Current preferences of Southern Mediterranean Countries and their erosion after variations of the entry price system

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Abstract— **It has been calculated the value of the preference margin granted to Euro-Mediterranean partners in the cases of reduced entry prices in force, and then it has been simulated the impact of EU trade liberalisation for F&V on such values after two different alternatives of EP system variations resulting from a WTO agreement. The results of current preferences indicate that in monetary terms there is only a significant relevance of the preferential EPs in the case of Moroccan tomatoes and, to a lesser extent, in Moroccan clementines. Very little is the relevance for Jordanian tomatoes and cucumbers and Moroccan courgettes, cucumbers and artichokes. In the cases of oranges from Egypt, Morocco, Israel and Jordan, preferential EP has not meant potential monetary transfers to these preference-receiver countries. Instead, the *ad valorem* tariff exoneration seems crucial in almost all the products. With regard to the erosion of preferences as a result of a WTO agreement, the magnitude of the erosion depends crucially on the variation/no-variation of the current trigger EPs, and the undermining of preferences is concentrated mostly on Moroccan tomatoes.**

Keywords— **Entry prices, erosion of trade preferences, Euro-Mediterranean trade, fruits and vegetables.**

I. INTRODUCTION

The EU grants reduced entry price (EP) for a limited number of products imported from several Southern Mediterranean Countries (SMCs). The value of preference margin with reduced EP (VPM_{EP}) has been applied to assess the potential transfers granted by the EU in these cases. This indicator has been also used to assess the erosion of trade preferences after a multilateral agreement that varies the current EP system.

The paper is organised as follows. Section II summarises the EP system and indicates the current cases of reduced EPs granted to SMCs, while in section III it is explained the indicator developed to assess the preferences for such cases. Section IV gives the results of such indicator to the current situation, while section V discusses about the erosion of preferences as a result of a change in the EP system. The last section of the paper highlights the main findings and conclusions drawn from the analysis.

II. THE EP SYSTEM AND PREFERENCES INVOLVING REDUCED EP

Since 1995, the EU protects some of its fruits and vegetables through the EP system. This system is implemented for "sensitive" products which are often crucial for the exports of SMCs like tomatoes, cucumbers and citrus fruits. In many cases, the system applies on a seasonal basis, remaining the protection for a part of the year through the "usual" tariff system.

The EP system and the differences with its predecessor have been discussed by Swinbank and Ritson [1] and Tangermann [2]. The system consists on a two-tiered tariff. When the border price of exports to the EU is above the EP level (also called trigger EP), they must pay an *ad valorem* tariff, whereas exports priced below the trigger EP must pay a supplementary specific tariff after being levied by the *ad valorem* tariff. The amount of the specific tariff depends on the relationship between the trigger EP and the border price for the shipment: the cheaper is the product, the higher is the specific tariff applied, being the aim to prevent the entry of cheap products that may affect market competitiveness of EU productions. Thus, when the rate [border price to trigger EP] ranges between 92% and 100%, the exporter pays the difference between them (rounded in 2% steps). If the rate is lesser than 92%, it must be

paid the maximum tariff equivalent (MTE) for the product according to WTO commitments.

Cioffi and dell'Aquilla [3] analyse the effects of the EP system on exports of apples, tomatoes and oranges from different countries to the EU and state, among others, that the MTE acts virtually as a prohibitive tariff and that it could stimulate non-competitive behaviour among traders and introduces incentives to collusive arrangements in order to get the main part of the preferences rent. In this field, Chemnitz and Grethe [4] discuss the organisation of the Moroccan tomato exporter sector, stating that there is a relatively high degree of collusion to appropriate the "EP quota rent".

This rent exists because, in several cases, SMCs have agreed in their Association Agreements a reduction of the trigger EPs. This reduced EP is both country and product specific and usually applies only for a certain quantity of product -labelled entry price quota. The reduced EP represents a trade advantage for preference-receiver countries, additional to the tariff exemption granted also in these cases. The Table 1 summarises the cases where reduced EPs are currently in force.

III. THE MONETARY VALUE OF PREFERENCES

Preferential exporters can take advantage of the reduction of EP through two alternatives (or a combination of them) [5]: a product with the same border price as a MFN product can be sold at EU markets cheaper than its competitors, increasing market share, or, alternatively, a product sold in destination markets at the same price as a MFN product represents higher price received by preferential exporters. Hence, there is a potential economic transfer to the preference-receiver countries stemming from the tariffs forgone by the donor country .

