also in steel (where the Mediterranean countries are not yet exporters) underline that this disintegration trend within the EEC is highly important. The fact that Mediterranean textile exporting countries belong to the second generation of developing countries' suppliers and that they have been more dynamic since the mid-seventies than the first one, as measured in terms of export growth rates (table 4), does not alleviate the problem of market access after the enlargement. In its combination of two determinants – overlap with the applicant countries' exports and dynamics of export growth – the special trade relations, at least in textiles, do not allow for much optimism.

The role of Israel

Our findings suggest that to some extent Israel "swims against the tide" if we define the tide as the average export pattern of Mediterranean countries in manufactures. In contrast to the rest of Mediterranean countries, Israeli exports are mostly "non-sensitive" and thus less vulnerable to the current EEC protectionism. Furthermore, Israel directs its "sensitive" manufactured exports mostly to the relatively open UK market.

Does this "anti-tide" export pattern give rise to optimism with respect to Israeli flexibility in coping with the enlargement? Here, there is room for optimism. Portugal, though having the same strong regional affiliation to the UK market, has a different and much more "sensitive" export supply. If at all, Portugal's accession will negatively affect the market-access conditions of the three large textile and clothing exporters among the Mediterranean countries, viz., Turkey, Tunisia, and Morocco. Greece has a similar sectoral pattern as Portugal, but a different regional affiliation (to the West German market). Again, the market access erosions in terms of quantitative restrictions are likely to occur under the given structures with respect to Israel. This scenario, of course, is very broad and does not nullify the concerns of the

Israeli textile and clothing industry following the Portuguese and Greek accession¹¹.

By and large, Spain seems to be the major competitor of Israeli manufactured exports in the medium run, partly because of its advanced development level which attracts export-oriented foreign investments in sophisticated goods and partly because of its large export volume. Such competition, however, can be faced more easily. Sophisticated goods are mostly not standardized and less vulnerable to protectionist measures in favor of domestic producers. Thus, they enter into open-ended markets and are not subjected to the threat of being replaced by homogeneous products originating from the new members with a claim for Community preference.

In short, zero-sum game perceptions which are relevant for third countries exporting cotton yarn and cotton fabrics, for instance, against strong competition from Greece and Portugal, do not dominate in trade with sophisticated goods.

However, what gives rise to more concern is that such perceptions increasingly influence EEC trade policies in manufactures against third countries in general, and that the demand for "burden sharing" among the EEC members will become stronger after the enlargement. The beginning of this trend has been made by "special relations" which can be made effective only through quotas and controls of origin. That means that full tariff exemption under free trade area agreements as in the EEC-Israeli case can easily be eroded by non-tariff measures against non-full members. Regardless of political considerations, Israel is not a dominating large economy which can give the Community a maximum of counter-concessions in return for EEC concessions. Reciprocity in terms of equal value of concession thus cannot be achieved in trade negotiations between the Community and Israel.

Under such circumstances the EEC's motive to conclude and maintain the free trade arrangement with a small country like Israel is likely to be outside the realm of economic rationale¹². Though non-economic motives may face sudden changes due to shifting political constellations, there is up to now no reason why the institutional framework of the arrangement should be changed. With regard to its economic relevance, Israel should be aware that bilateralism is of epidemic nature. Bilateralism breeds bilateralism.

Given the growing tensions within the Community between inward and outward-looking members, bilateralism has captured another dimension, that of traditional links between individual EEC members and individual Mediterranean countries. If the struggle for market access between individual

¹¹ See for this part and the following discussions the comprehensive analysis of A. Tovias, "The Effects of the Second Enlargement of the European Community upon Israel's Economy", in *Israel and the Second Enlargement of the European Community: Political and Economic Aspects*" (E. Gutmann ed. 1984).

¹² A. Tovias, *Tariff Preferences in Mediterranean Diplomacy* (1977).

members after the enlargement breaks out in Brussels, then our findings indicate that Israeli interests will be most likely represented by the UK rather than by France, whereas the opposite may hold for the Arabic countries. Under the current isolation of the UK position in the EEC, however, the lobbying power of the UK in favor of individual countries seems to be rather small.

Final Remarks

The EEC of the eighties seems to be far from being a customs union. Free trade arrangements between the Community and the individual Mediterranean countries therefore become increasingly obsolete if individual members are allowed to resort to national quotas and safeguards in "sensitive" sectors. What matters is the imposition of NTBs on third countries imports crossing national borders rather than the full tariff exemption conceded in the arrangements. Though steel and textiles are still the only two manufacturing industries where free-trade arrangements with third countries have been fully eroded, it is realistic to assume that market access will not become easier in the future. This holds first because restrictive measures once they have been introduced are lasting and not temporary. Second, the current world economic growth trends put the EEC under stronger adjustment requirements than the Community exerts upon other countries by means of its own competitiveness. Under these conditions national governments pursue very different policy responses and as a result the Community suffers from centrifugal forces. Third, the second enlargement does not enrich the Community with leadership and economic stimulants. Instead, more attention will be devoted to flows of transfers. Fourth, specific interests either of regions or of sectors will dominate over common interest.

Under such a scenario Mediterranean countries are well advised to activate traditional bilateral links in order to be supported by a member-country sponsor in negotiations with the Commission. In this respect, the Israeli position – at least in manufactures – gives less ground for concern than those of other Mediterranean countries.

Appendix Table 1: *Frequency of Application of Art. 115 EEC Treaty in 1983 (Through 9/73)*

EEC member applying Art. 115 against	West Ger- many	France	Italy	Bene- lux- Coun- tries	UK	Ireland	Denmark	Greece	EEC
PR China	1	4	1	2	4	—	—	—	12
South Korea	1	5	1	1	2	5	—	—	15
Romania	—	1	2	4	1	—	—	—	8
Taiwan	—	8	1	3	3	3	—	—	18
Hongkong	—	2	—	1	—	16	—	—	19
Macao	—	—	—	1	—	1	—	—	2
Hungary	—	1	—	1	—	2	—	—	4
Spain	—	1	—	—	—	—	—	—	1
Brazil	—	1	—	—	—	—	—	—	1
Malaysia	—	2	—	—	—	—	—	—	2
Pakistan	—	2	—	—	—	1	—	—	3
Peru	—	1	—	—	1	—	—	—	2
Thailand	—	2	—	—	—	1	—	—	3
Czechoslovakia	—	1	1	—	—	—	—	—	2
India	—	1	—	—	—	2	—	—	3
Yugoslavia	—	1	—	—	—	1	—	—	2
Japan	—	2	8	—	—	—	—	—	10
East Germany	—	—	—	—	1	—	—	—	1
Philippines	—	—	—	—	—	4	—	—	4
Turkey	—	—	—	—	—	1	—	—	1
Banana- Exporting- Countries of the Dollar-Zone	—	—	1	—	1	—	—	—	2
Poland	—	—	—	—	—	1	—	—	1
USSR	—	—	3	—	—	—	—	—	3
Sum	2	35	18	13	13	38	—	—	119

Source: Official Journal of the European Communities, Series C, current issues.