

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 475 final

Brussels, 7 September 1979

Recommendation for a

COUNCIL DECISION

authorizing the Commission to conduct negotiations
with a view to amending the cooperation agreement
between the European Economic Community and the
Kingdom of Morocco

Recommendation for

COUNCIL REGULATION (EEC)

concerning the conclusion of the Agreement in the
form of an exchange of letters between the
European Economic community and the Kingdom
of Morocco

(submitted to the Council by the Commission)

COM(79) 475 final

1. Exploratory talks took place on 21 May 1979 in Brussels between a Commission Delegation and a Moroccan Delegation in connection with the implementation of Article 55 of the Cooperation Agreement. In accordance with that Article, the two delegations reviewed the results of the Agreement since it had come into force and discussed the improvements that could be made on the basis of the objectives of the Agreement and the experience gained.

On 11 June the Moroccan Delegation sent the Commission a memorandum setting out the various points it had raised. The memorandum is being transmitted.

I. REVIEW OF THE RESULTS OF THE AGREEMENT

(1) TRADE

General trend of trade

2. The Moroccan Delegation commented as follows on the trend of trade:

Trade between the EEC and Morocco increased considerably between 1973 and 1977 though it slowed down in 1978.

Morocco's imports from the EEC consist in the main of industrial products, which tripled between 1973 and 1977. However, in 1978, they dropped in comparison with 1977 (from 1 412 million EUA to 1 168 million EUA), the drop being attributable to the restrictive measures introduced by the Moroccan Government in spring 1978 for balance of payments reasons.

Community goods account for approximately 50% of Morocco's total imports and, in the view of the Moroccan representatives, this figure would be around the 70% mark if products such as hydrocarbons, which the EEC could not export to Morocco anyway, are excluded.

The EEC is Morocco's main customer (approximately 57% of its total sales). Moroccan exports to the EEC consist primarily of fresh and processed agricultural products, raw materials of mineral origin and a number of finished goods (including textiles, leather goods and certain chemical products).

It should be noted that almost half Morocco's total exports to the EEC are imported by France. Between 1970 and 1974 EEC imports of Moroccan goods rose steadily, to be followed by a period of stagnation around the 635 million EUA mark in 1975, 1976 and 1977. However, an increase of 55 million EUA was recorded for 1978. Moroccan exports to the EEC increased by a factor of only 1.4 between 1973 and 1975-77 while, as already stated Community exports to Morocco trebled. As a result the Moroccan trade deficit steadily worsened and by 1977 had reached 782 million EUA, equivalent to 47% of Morocco's total foreign trade deficit. The recovery in 1978 was due to the quantitative restrictions introduced by the Moroccan Government that have already been mentioned.

Sectoral problems

3. The Moroccan Delegation drew attention to a number of problems in different sectors:

Agricultural and agri-industrial products

The Moroccan representatives attributed the stagnation, and even to some extent regression, of Morocco's agricultural and agri-industrial exports mainly to the machinery of the Common Agricultural Policy combined with a trend towards levelling out the tariff concessions granted to the EEC's various trade partners.

In the case of citrus fruits, the "freezing" of the tariff reduction at 80% since 1969 and the concessions granted to other Mediterranean competitors (in particular Spain and Israel), the increase in the marketing premium received by Community producers and increasingly expensive forwarding costs for Moroccan products meant that Moroccan exports had lost and were still losing their competitive edge at a time when Morocco had embarked on the conversion of its fruit farms with a view to improving quality.

The Moroccan representatives also claimed that the steady increase in the reference price for tomatoes combined with the strict timetable applicable to this tariff concession (60% between 15 November and 30 April) had resulted in steadily dwindling exports of Moroccan tomatoes. The criteria adopted by the EEC for the purpose of determining the reference price were also criticized.

In respect of preserved sardines, Morocco criticized:

- (i) the administrative complexity of the quota administration system, which in practice impeded the conclusion of long-term contracts;
- (ii) the inflexibility of the quota allocation system, which made it impossible to adjust supply to demand.

The EEC subsidies received by the Community processing industry for tomato concentrates¹ had allegedly led to a sharp fall in corresponding Moroccan exports just when Morocco had invested large sums in this sector.

¹At Morocco's request, the 1976 Agreement did not cover tomato concentrates.

Industrial products

4. The Moroccan Delegation stressed that it regarded free access to the Community market for industrial products (no customs duties or quantitative restrictions) as most important if its country was to achieve its development targets, especially in view of the inadequate concessions granted in the agricultural sector. In this respect results had been satisfactory since exports of Moroccan industrial products had increased from 20 million EUA to 175 million EUA between 1969 and 1977.

It was therefore particularly regrettable, in their view, that this upward trend had been disrupted by the protective measures adopted by the EEC in the textile sector. These measures would seem to have seriously affected Moroccan trade circuits with the result that, in most cases, it had not even been possible to attain the quotas for 1978. In addition, the restrictions had had a seriously discouraging effect on Moroccan firms, which feared that comparable difficulties might arise in future in other industrial sectors.

The Moroccan Delegation also referred to the difficulties likely to arise unless the rules of origin were applied more flexibly. Clothing, carpets and fishery products (from fishing on the high seas) were cases in point.

(2) FINANCIAL AND TECHNICAL COOPERATION

5. The Moroccan Delegation mentioned that implementation of this aspect of the Agreement had been somewhat delayed because of the changes made in 1978 to its country's development programmes but should now be speeded up

as the final list of projects had recently been adopted.

With the exception of the Jorf Lasfar port project, which had been the subject of two financing agreements signed at the time of the Cooperation Council meeting (12 June 1979), the Moroccan representatives urged that the other projects should get under way as soon as possible. For this purpose, Morocco was willing to do everything in its power to ensure that the projected schemes were carried through with all possible speed.