Among the three alternative strands existing to assess the impact of preferences, one corresponds to the indicators based on actual trade flows –being the other two the *ex post* econometric analysis and the *ex ante* simulation models [6]. One of these indicators is the Value of Preference Margin (VPM). By definition, it is the difference in prices received by preferential and non-preferential exporters multiplied by the

quantity that is exported under these conditions, as equation (1) shows.

Table 1 Products to which a reduced entry price applies

Product	Preference receiver country. In force since	MFN entry price (€/100kg)	Preferential entry price (€/100kg)	Period of the preference	Entry price quota (tonnes)
Fresh or chilled tomatoes CN 0702 00 00	Morocco Marketing year 2003/2004	Ranges from 62.6 to 112.6	46.1	01.10 to 31.05	Monthly (or shorter periods) quotas
Cucumbers CN 0707 00 05	Morocco Marketing year 2003/2004	Ranges from 48.1 to 110.5	44.9	01.11 to 31.05	5,600
Globe artichokes CN 0709 10 00	Morocco Marketing year 2003/2004	94.3	57.1	01.11 to 31.12	500
Courgettes CN 0709 90 70	Morocco Marketing year 2003/2004	Ranges from 69.2 to 48.8	42.4	01.10 to 31.01 and 01.04 to 20.04	20,000
Fresh oranges CN ex 0805 10	Morocco Marketing year 2003/2004	35.4	26.4	01.12 to 31.05	300,000
Fresh clementines CN ex 0805 20 10	Morocco Marketing year 2003/2004	64.9	48.4	01.11 to end February	130,000
Fresh or chilled tomatoes CN 0702 00 00	Jordan Since January 2006	Ranges from 62.6 to 112.6	46.1	01.10 to 31.05	No quantity constraint
Cucumbers CN 0707 00 05	Jordan Since January 2006	Ranges from 48.1 to 110.5	44.9	01.11 to 31.05	No quantity constraint for reduced EP. Overall quota for CN 070700 with 2,000 tonnes in 2006
Globe artichokes CN 0709 10 00	Jordan Since January 2006	94.3	57.1	01.11 to 31.12	No quantity constraint
Courgettes CN 0709 90 70	Jordan Since January 2006	Ranges from 69.2 to 48.8	42.4	01.10 to 31.01 and 01.04 to 20.04	No quantity constraint
Sweet oranges, fresh 0805 10 20	Jordan Since January 2006	35.4	26.4	01.12 to 31.05	No quantity constraint for reduced EP
Fresh clementines CN ex 0805 20 10	Jordan Since January 2006	64.9	48.4	01.11 to end February	Overall quota for citrus fruits CN 0805 with 1,000 tonnes in 2006
Fresh oranges CN ex 0805 10	Israel Since January 2004	35.4	26.4	01.12 to 31.05	200,000
Sweet oranges, fresh CN ex 0805 10 10, ex 0805 10 30, ex 0805 10 50	Egypt Since June 2004	35.4	26.4	01.12 to 31.05	34,000

Source: Commission Regulation (EC) No 1549/2006 and Euro-Mediterranean Agreements

$$VPM = (P_P - P_{MFN})q_P \ (1)$$

where, "P_P" is the price received by preferential exporters, "P_{MFN}" is the price received by MFN exporters and "q_P" is the quantity exported by the preferential country.

When there are reduced EPs, Martinez [7] proposes that the indicator can be calculated as in (2).

$$VPM_{EP} = (s_{MFN} - s_P)q_P + (d_{MFN} - d_p)q_p P_p - \left(\frac{t_{MFN} - t_p}{1 + t_{MFN}}\right)d_{MFN}q_P P_P$$

(2)

where, "s_i" indicate specific tariffs, "d_i" indicate *ad valorem* tariffs, and "t_i" are the *ad valorem* equivalents (AVE) for the whole measure.

In (2), three addends appear. The first corresponds to the gain due to the specific tariff cut, which in turn is caused by the reduced trigger EP. This addend is labelled as the specific gain. The second addend is labelled as the *ad valorem* gain, since it is due to the *ad valorem* tariff reduction granted. A third addend or

interaction term corresponds to the preference margin rate [8] for the AVEs multiplied by the preferential trade value weighted by the MFN *ad valorem* tariff.

