

## **Modernisation Pact on Trade and Investment between the Kingdom of Morocco & the European Union**

The Association Agreement governing trade relations between the European Union and the Kingdom of Morocco dates from 2000 and remains, to this day, the reference framework for our economic relationship. Although this agreement has allowed for a considerable increase in trade volumes over the past twenty years, the fact that it essentially covers the liberalisation of tariffs on goods makes it less able to address non-tariff barriers as well as all the other challenges that can affect this strategic partnership. Today's challenges, in particular the rapid changes observed in international trade, require that new paradigms be taken into account, such as the recomposition of value chains, the exponential development of the digital economy and the indispensable decarbonisation of industry. Similarly, the advantages granted on both sides within the framework of free trade no longer reflect the economic reality of both parties or the depth of the Morocco-EU relationship, particularly with regard to trade and investment. It is a strategic necessity to achieve a complete Morocco-EU free trade area without any barriers to trade combined with an ambitious vision on sustainability in line with Morocco's sustainable development strategy on the one hand and the European Green Deal on the other.

The Covid-19 pandemic has hit our businesses hard and has adversely impacted bilateral trade flows. To support the economic recovery and address today's challenges, a modernisation of the framework of our trade and investment relationship would be timely, as it is now considered by the concerned parties as long overdue. The Kingdom of Morocco and the EU could give a new impetus to this relationship by adopting a genuine "Modernisation Pact on Trade and Investment". By pursuing a bottom-up approach, this Pact must be open to the needs of business, with a central role for SMEs in the reflection process. In order to succeed and establish such a Pact, in line with today's reality and in accordance with the need to deepen our relationship, it will first of all be necessary to listen to the needs of our businesses and civil society, addressing their real and concrete demands. Importantly, these demands and expressed needs have to be identified and addressed properly through a bottom-up approach, in order to reflect specifically the day-to-day situation and the identified room for improvement in our bilateral relationship.

After consultations with our companies, it appears there is significant untapped economic potential in our bilateral relationship, which should be unlocked by stimulating investment and economic exchanges, notably by facilitating sustainable investment and agri-food trade, by liberalising digital services and by reducing non-tariff barriers and customs procedures. The European Union has concluded or is in the process of concluding modern trade and investment agreements with partners around the world, but has not concluded such agreements with its near neighbours to the South, which is a missed opportunity. This gap is difficult for the private sector to understand, especially in a context where shorter, more sustainable value chains are regularly discussed in diplomatic circles. There is a real opportunity to build common value chains between Morocco and the EU. The EU's new trade and southern neighbourhood strategy offers real prospects for modernising trade and investment that could be more targeted and adapted to the real needs of both partners. We propose a "Modernisation Pact on Trade and Investment" between the Kingdom of Morocco and the European Union, a win-win deal for the private sector on both sides of the Mediterranean.

## **The Pact should focus on 8 pillars:**

### **1/ Investment:**

- Investment facilitation,
- Market access and non-discriminatory treatment of economic operators,
- Investment protection,
- Services directly concerned or associated with investment (commercial presence, temporary movement of people).
  - > Priority sectors: agri-food, biotech, renewable energies (SMEs), digital services, logistics and transport, engineering, green production, chemical industry, pharmaceutical industry...

### **2/ Agreement on the reduction of non-tariff barriers for industrial products, including an agreement on mutual recognition of regulations and standards:**

- Economic operators must be able to overcome regulatory barriers. There is considerable business potential untapped by the existence of too many non-tariff barriers on both sides of the Mediterranean. A dedicated approach is needed, while respecting common objectives, such as consumer protection.
- Good regulatory practices and transparency of regulatory measures are essential for the business climate.
- In view of the new Moroccan regulatory policy, in particular on product marking and conformity certification, a mutual recognition agreement between the Kingdom of Morocco and the EU is necessary.
- Putting forward a regulatory framework that would allow cross-border power purchase agreements, in order to seize the opportunities offered by Morocco for the supply of renewable energy.

### **3/ Services and transport:**

- Services are the driving force of today's economy and this should be reflected in our bilateral partnership, particularly with regard to digital services, energy, maritime services, etc.
- It is important to limit barriers to the transport of goods: blockages of products must be avoided. The Kingdom of Morocco and the European Union are invited to find sustainable solutions to this problem, which proved crucial during the Covid-19 pandemic. The aim is to transform the current approach to transport policy at the level of the individual Member States into a European one.

### **4/ Personal qualifications:**

- Conditions for mutual recognition of a limited number of qualifications (eg engineers)

### **5/ Customs matters:**

- There is a great potential to facilitate customs clearance of products on both sides of the Mediterranean (digitalisation, trusted trader regime, reduction of administrative formalities for customs clearance, use of invoice declarations instead of EUR.1 certificates as proof of origin).
- Promotion of regional and continental integration.

## **6/ Small and medium-sized enterprises:**

- Facilitate trade for SMEs, the real engine of the economy and employment, by creating "administrative one-stop shops" to give advice/support to SMEs regarding the regulatory regime applicable in the EU/Morocco for import or export, free circulation/customs clearance, labelling of foodstuffs, etc.

## **7/ Business climate:**

- Realistic/adapted competition policy and rules adapted to business needs, intellectual property rights, transparency of regulatory measures
- Promotion of public-private dialogue as a driver for business climate reforms

## **8/ Agricultural trade/sustainable foodstuffs:**

- The Covid 19 crisis has shown all nations the strategic importance of the agriculture and agri-food sectors for food security, sustainable development and socio-economic progress. It is therefore essential to ensure complementarity in these sectors as a priority for the future Morocco-EU relationship.