With regard to implementation of the economic cooperation provided for under Article 4 of the Agreement, the Moroccan Delegation referred to the suggestions that it was due to present to the Cooperation Council on industrial cooperation in the energy, research, environmental and fisheries sectors.

II. REQUESTED IMPROVEMENTS

(1) AGRICULTURAL AND AGRI-INDUSTRIAL SECTORS

6. The Moroccan Delegation requested a number of improvements to the Agreement which it considered would help to achieve a more satisfactory flow of Moroccan exports to the Community market. These improvements can be summed up as follows:

A. Tomatoes:

- (i) More favourable tariff terms, increasing the concession from 60% to 80% and extending the end of the relevant period from 30 April to the end of May;
- (ii) In the context of the Common Agricultural Policy, the Community was asked to:
 - . freeze the present reference price,
 - . apply the reference price as at 1 May,
 - . establish a joint consultative framework for the purpose of fixing this price.

B. Preserved sardines:

- (i) overall duty-free quota of 20 000 tonnes of preserved sardines;
- (ii) allocation of this overall quota by Morocco among the various markets of the Community.

C. Preserved vegetables:

- (i) inclusion of tomato concentrates among the tariff reductions provided for in Article 15 of the Cooperation Agreement;
- (ii) for the purposes of promoting the development of the Moroccan agricultural foodstuffs industry, the Moroccan Delegation requested the Community concessions listed below:

PRODUCTS	TARIFF HEADING No	RATE OF REDUCTION FROM THE CCT REQUESTED BY MOROCCO
1. Apricot pulp	20.06 B II c 1 ex aa	60%
2. Apricot halves	20.06 B II b 7 ex bb	60%
3. Apricot halves	20.06 B II c 2 ex bb	60%
4. Apricot halves in syrup	20.06 B II a ex 7 bb	50%
5. Beans in pod	20.02 G	50%
6. Gherkins	20.01 B Other	inclusion of this product in the Agreement under its tariff heading for the purpose of qualifying for duty-free entry
7. Tomato juice	20.07 B II b ex 6 cc	60%

D. In the case of frozen fruit and vegetables (an emergent industry aimed at promoting modernization of the agricultural sector), Morocco requested the

Community tariff concessions listed below, without prejudice to any preferential treatment currently accorded to such exports by France:

<u>CCT heading</u>	<u>Rate of reduction requested by Morocco</u>
07.02 Vegetables (whether or not cooked), preserved by freezing: B. Other	80%
08.10 Fruit (whether or not cooked), preserved by freezing, not containing added sugar	full exemption
20.03 Fruit preserved by freezing, containing added sugar B. Other	80%

(2) INDUSTRIAL SECTOR

7. For industrial products, with particular reference to the relevant rules of origin, Morocco requests that full use be made of Article 28 of Protocol No 2 concerning the definition of "originating products", which provides for an annual examination of the rules of origin with a view to making any necessary changes. In the light of this provision, the Moroccan Delegation requested derogations:

- (i) in respect of clothing¹, to allow the use of fabrics originating in third countries, thereby extending the scope of the present derogation, which is due to expire on 30 June 1980;
- (ii) allowing woollen and cotton yarn intended for the manufacture of handwoven carpets² to be obtained outside the Community and Maghreb markets;
- (iii) in the fisheries sector³, to allow Moroccan fishing vessels to transit via the Canary Islands.

(3) ENLARGEMENT

8. Looking ahead to the economic and social implications of enlargement for its country, the Moroccan Delegation said that the Cooperation Agreement with

¹ Under the Agreement only fabrics manufactured in the Maghreb or the Community may be used.

² Under the Agreement only yarn originating in the Maghreb or the Community may be used.

³ Catches by Moroccan fishing vessels on the high seas must transit via a Moroccan port in order to comply with the rule of direct transport before being sold on European markets.

the EEC might well become meaningless unless appropriate measures were taken in good time.

The economic structures and lines of production of all three States that had applied for accession were much the same as those of Morocco, especially in the agricultural and agri-industrial sectors, with the result that the enlarged EEC would inevitably be self-sufficient with regard to the products that had been Morocco's main exports.

In addition, the countries concerned had a sizeable pool of labour and their nationals would be in a better position than Moroccan workers to find a job in the Community.

The Moroccan Delegation advocated a comprehensive approach to the various problems inherent in enlargement rather than successive technical amendments to the Agreement after each new accession.

It also called for the establishment, under Article 50 of the Agreement, of an ongoing dialogue between the Community and Morocco in the form of consultations throughout the negotiations on enlargement, especially in connection with Spain.

III. THE COMMISSION'S ASSESSMENT

9. The Agreement in its entirety has been in operation such a short time that it is not yet possible to draw any final conclusions as to the expected results. A more precise assessment will have to wait until the various provisions of the Agreement have been given full play. Nonetheless, the following comments can be made already at this stage:

The main cause of the EEC's growing trade surplus with Morocco recorded in recent years is the stagnation of Community imports of Moroccan goods. However, it should be noted that this surplus dropped significantly in 1978 compared with 1977 owing to a decline in Community exports as a result of

the measures adopted by Morocco at the beginning of 1978 pursuant to Article 28(2) of the Agreement. Manufactures are also accounting for an increasing share of Moroccan exports (22% in 1977 compared with 11.7% in 1975), reflecting the progress made by industrialization in that country and greater diversification of its exports. Despite favourable developments in certain sectors, there continues to be a significant imbalance to Morocco's disadvantage, as was observed by the Cooperation Council at its first session on 12 June 1979.

10. Though the Community had had to adopt certain measures in respect of Moroccan textile exports, account has to a large extent been taken of existing preferential relations. Nonetheless these measures derogate from the rules of the Agreement and the situation should be brought back to normal as soon as possible.