This interaction diminishes the VPM since it is preceded by a negative sign, and appears as it is not possible to fully disentangle the two different tariff components of the whole EP system. For comparison purposes, in the next sections we will distribute this addend in the other two addends proportionally to their respective values.

IV. EMPIRICAL APPLICATION

As shown in section II, the EU seems reluctant to reduce EPs for SMCs since there are few cases when this concession holds. Then, one might presume that the reduced EP is of utmost relevance in monetary terms as tariff revenue forgone and/or as protective measure of domestic producers. The indicator presented above might be useful to properly assess the extent of the concession and also to compare the relevance of the reduced EP relative to the *ad valorem* tariff cut.

Data on trade flows (EU-25 extra imports) have been gathered from COMEXT, using the average values for the marketing years 2005/2006 and 2006/2007 as quantities and values traded.[1] If actual trade flows are greater than the EP quotas, we have considered these quotas as the quantities traded, also adjusting proportionally the trade values reported.

The periods of preferences indicated in table 1 have been split into shorter periods, because of sudden changes in border prices from EU partners and also due to changes in the trigger EP levels. Therefore, monthly (or shorter) periods are the base of the analysis. As it will be shown in the next paragraphs, this period-by-period procedure is necessary to identify different patterns in the use of trade preferences over a marketing year in the same product.

With regard to border prices, daily Standard Import Values (SIVs) from the preferential partners have been collected from TARIC database for the same periods, and their period averages have been calculated and

used as proxies for the border prices.[2] As the VPM indicator assumes that rents are fully accrued by exporters, it is assumed that these border prices and SIVs are the prices received by SMCs exporters.

For sections IV and V, the main results for each one of the products and countries are discussed, and because of extent constraints, only figures for the most relevant cases are shown. The rest of the results are available upon author's request.

A. Morocco

As is shown in the Table 2, potential transfers to Morocco are mostly concentrated in tomatoes and, in a lesser extent, in clementines and oranges. Overall, they account for 68.2 million Euros.

Table 2 VPM$_{EP}$ for Morocco

	Specific gain (€)	*Ad valorem* gain (€)	VPM$_{EP}$ (€)
Tomatoes	40,428,647	10,188,256	50,616,903
Cucumbers	408,812	537,512	946,324
Artichokes	2,987	994	3,981
Courgettes	430,265	1,960,095	2,390,361
Oranges	0	4,904,312	4,904,312
Clementines	1,482,256	7,834,808	9,317,064
Total	**42,752,967**	**25,425,977**	**68,178,945**

Source: Calculations based on Commission Regulation (EC) No 1549/2006, Euro-Mediterranean Agreements and COMEXT as well as TARIC data

For fresh tomatoes, the reduced EP is of utmost relevance: while the total tariff revenue forgone by the EU accounts for more than 50 million Euros, more than 40 million correspond to the specific gain and close to 10 million are due to the *ad valorem* tariff exoneration. Total transfer accounts for over 40% of the value of trade for this product within EP monthly quotas.

The relevant value of the specific gain is due to the fact that, out of 10 periods in the marketing year, in 7 of them no specific tariff was paid with the preferential treatment and the MTE should have been paid if Moroccan products were treated as MFN.[3]

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[1] In the case of Jordan, preferential EP were in force since January 2006, and therefore trade data belonging to the beginning of the marketing year 2005/2006 have not been considered.

[2] In some periods, no SIVs were reported, so that the unit value has been used as a proxy of the border prices.

[3] It may be worthwhile to stress the fact that for the calculations carried out, it is assumed a *naïve* behaviour of traders, so that for the calculation of the tariff to be paid only the possibility of the

Table 3 shows the period-by-period numeric results for this case.

Table 3 Period-by-period VPMEP for Moroccan tomatoes (€).

