

ROADMAP

Title of the initiative: **Recommendation for negotiating directives to upgrade the EU-Morocco Association Agreement to establish a deep and comprehensive free trade area**
Type of initiative (CWP/Catalogue/Comitology): CWP
Lead DG/contact person/details: DG TRADE
Expected date of adoption of the initiative (month/year): June 2010
Date of modification: n.a.
Version No: n.a.

Initial IA screening & planning of further work

A. Context and problem definition

(i) What is the political context of the initiative? (ii) How does this initiative relate to past and possible future initiatives, and to other EU policies?

Within the context of the European Neighbourhood Policy (ENP), the EU's framework policy towards its eastern and southern neighbours, the upgrade of the EU-Morocco Association Agreement with a view to establishing a deep free trade area between the EU and Morocco is part of the response to Morocco's request for an "advanced status" in its relations with the EU. The EU-Morocco Association Council of 13 October 2008 approved a package of measures designed to strengthen bilateral relations. Concerning trade, Morocco and the EU agreed on starting negotiations towards the establishment of a deep and comprehensive Free Trade Area (DCFTA) as soon as Morocco is ready to engage in negotiations. This commitment has been reiterated in the Declaration of the first EU-Morocco Summit on 7 March in Granada.

The initiative also reflects our overall trade policy vis-à-vis Southern Mediterranean partners and notably the Euro-Mediterranean Trade Roadmap beyond 2010. The upgrade of the EU-Morocco Association Agreement with a view to establishing a deep free trade area between the EU and Morocco will reflect the common minimum objectives for these negotiations agreed in the Euro-Mediterranean Trade Roadmap.

Finally, the initiative is also implementing the policy line agreed in the Commission Communication on a Strong European Neighbourhood Policy (COM(2007) 774 final Brussels, 05/12/2007).

What are the main problems identified?

The current EU-Morocco Association Agreement focuses essentially on trade in goods. The Agreement is being completed through a number of negotiations: on the liberalisation of trade in services and the right of establishment (on-going), on the establishment of a more efficient dispute settlement mechanism for the trade provisions of the Association Agreement (protocol initialled, likely signature in 2010) and on the further liberalisation of agricultural, processed agricultural and fisheries products (protocol initialled, likely signature in 2010). The results of all these on-going or concluded negotiations are expected to improve market access between Morocco and the EU and should facilitate the development of investment flows.

However, these negotiations will not eliminate obstacles to trade and investment between the EU and Morocco which are of particular importance to economic operators, notably non tariff and behind the border issues which are not covered in the Association Agreement or in the new negotiations. In this respect, bringing trade and economic rules between the EU and Morocco gradually closer will not only allow real market access but will also contribute to a more favourable investment climate and to attract both domestic and foreign investment, through increased transparency, predictability and sustained economic growth.

The current proposal aims at establishing a deep and comprehensive free trade area between the EU and Morocco through launching new negotiations in areas which are not or insufficiently covered in the EU-Morocco Association Agreement or in the new negotiations. The proposal is

therefore to obtain negotiating directives from the Council to launch new negotiations on a package of non tariff and regulatory issues such as technical regulations on industrial products, standards and conformity assessment, sanitary and phytosanitary measures, intellectual property rights, competition policy, public procurement, trade facilitation and customs, rules of origin, trade defence instruments, and trade and sustainable development.

Who is affected?

Economic operators on both sides who face barriers in accessing the respective markets and suffer from increased costs, delays and administrative burdens when accessing EU and Morocco markets.

(i) Is EU action justified on grounds of subsidiarity? (ii) Why can the objectives of the proposed action not be achieved sufficiently by Member States (necessity test)? (iii) As a result of this, can objectives be better achieved by action by the Community (test of EU Value Added)?

Trade is an area of exclusive EU competence and this is a trade negotiation. The objectives cannot be achieved by Member States.

B. Objectives of EU initiative

What are the main policy objectives?

The policy objective is to achieve greater economic integration and regulatory convergence between the EU and Morocco, through the negotiation of an upgrade of the EU-Morocco Association Agreement with a view to establishing a deep free trade area between the EU and Morocco.

Do the objectives imply developing EU policy in new areas or in areas of strategic importance?

No

C. Options

(i) What are the policy options? (ii) What legislative or 'soft law' instruments could be considered? (iii) Would any legislative initiatives go beyond routine up-date of existing legislation?

Two bilateral instruments already exist, i.e. the EU-Morocco Association Agreement and the EU-Morocco European Neighbourhood Policy Action Plan, which either do not or insufficiently address non tariff and "behind the border" issues.