11. Since 1975 Moroccan exports of agricultural products to the EEC have held their own, given the general market situation. Though the main exports continue to be citrus fruit, tomatoes, preserved fish, capers and olives, there are certain signs of greater diversification (generally speaking, the rate of growth is higher for prepared and preserved products than for fresh products).

With regard to the improvements requested by the Moroccan Delegation in the agricultural sector, the Commission is opposed to any substantial changes in view of the trade trends described above and the fact that more than 80% of agricultural products are covered by the present preferential arrangements. However, the following comments may be made:

The present system of tariff quotas for preserved sardines is autonomous and was introduced on a provisional basis pending the application of the arrangement laid down in Article 19 of the Agreement (unlimited exemption from customs duties, subject to observance of minimum prices). The reason for this provisional solution was that the Moroccan Delegation did not consider, at the time of the negotiations on the Agreement, that it was able at that stage to agree to application of the minimum prices system.

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Should Morocco now be in a position to accept this system, the exemption from customs duties provided for in the Agreement could be applied without any quantitative restriction. In that case, the Community might suggest to Morocco that Article 19(3) of the Agreement be applied and proceed accordingly to the attached exchange of letters incorporating a table of minimum prices to apply from the date on which this exchange of letters takes effect.

In the case of tomato concentrates, it will be remembered that when the Cooperation Agreement was in the process of negotiation the Community offered Morocco a tariff reduction of 30 % under a voluntary restraint arrangement. Morocco's request that this product be covered by the Agreement therefore seems acceptable, subject to the same arrangement as was proposed in 1976⁽¹⁾.

Lastly, the Commission draws attention to the recent memorandum ⁽²⁾ from the Moroccan Representation requesting that unused sub-quotas for quality wines transported in bulk, under Article 21 of the Agreement and the relevant declaration, should be included in the duty-free sub-quotas to be opened for bottled wine in subsequent years. Particular for technical reasons connected with the conditions agreed in exchanges of letters concerning the handling ⁽³⁾ of quality wines transported in bulk, Morocco has experienced difficulty in utilising the sub-quota applicable for such wines.

A more precise assessment

the Agreement have

can be made already

- (1) By way of example, EEC imports of Moroccan goods in 1976, 1977 and 1978 averaged approximately 6,200 tonnes.
- (2) See document 54/44.
- (3) Under the relevant exchange of letters, the capacity of the recipients used for bulk transportation of wine must not exceed 25 hectolitres. As a transitional measure, the Community agreed to raise this limit to 200 hectolitres from 1 April 1978.

It would therefore seem reasonable to meet the Moroccan wishes in this matter. For this purpose the Commission proposes that the tariff exemption for Moroccan quality wines exported in bulk applicable, under the Agreement, for a period of two years only, be extended for a further two-year period up to a limit 10.000 hectolitres a year.

2. With regard to industrial products, the Commission takes the view that the Community could consider, with an open mind, the requests for derogations from the rules of origin requested by Morocco in respect of clothing, hand-woven carpets and fishery products. Each derogation, should be accompanied by terms and conditions ensuring satisfactory protection of Community interests. It would be drawn up by the Customs Cooperation Committee, which was directed at the Cooperation Council's First Session to examine any customs matters that had not yet been settled.

3. In response to the fears expressed by the Moroccan Delegation regarding the consequences of enlargement of the Community, the Commission does not consider Article 55 of the Cooperation Agreement to be a suitable context for an assessment of this matter. In its recent report to the Council on the implications of enlargement, it stated its intention of proposing, at a later stage, practical solutions aimed at protecting the cooperation policy initiated by the Community with the Mediterranean countries in particular. Needless to say, the Community will make full use of Article 50(2) of the Agreement, which provides for consultations in the event of a third State acceding to the Community so that the interests of the Contracting Parties may be taken into consideration.

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C O N C L U S I O N

14. The Commission's proposals are summed up below :

- Extension of the concessions provided for in the Agreement to cover tomato concentrates ;
- conclusion of an exchange of letters with a view to application of the concession provided for in the Agreement in respect of preserved sardines ;
- extension for a further two years, and subject to annual limits of 10,000 hectolitres, of the derogation from Article 21.2 of the Agreement for Moroccan quality wines transported in bulk ;
- examination in an open spirit of Moroccan requests for derogation from the rules of origin applicable to certain articles of clothing, handwoven carpets and fishery products (direct transport requirement) it being understood that conditions acceptable to the Community would be determined by the Committee on Customs Cooperation. The Commission is to put forward proposals on this matter in due course.

In formulating these proposals, the Commission assumes that the derogation, for certain products, from the suspension of the special treatment applied in respect of the importation of Moroccan goods into a Member State could be extended beyond the date indicated in the exchange of letters on this subject which is annexed to the Agreement.

In addition, the Commission does not consider that the Community would be justified in requesting Morocco at this stage to improve the provisions concerning its treatment of Community goods in view of Morocco's large trade deficit.

The Commission recommends to the Council that negotiations be opened with Morocco on the basis of the directives annexed to this communication with a view to implementation of Article 55 of the Agreement.

Recommendation for a
COUNCIL DECISION

authorizing the Commission to conduct negotiations with a view
to amending the cooperation agreement between the European
Economic Community and the Kingdom of Morocco

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Article 55 of the Cooperation Agreement concluded between
the European Economic Community and the Kingdom of Morocco,

Having regard to the Recommendation from the Commission,

Whereas negotiations should be conducted with a view to the implementation
of Article 55 of that Agreement,

HAS DECIDED AS FOLLOWS:

Sole Article

The Commission is hereby authorized to conduct negotiations, on behalf
of the Community, with a view to amending certain provisions of the
Cooperation Agreement between the European Economic Community and the
Kingdom of Morocco.

It shall conduct such negotiations in accordance with the directives
contained in the Annex, in consultation with the special committee
provided for in Article 113 of the EEC Treaty.