	Specific gain	*Ad valorem* gain	VPM$_{EP}$
October	2,245,523	700,695	2,946,218
November	0	1,302,101	1,302,101
1-20 December	5,413,105	1,020,586	6,433,691
21-31 December	2,982,442	562,309	3,544,751
January	8,369,468	1,805,981	10,175,449
February	8,380,950	1,507,879	9,888,829
March	8,308,287	1,819,743	10,128,029
April	4,155,826	1,128,049	5,283,874
1-14 May	0	117,751	117,751
15-31 May	573,048	223,162	796,210
Total	40,428,647	10,188,256	50,616,903

Source: Calculations based on Commission Regulation (EC) No 1549/2006, Euro-Mediterranean Agreements and COMEXT as well as TARIC data

Also one may stress the fact that no specific gain is happening in two periods, since border prices are so that the same specific tariff should be paid under MFN and preferential treatment. In November, border prices are below 92% of the preferential EP, paying then all the MTE, while in the first fortnight of May, Morocco does not experience any gain from the reduced EP since its border prices are above MFN trigger EP.

In the case of cucumbers, the potential transfer accounts for about 25% of the value of actual trade. Noteworthy is mentioning that the weight of the two concessions is balanced (43% and 56%), out of less than 1 million Euros.

For artichokes, the concessions granted by the EU are of minor practical incidence since the total tariff revenue forgone accounts for less than 4,000 Euros, below 40% of the value of trade. Among them, the reduced EP accounts for about three quarters of potential transfer.

For courgettes, potential transfer accounts only for about 11% of the value of trade within EP quota.

classification of the products according to the SIV is taken into account. In fact, this is a simplification adopted to illustrate the less favourable case for traders in tariff terms, since under these situations of high specific tariffs expected quite often traders would prefer to be levied under the other two alternatives that the EP Regulation allows for this purpose and give them more leeway. These other alternatives for calculating the entry price of every shipment are i) the fob price of the products in their country of origin plus the costs of insurance and freight up to the EU borders, or ii) the customs value minus the duty.

Within this transfer, the incidence of the reduced EP is minor, being the *ad valorem* tariff abolition the main concession. In fact, only in one period border prices of Moroccan courgettes take advantage of the reduced EP.

In the case of oranges, transfers also account for about 11% of the value of trade. The most remarkable fact is that Morocco is not taking any advantage from the reduced EP, since it never undercuts MFN trigger EP. Total transfer accounts for about 5 million Euros, with the greater gains happening from January to April, as Table 4 shows.

Table 4 Period-by-period VPMEP for Moroccan oranges (€).

	Specific gain	*Ad valorem* gain	VPM$_{EP}$
December	0	232,959	232,959
January	0	752,225	752,225
February	0	1,307,394	1,307,394
March	0	1,342,994	1,342,994
April	0	951,941	951,941
1-15 May	0	183,958	183,958
16-31 May	0	132,843	132,843
Total	0	4,904,312	4,904,312

Source: Calculations based on Commission Regulation (EC) No 1549/2006, Euro-Mediterranean Agreements and COMEXT as well as TARIC data

For clementines, preferences account for over 9 million Euros, that is over 16% of the value of trade. Within them, the specific gain has a slight share, since only in one period Moroccan border prices are below MFN EP and above the preferential EP. Table 5 depicts the results of the calculations.

Table 5 Period-by-period VPMEP for Moroccan clementines (€).

	Specific gain	*Ad valorem* gain	VPM$_{EP}$
November	0	1,241,624	1,241,624
December	1,482,256	2,923,397	4,405,653
January	0	2,539,716	2,539,716
February	0	1,130,071	1,130,071
Total	1,482,256	7,834,807	9,317,064

Source: Calculations based on Commission Regulation (EC) No 1549/2006, Euro-Mediterranean Agreements and COMEXT as well as TARIC data

B. Jordan

For this country, the current reduced EPs entered into force on 1st January 2006. This relative newness of the preferences for Jordanian exporters might explain a low degree of utilisation of the reduced EPs in some products; this guess may be supported by the fact that there are no reported imports from Jordan during the periods of reduced EPs for three products: artichokes, oranges and clementines. The coming marketing years may be helpful to determine the utilisation rate of these preferential regimes.

As happened with Moroccan tomatoes, the majority of potential transfers to Jordan are concentrated on tomatoes. In this product, another similarity with Morocco is that the relevance of the reduced EP is crucial. As a matter of fact, in spite that border prices are simultaneously below the 92% of the MFN EP and above the preferential EP in only two periods, the gains are quite relevant compared to the *ad valorem* gains. Table 6 summarises the results of the calculations carried out.

Table 6 Period-by-period VPMEP for Jordanian tomatoes (€).