Launching negotiations on an upgrade of the EU-Morocco Association Agreement with a view to establishing a deep free trade area between the EU and Morocco has been the instrument proposed, following internal coordination and discussions with Morocco. This option was considered as the best way to tackle the problem raised above. It was set out in the joint document on Morocco's "advanced status" agreed by the EU-Morocco Association Council of 13 October 2008, in the Declaration of the first EU-Morocco Summit on 7 March in Granada, in the Euro-Mediterranean Trade Roadmap beyond 2010 and in the Commission Communication on a Strong European Neighbourhood Policy (COM(2007) 774 final Brussels, 05/12/2007).

Does the action proposed in the options cut across several policy areas or impact on action taken/planned by other Commission departments?

The action proposed is in line or complements actions currently carried out in the European Neighbourhood Policy (ENP), in EU-Morocco bilateral relations, and in particular in the context of the implementation of the EU-Morocco Association Agreement and of the EU-Morocco ENP Action

Plan, in areas such as technical regulations on industrial products, standards and conformity assessment, sanitary and phytosanitary measures, intellectual property rights, competition policy, public procurement, trade facilitation and customs, rules of origin, trade defence instruments, and trade and sustainable development.

Explain how the options respect the proportionality principle

The objective of the negotiations is to achieve greater economic integration and regulatory convergence between the EU and Morocco and to address or eliminate non tariff and behind the border obstacles to trade.

Negotiations will focus on those issues which are not or insufficiently covered in the current EU-Morocco Association Agreement or in the on-going negotiations, such as technical regulations on industrial products, standards and conformity assessment, sanitary and phytosanitary measures, intellectual property rights, competition policy, public procurement, trade facilitation and customs, rules of origin, trade defence instruments, and trade and sustainable development.

D. Initial assessment of impacts

What are the significant impacts likely to result from each policy option (cf. list of impacts in the Impact Assessment Guidelines pages 32-37), even if these impacts would materialise only after subsequent Commission initiatives?

The initiative will cover a limited number of regulatory issues, the impact of which would be difficult to capture at this stage. Trade in goods are already governed by the Association Agreement with Morocco. The liberalisation of trade in services, the establishment of more efficient dispute settlement mechanisms, and the further liberalisation of agricultural and fisheries products are already being negotiated. The next and final step for a deep and comprehensive free trade area will be the launch of negotiations on a package of technical and regulatory issues. There is no debate on the possible options (it is the only chapter still to be opened) and there is political agreement on the need for the proposal.

DG TRADE intends to a conduct a Sustainability Impact Assessment on these negotiations which should be finalised in the very early stages of the negotiations.

Could the options have impacts on the EU-Budget (above 5 Mio €) and/or should the IA also serve as the ex-ante evaluation, required by the Financial Regulation?

Not foreseen at this stage

Could the options have significant impacts on (i) simplification, (ii) administrative burden or on (iii) relations with third countries?

Yes, the initiative will have a significant impact on bilateral trade relations with Morocco which will be upgraded. Third countries will also be indirectly affected, i.e. these negotiations will have an impact on our future trade relations with other Southern Mediterranean partners (notably Egypt, Israel, Jordan or Tunisia) where similar problems have been identified and who have agreed to follow a similar approach in the future in the context of the Euro-Mediterranean Trade Roadmap beyond 2010. In addition, concluding a network of agreements which incorporate these regulatory provisions will help to create a common regulatory platform across the Mediterranean region, thus facilitating South-South regional trade integration in the Euro-Mediterranean region.

E. Planning of further impact assessment work

When will the impact assessment work start?

DG TRADE intends to a conduct a Sustainability Impact Assessment on these negotiations which should be finalised in the very early stages of the negotiations.

(i) What information and data are already available? (ii) Will this impact assessment build on already existing impact assessment work or evaluations carried out? (iii) What further information needs to be gathered? (iv) How will this be done (e.g. internally or by an external contractor) and by when? (v) What type and level of analysis will be carried out (cf. principle of proportionate analysis)?

Significant information is available on Morocco's situation in the different areas to be covered in the negotiations, through the annual reports in the context of the European Neighbourhood Policy and the information exchanged in annual meetings of the relevant Sub-Committees established under the EU-Morocco Association Agreement.

Further information could be obtained through a Sustainability Impact Assessment to be conducted by an external contractor.

Which stakeholders & experts have been/will be consulted, how and at what stage?

The main lines of the initiative are known to the European Parliament and the Economic and Social Committee.

During 2009, DG TRADE commissioned a study on the economic integration in the Euro-Mediterranean region which looks at the current association agreements and identifies ways to move forward. The main avenue proposed is the reinforcement of bilateral agreement on non tariff and regulatory issues. The study included a business perception survey on the implementation of the bilateral agreements in Med countries. The business was informed about this initiative in the context of the preparations of the Euro-Mediterranean Trade Roadmap beyond 2010.