NEGOTIATING DIRECTIVES

1. Morocco would be offered the concessions listed below:

20.02 ex C

tomato concentrates

30% reduction subject to a voluntary restraint arrangement calculated on the basis of the growth of Community imports from Morocco in the past few years and the situation in respect of available Community supplies of this product.

2. Extension for a further two years of the facility provided for in the declaration annexed to the Agreement whereby Article 21(2) can be applied to quality wines exported in bulk, referred to in the exchange of letters of 11.3.1977, up to a limit of 10,000 hectolitres a year.

3. The Commission will propose to Morocco the conclusion of the Agreement in the form of an exchange of letters with a view to application of the treatment provided for in Article 19 of the Cooperation Agreement in respect of preserved sardines.

4. The Commission will convey the Community's intention of examining, within the framework of the Customs Cooperation Committee, the possibility of a derogation from the rules of origin applicable to certain articles of clothing, handwoven carpets and fishery products (direct transport) on terms satisfactory to both parties.

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RECOMMENDATION FOR
COUNCIL REGULATION (EEC)

concerning the conclusion of the Agreement in the form of an exchange of letters between the European Economic Community and the Kingdom of Morocco

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 113 thereof,

Having regard to the Cooperation Agreement between the European Economic Community and the Kingdom of Morocco signed on 27 April 1976,

Having regard to the Recommendation from the Commission,

Whereas the exchange of letters provided for in Article 19 of the Agreement between the European Economic Community and the Kingdom of Morocco should be made,

HAS ADOPTED THIS REGULATION:

Article 1

The exchange of letters relating to Article 19 of the Cooperation Agreement between the European Economic Community and the Kingdom of Morocco is hereby approved on behalf of the Community.

The text of the exchange of letters is annexed to this Regulation.

Article 2

The President of the Council is hereby authorized to designate the person empowered to sign the exchange of letters in order to bind the Community.

Article 3

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

for the Council
The President

EXCHANGE OF LETTERS

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relating to Article 19 of the Cooperation Agreement
between the European Economic Community and the
Kingdom of Morocco

Letter No 1

Sir,

Pursuant to Article 19 of the Cooperation Agreement between the European Economic Community and the Kingdom of Morocco signed on 26 April 1976, I have the honour to inform you that Morocco agrees to the application, from to, of the minimum prices referred to in paragraph 1 of that Article and annexed to this letter in respect of Community imports of prepared and preserved sardines falling within subheading 16.04 D of the Common Customs Tariff.

The Government of the Kingdom of Morocco undertakes, moreover, to ensure that the prices charged on imports into the Community from shall not be less than the prices set in the Annex and also to prevent any deflection of trade.

Please accept, Sir, the assurance of my highest consideration.

For the Government of Morocco

Letter No 2

Your Excellency,

I have the honour to acknowledge receipt of your letter of today's date, worded as follows:

"Pursuant to Article 19 of the Cooperation Agreement between the European Economic Community and the Kingdom of Morocco signed on 26 April 1976, I have the honour to inform you that Morocco agrees to the application, from to, of the minimum prices referred to in paragraph 1 of that Article and annexed to this letter in respect of Community imports of prepared and preserved sardines falling within subheading 16.04 D of the Common Customs Tariff.

The Government of the Kingdom of Morocco undertakes, moreover, to ensure that the prices charged on imports into the Community from shall not be less than the prices set in the Annex and also to prevent any deflection of trade."

Please accept, Your Excellency, the assurance of my highest consideration.

On behalf of the Council of the
European Communities

ANNEX

Size		Net weight		Semi-gross weight	Capacity	Coefficient	Minimum prices (customs duties included) in U.S. per carton of 100 tins	
Trade specification	Total height (mm)	Ounces	Grams	Grams	cm ³		Community:	
							in olive oil	other
Rectangular bottom:								
1/10 club	20	2	56	95	53	0.60	11.70	10.80
1/8 club	25	2 3/4	80	120	75	0.70	13.65	12.60
1/4 reduced	18	2 5/8	74	130	73	0.77	15.02	13.86
1/8 club	30	3 1/4	90	140	93	0.80	15.60	14.40
1/4 special	25	3 1/2	90	140	90	0.85	16.58	15.30
1/8 low plat	24	3 3/8	95	145	96	0.90	17.55	16.20
1/4 club	30	4 3/8	125	190	125			
1/10 P 25				176	125			
1/4 usual	22	3 3/4	105	180	106	1.00	19.50	17.00
1/10 (club 30)				188	130			
1/4 usual	24	4 3/8	125	195	125	1.10	21.45	19.80
1/4 usual	30	5 1/4	150	240	169			
1/4 club	40	6 1/4	175	250	178	1.30	25.35	23.40
1/4 P 30				250	187			
1/4 American	30	7	200	300	207	1.60	31.20	28.80
1/4 usual	40	9 1/4	260	326	250			
1/10 P				337	250	1.80	35.10	32.40
1/4 club long	40	8 3/4	248	320	241			
1/2 low	30	9 1/4	260	370	245	2.20	42.90	39.60
1/4 usual long	40	11 1/2	325	423	313	2.50	48.75	45.00
1/4 usual	48	11	310	390	297	2.60	50.70	46.80
1/2 large	40	11 1/2	325	460	330	2.70	52.65	48.60
1/2 P				476	375			
1/1				902	750	4.65	90.68	83.70
1/4	80	27 1/2	780	950	771			
Oval bottom:								
1/2 oval	40	15	425	555	452	3.40	61.30	61.20

COMMISSION OF THE EUROPEAN COMMUNITIES

ANNEX

Recommendation for a
COUNCIL DECISION

authorizing the Commission to conduct negotiations
with a view to amending the cooperation agreement
between the European Economic Community and the
Kingdom of Morocco

Recommendation for
COUNCIL REGULATION (EEC)

concerning the conclusion of the Agreement in the
form of an exchange of letters between the
European Economic community and the Kingdom
of Morocco

(submitted to the Council by the Commission)

C O N T E N T S

INTRODUCTION

I. EXAMINATION OF THE RESULTS OF THE AGREEMENT AND REQUESTS FOR IMPROVEMENTS

A. Trend of trade between Morocco and the EEC.

B. Agricultural and agro-industrial products.

C. Industrial products.

D. Implementation of technical and financial cooperation.

II. REPERCUSSIONS OF THE ENLARGEMENT OF THE EEC ON THE MOROCCAN ECONOMY

INTRODUCTION

The Cooperation Agreement concluded between the European Economic Community and Morocco in Rabat on 27 April 1976 entered into force on 1 November 1978.

