



OCP Policy Center Conference series

Revisiting the effect of trade preferences granted to Morocco in the light of an export-oriented approach for food security

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Outline

- Framework of the study
- Background: preferential treatment and trade liberalization
- Methodology
- Results
- Conclusions and policy implications

Framework

- Policy option chosen by Mo to achieve food security
- GMP + pro-trade approach:

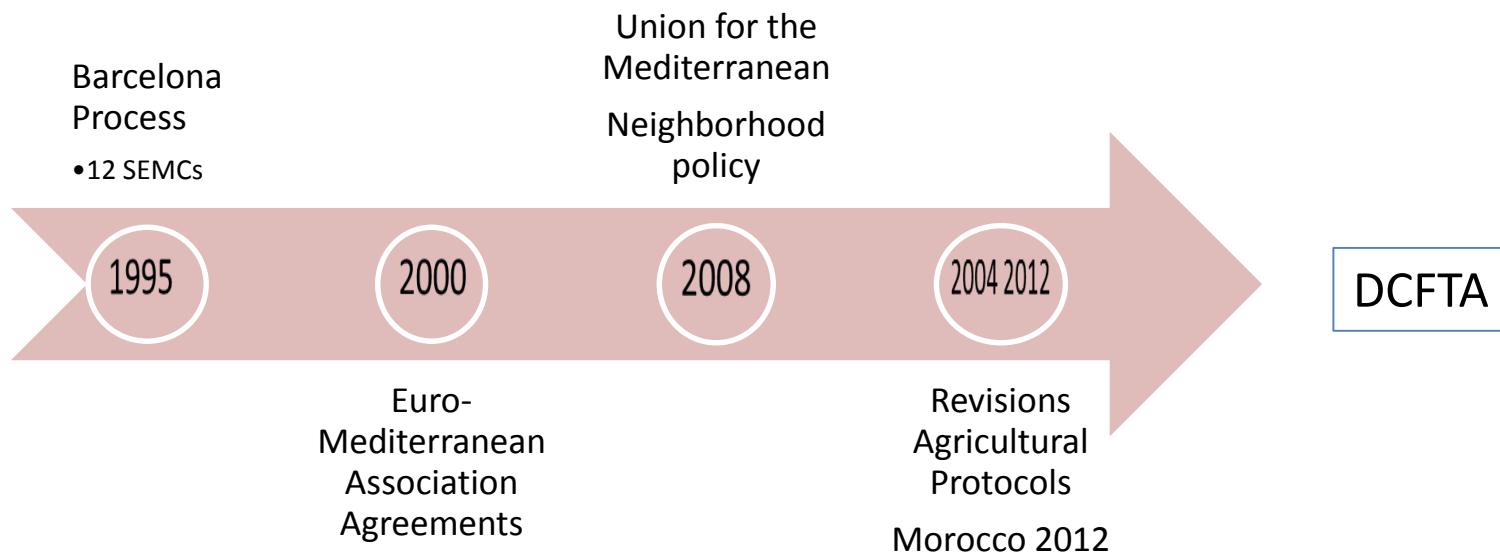
Fostering agro-food exports based on trade preferences

Objective of the study: quantifying the effect of EU trade preferences on Moroccan exports to EU countries



