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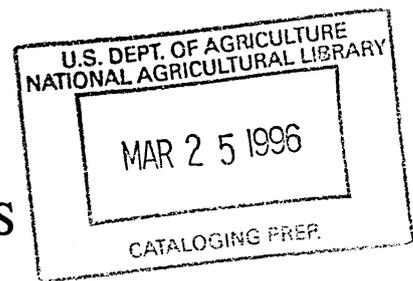
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THE EUROPEAN COMMUNITY SINGLE MARKET: IMPLICATIONS FOR DEVELOPING COUNTRIES

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Further economic integration of the European Community (EC), scheduled for completion by the end of 1992, will likely affect trade in bananas, sugar, and beef with developing countries, particularly the countries included in the Lomé convention. The EC 1992 program intends to eliminate all internal EC borders which may affect banana trade patterns, as this policy structure depends on the existence of the internal EC borders. Quota rents received by Lomé signatories for beef and sugar may decrease as a result of changes from EC 1992.

The harmonization of EC sanitary and phytosanitary standards at very restrictive levels could jeopardize agricultural imports from developing countries that cannot meet the new standard. Even if countries can meet the new standards they may have difficulty with EC testing and certification requirements. Legislation related to the harmonization program has already affected trade in beef and is the most likely source for increasing EC protectionism. The harmonization program will likely make the EC more competitive in processed food products in the international market.

The macroeconomic effects of the EC's program could increase EC agricultural imports because of higher EC income growth and lower food prices. Official Development Assistance (ODA) will also be affected positively by any additional growth in income as a result of economic integration, although internal EC restructuring may require more financial assistance to low-income regions in the EC thus increasing competition for public funds. EC funds for investment in developing countries could also be squeezed because of better opportunities in the EC as a result of economic integration. Low-wage labor areas in the EC will likely attract EC investment, and output from these areas could compete with low-wage products from developing countries.

There will likely be winners and losers among the developing countries because of the EC 1992 program, the proportion of which may be determined by the outcome of the GATT. An agreement in the GATT may be a necessary condition for keeping CAP reform (driven by the 1992 program) and the EC 1992 program on an international track.