	Specific gain	*Ad valorem* gain	VPM$_{EP}$
January	0	4,755	4,755
February	0	9,027	9,027
March	37,054	8,311	45,365
April	47,891	10,319	58,210
1-14 May	0	5,083	5,083
15-31 May	0	9,606	9,606
Total	84,945	47,102	132,047

Source: Calculations based on Commission Regulation (EC) No 1549/2006, Euro-Mediterranean Agreements and COMEXT as well as TARIC data

For cucumbers, no specific gain appears since Jordan never undercuts MFN trigger EP. Instead, all the gain stems from the *ad valorem* tariff exemption. The gain accounts for less than 100,000 Euros, that is about 11% of the value of trade.

With regard to courgettes, tariff revenue forgone by the EU amounts up to 11,000 Euros, which is 12% of total value of trade in this product. The reduced EP is only practically relevant in one period, when Jordanian courgettes have a border price at the EU about 95% of MFN trigger EP.

C. Egypt

As mentioned before, only oranges have been granted reduced EP for this country under the current Euro- Mediterranean Agreement. Since Egypt border prices are always above the MFN trigger EP, the concession seems to be irrelevant. A second point to stress is the fact that the EP quota is exhausted very soon in the marketing year. Third, the (only *ad valorem*) tariff revenue forgone by the EU for this quota accounts for over 2 million Euros.

D. Israel

As for Egypt, only oranges have been granted reduced EP under the current preferences. Also, border prices of oranges from Israel are always well above the MFN trigger EP, so the reduced EP has little relevance in practical terms. Unlike the previous case, the EP quota is far from being binding. The VPM$_{EP}$ accounts for about 12% of the value of trade.

V. THE EROSION OF TRADE PREFERENCES

The change in the value of preference margin has been used as an indicator of the erosion of preferences, being the seminal work made by Yamazaki [9]. A more recent example can be found in Bureau *et al.* [10], while several articles concerning this issue for SMCs have been made by Tangermann and Grethe working group (see, for example, [5] and [11]).

A. Definition of scenarios

Two scenarios are defined to represent alternative outcomes of the multilateral trade talks concerning the EP system. In spite that no document has been circulated regarding this specific issue, we are assuming that the EU would include them as "sensitive products" with regard to the agreed tariff cut.

This tariff cut is being defined departing from the Falconer's documents sent on January 2008 to prepare the draft "modalities" paper. From them, we assume that the general tariff reduction will be 50%, and the EU is using the permitted leeway for sensitive

products, so actual tariff reduction for EP products is being 25%.[4]

Thus, according to the ideas considered by Antón and Atance [13], we are defining two scenarios: scenario 1 consists on a 25% MTE and *ad valorem* tariff reduction, without changes in current trigger EPs. Scenario 2 adds to the previous cuts a 25% reduction of the current trigger EPs. The Agreements with Jordan and Morocco indicate that, if bound EPs are lowered as results of a WTO agreement, preferential EPs shall be lowered in the same percentage. We have extended these provisions to Egypt and Israel.

B. Results

Table 7 shows that there is a clear erosion of preferences between the current situation and the two scenarios: for Morocco, the total VPM_{EP} passes from 68.2 million Euros to 52.2 million Euros in scenario 1 and 42.2 million Euros in scenario 2. For Jordan, total current VPM_{EP} is 240,800 Euros and drops to 184,600 and 155,500 under the two alternatives. Egypt loses 0.5 million Euros and Israel loses 0.3 million Euros.[5]

Table 7 Erosion of preferences under the two scenarios. Morocco, Jordan, Egypt and Israel. VPM_{EP} in €

	Current VPM_{EP}	Scenario 1	Scenario 2
Morocco	68,178,944.8	52,200,437.8	42,220,736.3
%scenario/current		76.56%	61.93%
Jordan	240,811.6	184,642.8	155,540.1
%scenario/current		76.68%	64.59%
Egypt	2,192,913.3	1,703,423.7	1,703,423.7
%scenario/current		77.68%	77.68%
Israel	1,476,684.4	1,144,339.1	1,144,339.1
%scenario/current		77.49%	77.49%

Source: Calculations based on Commission Regulation (EC) No 1549/2006, Euro-Mediterranean Agreements and COMEXT as well as TARIC data

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[4] While subsequent modalities papers definitively indicate the 50% value as agreed by the negotiators, the 50% value corresponds to the average of the range 48-52% reduction for developed countries if the AVE equivalent bound tariff is lesser than 20% that is proposed in Falconer's documentation as of January 2008 available at the time of writing this paper. Our calculations indicate that AVE MFN tariffs for the six products ranged between 12% and 19.9% in the period 2004-2007 (the former percentage for oranges and the latter for tomatoes).