An Interim Agreement had been concluded to apply the trade provisions of the Agreement pending the completion of the ratification procedures and remained in force until autumn 1978.

This "interim period" was marked by numerous difficulties affecting the marketing both of certain agricultural and agro-industrial products and of industrial products. Article 55 of the Cooperation Agreement specifically states that the two Parties shall review the results of the Agreement, in the first place from the beginning of 1978, and shall consider any improvements which could be made by either side "on the basis of the experience gained during the functioning of the Agreement and of the objectives defined therein".

The purpose of this document is to make a rapid assessment of the results of the Agreement - particularly of the application of the trade provisions - and to propose a number of improvements that appear necessary in the light of those results.

The implementation (at the "exploratory" stage) of the review clause embodied in Article 55 of the Agreement has coincided exactly with the completion of the first stage of the second enlargement of the Community, namely with the signing of Greece's Treaty of Accession.

While the adjustments proposed by Morocco in the context of the review are particularly important because of the forthcoming enlargement, it is quite clear that the long-term repercussions of this process threaten to undermine the very foundations of the Cooperation Agreement and the future of the relations between Morocco and the European Economic Community.

This problem is the subject of the second part of this document.

A. TREND OF TRADE BETWEEN MOROCCO AND THE EEC

A. TREND OF TRADE BETWEEN MOROCCO AND THE EEC

STRUCTURE AND TREND OF TRADE

The total volume of trade between Morocco and the EEC has grown steadily, from DH 4 963 million in 1973 to DH 9 641 million in 1978.

Throughout this period, the proportion of the total volume of Morocco's external trade accounted for by the EEC has been in excess of 50%. In 1978, that proportion was 51.8%.

DH million

	1973	1974	1975	1976	1977	1978
Total volume of external trade	8 430	15 732	16 630	16 862	20 261	18 622
Volume EEC	4 963	8 279	8 762	9 182	10 617	9 641
% EEC	58.8%	53%	53%	54%	52%	51%

Morocco's imports from the EEC

These consist essentially of industrial products (semi-manufactures, agricultural and industrial plant and machinery, and finished consumer goods). The volume of imports has increased considerably since 1973, from DH 2 545 million in 1973 to DH 7 340 million in 1977, falling back to DH 6 076 million in 1978.

The drop observed in 1978 is the result of measures adopted by the Moroccan Government to reduce its payments deficit.

The EEC accounts for around 50% of Morocco's total imports. This percentage has to be revised upwards, however, if account is taken of the - increasing - purchases of energy products, foodstuffs and products of animal and vegetable origin, which are mainly effected outside the Community. If these three categories of products are excluded, the EEC accounted for 68.51% of total imports in 1976, 66.46% in 1977 and 69.08% in 1978.

The trend of imports of industrial goods clearly demonstrates the Community's preponderant role as the source of such purchases:

DH million

	Total imports			Imports from EEC			% from EEC		
	1976	1977	1978	1976	1977	1978	1976	1977	1978
Semi-finished products	2 356	2 963	2 743	1 588	1 855	1 700	67.11	62.60	62
Industrial plant and machinery	3 344	4 796	3 259	2 326	3 280	2 360	69.55	68.39	72.43
Finished agricultural equipment	110	173	127	89	150	108	80.90	86.70	84.78
Finished consumer goods	1 326	1 350	1 196	1 015	1 023	907	76.54	75.77	75.80

Moroccan exports to the EEC

The EEC is still Morocco's biggest customer, exports to the Community accounting for 57% of total Moroccan sales. It should be noted that the EEC's purchases from Morocco cover the whole range of Morocco's export products (fresh and processed agricultural products, products of mineral origin, semi-finished products and finished consumer goods).

However, the proportion of agricultural and mineral products remains preponderant.

Although Moroccan exports to the EEC grew steadily from 1970 (DH 1 667 million) to 1974 (DH 4 071 million), they fell off appreciably in 1975 and 1976. In 1978, they were slightly above the 1975 level.

	1973	1974	1975	1976	1977	1978
France	1 264	1 705	1 356	1 324	1 449	1 660
Germany	365	745	406	537	613	667
Italy	259	554	465	407	356	374
BLEU	157	444	420	309	297	295
Netherlands	157	236	224	242	246	275
United Kingdom	176	443	418	322	252	250
Denmark	17	51	50	28	46	32
Ireland	23	93	36	21	18	12
TOTAL	2 418	4 071	3 375	3 191	3 277	3 565

TRADE BALANCE

Morocco's trade deficit with the EEC has increased constantly in recent years, reaching DH 4 063 million in 1977 - i.e. over 47% of Morocco's total external trade deficit - compared with DH 127 million in 1973.

The reduction in the deficit recorded in 1978 was due essentially to a drop in imports following the Government decisions mentioned earlier.

Morocco therefore wishes to draw the Community's attention to its very keen concern at the way this situation is developing and to the urgent need for an improvement in the trade balance.