Background (I): Preferential treatment

Euro-Mediterranean Process



Background (II): Preferential treatment

The case of F&V

Entry Price system: Two-tiered tariff

price

May act as a minimum import

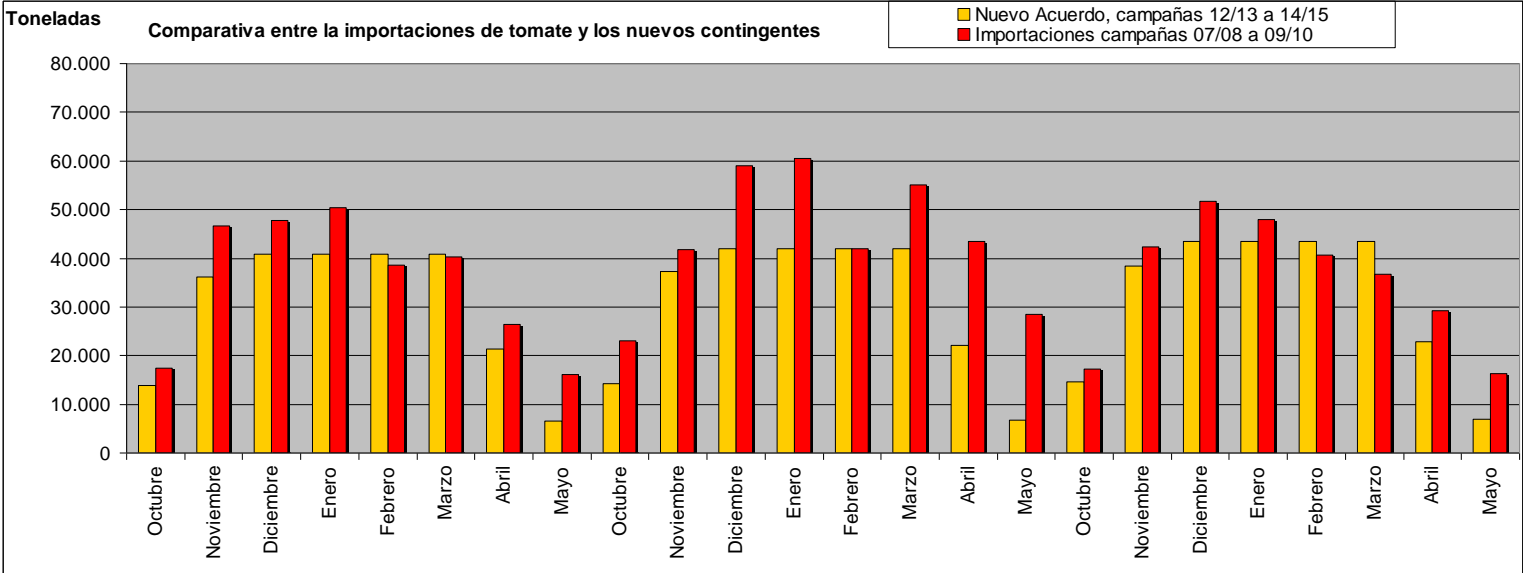
Seasonal changes

Preferences: Reduced EP

Often subject to EP quota

Ad valorem tariff reduction

Background (III): Preferential treatment



Background (IV): Assessing trade liberalization

Value of Preference Margin	Partial equilibrium simulations	General equilibrium simulations	Gravity approaches
<ul style="list-style-type: none">• Static monetary indicator• Gains between 10-30% of trade value	<ul style="list-style-type: none">• Suit well for specific markets• Moroccan exports would benefit both from bilateral and multilateral liberalization	<ul style="list-style-type: none">• Linkages among sectors, inputs, employment and income• Crucial importance of scenarios, sector chosen,...• In general, limited overall gains with usually traditional sectors losing and export-orientated taking advantage	<ul style="list-style-type: none">• Allow to consider preferences, tariff and non-tariff measures• Limited evidence on SEMCs• Positive effects of preferential agreements

Methodology (I)

Monthly exports 2005-2012 from Morocco to 9 EU countries
(BE+L, DE, ES, FR, H, IT, NL, SLK, UK,)

Two fruits and two vegetables

Comext data

Two revisions of the Agricultural Protocol

	EU-27 share of total Moroccan exports (%)	Moroccan share of total extra-EU imports (%)	Aggregate share in extra-EU imports of the selected EU countries (%)
CN 070200 tomatoes	91.53	64.74	78.79
CN 070700 cucumbers and gherkins	80.73	13.13	49.55
CN 080510 oranges	49.39	11.49	86.35
CN 080520 mandarins	34.64	25.87	81.79

Methodology (II)

Gravity approach

Detailed specification of preferences

Cases	Var 1	Var 2	Var 3
No EP in force or No preferential EP	0	Granted % reduction in the MFN ad valorem tariff	Granted % reduction in the MFN ad valorem (Standardized)
Preferential EP in force and no quota or quota not binding	1-(EP Pref/ EP MFN)	0	EP MFN- EP Pref (Standardized)
Preferential EP in force and quota binding	1-(EP Pref/ EP MFN)	Granted % reduction in the MFN ad valorem tariff	EP MFN- EP Pref (Standardized) + Granted % reduction in the MFN ad valorem (Standardized)
Expected sign	+	+	+

ESTIMATION IN FIXED EFFECTS AND FIRST DIFFERENCES

Panel techniques

Results

Preferences matter!
 Increase exports

Model	FE1	FE2	FE3	FD2	FD3
(column)	(1)	(2)	(3)	(4)	(5)
var1	3.301*** (9.036)	3.462*** (9.233)			
var2		0.613* (1.873)			
var3			0.227*** (4.923)		
$\Delta_{12}(var2)$				0.676** (2.246)	
$\Delta_{12}(var3)$					0.120** (2.218)
Observations	1458	1458	1458	1254	1072
R2	0.336	0.338	0.308	0.205	0.164
RMSE	1.283504	1.2823	1.310353	1.129407	1.145855

Beta coefficient Var1: 0.26

Beta coefficient Var2: 0.05

Var1 seems to increase Moroccan exports to a higher extent than Var2

Discussion and policy implications

Trade preferences granted to Morocco by the EU have a positive and significant effect on Moroccan monthly exports of F&V

Policy strategy: trade agreements foster exports, with different effect of each type of preference...

... But some issues remain open:

Distribution of preferential rents not considered

Rural households: ability to participate in the agro-food chains

Modernisation of the agro-food chains, agricultural extension services,...

Relief measures for the losing rural households



Thanks for your attention

REVISITING THE EFFECT OF TRADE PREFERENCES GRANTED TO MOROCCO IN THE LIGHT OF AN EXPORT-ORIENTED APPROACH FOR FOOD SECURITY

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BUILDING SUSTAINABLE AGRICULTURE FOR FOOD SECURITY IN THE EURO-MEDITERRANEAN AREA:
Challenges and Policy Options

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