[5] Notice that for these two countries, in their only product (oranges), the MFN trigger EP is never undercut. So, the two scenarios yield identical results.

The comparison of the results for Morocco and Jordan in the scenarios 1 and 2 indicates that the provision of reducing the preferential EP by the same percentage as the MFN trigger EPs is not enough to compensate for the erosion of preferences. Tangermann [14] discusses the effect of the way in which such provisions are expressed concerning the relief of the erosion effects for specific tariffs. The aforementioned clause included in the current Agreements is among the most protective redactions for this purpose; nevertheless, the results indicate that in the case of a more complicated system like the EP, the clause does not appear to be sufficient.

In fact, the combined reduction of the trigger EPs and of the MTE that affect the specific gain of the VPM_{EP} may be somehow intriguing with a fixed structure of border prices. In almost all of the products, the specific gain is greater in the scenario 1 than in scenario 2.[6]

In summary, the overall results by country demonstrate the higher erosion of preferences in scenario 2 than in scenario 1. Summarizing the results for Moroccan tomatoes, the outstanding fact is the big loss happening to the specific gain: passes from 40.4 million Euros to 30.6 million Euros in scenario 1 and to 22.3 million Euros in scenario 2.

VI. CONCLUSIONS

In this paper we have used a method to assess the value of the preferences that involve reduced EPs. This method allows the direct comparison of the reduction of the specific component of the tariff –in turn linked with the reduced trigger EPs- with the reduction of the *ad valorem* tariff.

When applying this methodology to the cases when the EU has granted reduced EPs, the main fact is that Morocco benefits substantially among the SMCs concerned.

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[6] The exception are Moroccan cucumbers (April), when the lowering of the MFN EP causes the "saving" of a specific tariff that did not appear in the scenario 1. Additionally to the previous comment, the interaction term also may vary in the opposite direction of the erosion of preferences, because of the lowering of the AVEs, becoming less straightforward the comparison of the scenarios.

Regarding to products, in many of them there is little degree of utilisation of such *a priori* relevant preference. Contrariwise, the more frequent *ad valorem* tariff elimination remains very relevant.

There is only one case where the reduced EP means a significant potential transfer to the preference-receiver country. That is the case of Moroccan tomatoes: nowadays, about 40 million Euros are transferred by the EU in terms of tariff revenue forgone only in this product; also, the reduced EP is the dominant preference among the two existing in this product.

In monetary terms, the reduced EP is crucial also for Moroccan clementines, but its significance lowers in relative terms. Other interesting fact is that the reduced EP for oranges is absolutely irrelevant in practical terms for the SMCs that enjoy it.

Regarding the erosion of preferences for SMCs after changes in the EP system, the first conclusion is to notice that the VPM_{EP} is reduced by (close to) the same percentage as the *ad valorem* tariffs and the MTE if the trigger EPs are kept as currently. But if the trigger EPs are also lowered, the erosion is much greater in overall terms for the countries that make use of the reduced EPs. Thus, the anti-erosion clause agreed is not sufficient to overcome such lowering in potential transfers.

From these findings, two main comments arise. One refers to the interest of SMCs in keeping current trigger EPs, interest that could be different according to the product at stake. In the case of tomatoes, probably the maintenance of the system and of the current trigger EPs might be preferred by these exporters.

A second comment refers to the possibility of re-negotiations of the Euro-Mediterranean agreements depending on the changes implemented on the EP system.

Finally, two tasks remain ahead after this analysis. The first is to explore other likely outcomes of the changes in the EP system: one could be the elimination of the system, another could be to implement a "normal" product treatment regarding the cuts agreed. As well, deeper analysis of the three alternative levels of tariff reduction for sensitive products and the treatment of subsequent quotas may deserve a thorough analysis.

The second task ahead is to investigate about the underutilisation of the reduced EPs: one may guess about rigidities in the cost structures in the production and exportation of certain products such as oranges, also the relative newness of the measure could explain why Jordan does not take much advantage of it. This type of investigation would require deeper research in the empirical side.

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