	1973	1974	1975	1976	1977	1978
Imports	2 545	4 209	5 388	6 091	7 340	6 076
Exports	2 418	4 071	3 375	3 191	3 277	3 565
Balance	- 127	- 138	- 2 013	- 2 800	- 4 063	- 2 511
Morocco's total deficit	- 938	- 852	- 4 156	- 5 975	- 8 542	- 6 100
Deficit with the EEC as % of total deficit	13.54 %	16.20 %	48.43 %	46.86 %	47.56 %	41.16 %

B. AGRICULTURAL AND AGRO-INDUSTRIAL PRODUCTS

B. AGRICULTURAL AND AGRO-INDUSTRIAL PRODUCTS

Moroccan exports of agricultural and agro-industrial products to the EEC have evolved in an overall context shaped by:

- (i) the existence of a common agricultural policy based on appropriate instruments and considerable resources intended to ensure an ever-increasing income for the agricultural sector; this has given rise to a self-sustaining development process in certain branches;
- (ii) Community regulations allowing free competition but aimed at a policy of market discipline, dictated by the desire to protect Community production;
- (iii) the EEC's overall Mediterranean approach, the aim of which is to ensure an equilibrium and equality of treatment between the associated countries. This approach tends to have a levelling effect on the tariff concessions granted;
- (iv) increased competition resulting from the development of exports from third countries which have found an impetus for expansion in their agreements with the EEC and in the progressive improvement of the advantages granted by the Community.

In the context of the rapid developments in this situation, Moroccan exports have declined somewhat as a result of:

- (i) the increasingly effective nature of the protective mechanisms established by the EEC; these mechanisms have been introduced to ensure the orderly development of sectors that are considered sensitive but have the effect of handicapping the development of Moroccan exports;

- (ii) the insufficient resources Morocco has available to adapt rapidly to the new situation caused by the transition from a traditional, privileged regime - accorded by one Member State - to the arrangements under the Morocco-EEC Agreements (1969 Association Agreement and 1976 Cooperation Agreement).

This decline is all the more disturbing as it comes at a time when, in the spirit of the preparatory negotiations for the 1976 Agreement, Morocco has had to draw up plans of action for the principal sectors of its export trade with the Community (citrus fruit, early vegetables, agro-industrial products), the practical application of which is in danger of being compromised by the constraints currently affecting access to the Community market.

It is therefore necessary to undertake a review of the provisions governing Morocco's agricultural and agro-industrial exports, while bearing in mind the advantages granted under Protocol I/7 to the Treaty of Rome.

It is quite clear that the trade provisions of the present Agreement contain certain shortcomings - as Morocco stressed when the Agreement was negotiated - in the form of insufficient tariff concessions, aggravated by the constraints imposed by the Community's regulatory mechanisms.

This situation is all the more disturbing as the prospect of enlargement - with the accession of important competitors - represents a serious threat to Moroccan agricultural and agro-industrial exports to the Community.

1. CITRUS FRUIT

Until 1969, Morocco enjoyed total duty-free entry to France, where it marketed two-thirds of its exports to the EEC. The 1969 Agreement provided for a tariff preference of 80%, which was not improved in any way when the 1976 Agreement was signed.

However:

Spain, under the 1970 Agreement, received a 40% concession even though it had paid the full tariff (COT) before that date;

Israel, which was in the same position, has seen its level of preference increased to 40%, then to 60% and recently to 70% for oranges and 80% for grapefruit;

Greece has enjoyed total duty-free entry since 1961.

Moreover, the various preferences accorded are subject to compliance with a reference price. This provision made some market organization possible until 1974, when the reference price was frozen in favour of an intervention system intended to stimulate domestic production (marketing premiums).

The development of this situation has led in particular to:

1. An increase in exports from competing countries and an improvement in their earnings from production.

(Spanish exports increased from 1 060 000 t in the period 1970-72 to 1 360 000 t in the period 1973-78).

2. Fierce competition which has blurred the natural price gap reflecting the quality differences according to origin.

The price differential traditionally enjoyed by Morocco's high-class varieties has been much reduced as a result. During the negotiations prior to the signing of the EEC-Morocco Agreement in 1976, the Moroccan side had drawn the Community's attention to the above disruptive effects and had requested a strengthening of the market machinery, notably via:

- (i) provisions making the contracting States responsible for the actions of certain firms liable to create abnormal conditions of competition on the market;
- (ii) more rigorous control of the prices charged on the representative markets in respect of the countries that supply the Community.

An Exchange of Letters on the provisions of Article 5 (sic) of the Agreement in respect of the subheadings of heading No 08 02 of the Common Customs Tariff was drawn up to that end.

3. Erosion of the advantages granted to Morocco as against the progressive improvement in the concessions given to other countries. The tariff preference of 80% had been introduced to compensate for:

the geographical handicap faced by Morocco compared with the Community's main supplier; and for

the advantages previously enjoyed by Morocco on the French market.

In reality, however, we have witnessed a reduction in this preference as a result of:

the advantages given to Spain;

the increase in our freight and transit costs.

All these factors have contributed greatly to the decline in total earnings from citrus exports - this despite Morocco's efforts under its voluntary policy to diversify its markets and adapt the varieties it produces to meet the desiderata of the Community consumer.

In the light of the above, Morocco requests total duty-free entry for its citrus exports to the Community.

2. TOMATOES

The protection of Community production is based on machinery involving:

1. The entry into force as from 1 April, of a constantly-increasing reference price.

In practical terms, this means prohibitive entry prices. Taking the French market as a point of reference, we find that for outdoor tomatoes:

Between April 1973 and April 1978 the reference prices increased from FF 1.40 to FF 4.07 per kg, an increase of 200%.

The May reference price increased by 210% between May 1973 and May 1978.

In April 1979, the reference prices, expressed in units of account, again increased, by 5% over the 1978 level.

These sharp increases in the reference prices mean that Morocco has to make heavy sacrifices to adapt to Community regulations (holding back of quantities).

2. The application of a 60% tariff concession together with an export timetable extending from 15 November to 30 April.

As a consequence of the above constraints, Morocco now exports only 30% of its total tonnage in April/May/June, compared with 70% in 1971/72.

The result has been a constant decline in the quantities exported:

170 000 t in 1973-74 (between November and May)
115 000 t in 1976-77 (" " / " ")
105 000 t in 1977-78 (" " " ")

In the light of this situation, the following requests are being made as part of the adjustment of the arrangements applicable to Morocco:

(a) As regards the reference price:

1. There are a number of shortcomings in the formation of the reference price:

α> This price is established on the basis of the production costs for greenhouse tomatoes in each Member State. However, this cost is based on production factors (heating oil, greenhouse equipment, land prices) which are subject to particularly high inflation rates.

β> Moreover, the varietal coefficient - which makes it possible to weight the reference price for greenhouse tomatoes in relation to outdoor tomatoes - should be fixed so as to also take into account the increase in the charges affecting Moroccan production and the higher inflation rate that Morocco faces as a result.

γ> The price applicable to Morocco is obtained from the production cost for greenhouse tomatoes adjusted by an outdoor tomatoes/greenhouse tomatoes coefficient.

This coefficient, which for the month of April was 2.50 until 1974, has however since been reduced to 1.80; and for the month of May, it has gone from 2.50 to 1.725, which puts the reference price at an artificially high level.

Lastly, the excessive level of the reference price and its constant rise are acting as a brake on consumption and are prejudicing its natural growth.

Accordingly, given the regular decline in our exports, the losses to be made up, the sensitive nature of the tomato sector and its social and economic implications, Morocco is making the following requests:

- (i) the freezing of the present reference price;
- (ii) the establishment of a framework for consultations between the competent departments of the Commission and the Moroccan specialized departments with a view to adopting by common accord the arrangements for fixing the reference price while safeguarding the clearly understood interests of the two parties.

2. The period of application of the reference price:

Although Morocco's tonnage has been declining during this period, Community supply has not begun to appear any earlier, since the quantities exported by the Netherlands remained stable during the last five-year period (100 000 t between April and May) and French production only begins in the third ten-day period of May and does not exceed 20 000 t during that month.

This leads to supply that is insufficient to meet demand and gives rise to artificially high prices.

The result is an even less favourable reference price level for the following year. Accordingly, Morocco is requesting that the date for the entry into force of the reference price should be 1 May.

(b) Tariff concession:

While Morocco was encountering increases in its domestic charges and its transport and transit costs, these increases were not offset by additional export quantities, indeed there was an appreciable decline in Morocco's exports.

As a result, the level of earnings from production has dropped and has not provided the financial resources needed to resolve the various technical problems and back-up problems that must be faced if Moroccan production is to be reorganized and adapted to the prevailing market constraints.

The attainment of these objectives is all the more difficult as the sector is made up of very small-scale farms (average area two-thirds of a hectare), with some 10 000 small producers on nearly 20 000 ha.

Moreover, on the subject of commercial practice, while Morocco is endeavouring to adapt to the constraints of the reference price (at the cost of heavy sacrifices), certain non-associated competitor countries are (for reasons of their own) putting up with high-level countervailing charges over long periods of application. This again has an influence on the level of earnings.

In the light of the foregoing, Morocco requests that the 60% tariff concession be raised to 80%, with an extension of the timetable to the end of May.

3. PRESERVED SARDINES

Since 20 December 1977 under a unilateral Community decision, Moroccan exports have been subject to two quotas (one of 14 000 t at zero duty and the other of 6 000 t at 10% duty, market allocation and administration being the direct responsibility of the Commission departments.

These arrangements have a number of drawbacks:

1. The administrative complexity of the quota administration system is an obstacle to the conclusion of long-term contracts; this is due to:

the difficulty of satisfying additional demand on certain markets when the quota shares allocated to them are exhausted;

the refusal of purchasers to enter into long-term commitments with Morocco for fear of having to pay customs costs should the quota be used up.

2. The allocation of the quotas among the various EEC markets is established by the Community authorities on the basis of the average figures for the last three years and thus has a twofold drawback:

- (i) the reference period (last three years) is not meaningful since that period has been marked by a cyclical drop in production;
- (ii) the proposed allocation is static: it does not take account of the possibilities of increasing Moroccan sales to each market.

In the light of this situation, Morocco requests that:

- (1) a total duty-free quota of 20 000 t of preserved sardines be granted;
- (2) the allocation of the total quota among the various markets making up the Community market be left to Morocco's discretion.

4. PRESERVED VEGETABLES

(a) Tomato concentrate

The Community measures adopted in favour of domestic production (subsidies granted to the processing industry) have practically put a halt to our exports at a time when Morocco has carried out considerable investment at the production and processing levels.

In order to mitigate the effects of these measures, and in view of the investment that has been made, Morocco requests the inclusion of this product under the tariff arrangements provided for in Article 15.

(b) Other agro-industrial products

In accordance with the provisions of the 1976 EEC-Morocco Cooperation Agreement, in particular Article 4, which deals with encouraging the modernization of Moroccan agriculture and promoting sales of its agro-industrial products, Morocco is making the following requests for Community concessions:

Product	Tariff heading	Moroccan request
1. Apricot pulp	20.06 B II c) 1 ex aa)	60% reduction of the CCT duty
2. Apricot halves	20.06 B II b) 7 ex bb)	60% reduction of the CCT duty
3. Apricot halves	20.06 B II c) 2 ex bb)	60% reduction of the CCT duty
4. Apricot halves in syrup	20.06 B II a) ex 7 bb)	50% reduction of the CCT duty
5. Beans in pod	20.02 G	50% reduction of the CCT duty
6. Gherkins	20.01 B Other	Inclusion of this product in its tariff subheading under the Agreement so that it can be given duty-free treatment
7. Tomato juice	20.07 B II b) ex 6 cc)	60% reduction of the CCT duty

5. FROZEN FRUIT AND VEGETABLES

Since this is a fledgling industry which is intended to contribute to the modernization of the agricultural sector, Morocco is requesting the following Community tariff concessions in respect of the Community Member States other than France, for which Morocco would continue to enjoy the existing arrangements for these products:

Tariff heading	Moroccan request
1. 07.02 B	80% reduction of the CCT duty
2. 08.10	Total duty-free entry
3. 20.03 B	80% reduction of the CCT duty

C. INDUSTRIAL PRODUCTS

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The 1976 EEC-Morocco Agreement, like the 1969 Agreement before it, provides that industrial products - other than refined petroleum products, articles of cork and agro-industrial products - are allowed into the European Economic Community free of quantitative restrictions and measures having equivalent effect, and free of customs duties and charges having equivalent effect, subject to compliance with the rules of origin.

Designed to compensate for the shortcomings of the concessions granted in the agricultural sector, this facility offered good prospects of developing Moroccan industrial exports.

Over the period 1969-77, Moroccan industrial exports to the EEC did indeed increase from DH 105 million to DH 911 million; exports to the EEC, which accounted for 10% of total exports in 1969, had risen to 15.5% of the total in 1977.

The textiles sector could have offered a good example of industrial promotion to illustrate the advantages afforded by the EEC-Morocco Agreement. Unfortunately, the world economic crisis caused all the industrialized countries, including the EEC countries, to have recourse to protectionist measures to support certain "sensitive" sectors. In June 1977, for example, protection measures were adopted to halt unrestrained imports from the Far East and deflections of trade involving certain articles whose level of penetration on the Community market was no longer considered tolerable.

The Moroccan textile industry, which was not itself involved in these disruptive practices, also had to suffer restrictive measures. After being applied provisionally on the market of just one country, these restrictions were broadened and extended in 1978 to the whole European market, and subsequently institutionalized for a three-year period beginning in 1979. All this took place as if textile products were excluded from the EEC-Morocco Cooperation Agreement.

These measures dealt the fledgling textile industry in Morocco a cruel blow, and its marketing channels, built up after several years of effort, were destroyed. Morocco, which had become an uncertain supplier to its traditional customers, was unable to take advantage of the full amount of the quotas opened in its favour.

Nevertheless, Morocco demonstrated a spirit of cooperation both in 1978 and 1979 by agreeing to exercise, in view of the situation of the textile industry in the Community, voluntary restraint of its exports of textile products - first on an annual basis and then in a wider context.

Even so, the example of the textile sector raises a question-mark as to the benefits to be derived from the free access for Moroccan industrial products to the markets of the Community.

The rules of origin, which were designed to thwart any deflection of trade, constitute an insuperable barrier for certain Moroccan industrial products.

To qualify for the advantages of the Agreement, made-up textile articles must be manufactured from textile yarn. This long manufacturing process prevents Morocco taking advantage of favourable international prices for grey goods and places it in an uncomfortable position vis-à-vis its competitors.

The same applies in the carpet manufacturing sector, which is experiencing difficulties in supplying itself with wool and cotton yarn on the Moroccan or Community markets at favourable prices. This sector, with its considerable social impact, is in danger of being faced with insurmountable problems unless it is allowed to obtain its yarn supplies from the cheapest sources.

Another sector affected by the rules of origin is high-sea fishing.

In order to benefit from the provisions of the Agreement, the fish caught by Moroccan ships operating on the high-seas should transit through a Moroccan port, in order to respect the direct transport rule, before being sold on the European markets. This detour penalises this sector considerably.

In general, the rules of origin oblige Moroccan industries to obtain their supplies either on the Moroccan market or on the Community market; access to other markets where prices are advantageous is prohibited. Accordingly, the comparative advantage enjoyed by our industrial production, essentially because of lower labour costs, is totally or partially cancelled out by the ban on obtaining supplies of raw materials and semi-manufactures where prices are most advantageous.

Admittedly, Article 28 of Protocol No 2 on the definition of the concept of origin provides for an annual examination of the rules of origin "with a view to making any necessary changes"; the Joint Declaration that forms Annex IX states that the Community is prepared to examine any request from Morocco for derogations to the rules of origin after the signature of the Agreement. Here too, however, the example of the sole derogation requested - for made-up textile articles - illustrates the difficulty of actually obtaining any derogation.

It is therefore essential to give full effect to Article 28 and to make annually the adjustments necessary to enable Moroccan lines of industrial production to enjoy the benefit of the Community preferences. In particular, these adjustments should be automatic throughout the running-in period of new industries and whenever compliance with the conditions of obtaining supplies on the Community is threatening to jeopardize traditional export flows.

D. IMPLEMENTATION OF TECHNICAL AND FINANCIAL COOPERATION

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The implementation of technical and financial cooperation will shortly reach the practical stage with the signing of the first financing agreement concluded under Protocol No 1. This involves a project for the port of Jorf Lasfar, for which financing of 40 million units of account is to be provided - i.e. over one third of the funds allocated for investment projects in the Financial Protocol. This project will be financed at the same time by loans from the European Investment Bank to the sum of 26 million EUA and by loans on special terms (14 million EUA).

After certain delays due mainly to the changes made in 1978 in Morocco's development programmes, implementation of the cooperation provisions in the Agreement should now be able to progress rapidly. Now that the definitive list of investment and technical cooperation projects proposed for Community financing has been drawn-up, the procedures for the appraisal of the new projects on that list will have to be initiated as soon as possible.

Investment projects

In addition to the port of Jorf Lasfar referred to above, five other projects have been adopted by Morocco:

Bypass canal - Sidi Driss Dam,
Transport network (National Electricity Board),
Port superstructures,
Drinking water supply (Al Hoceima, Nador, Safi),
Risk capital (Industrial Development Board).

Technical Cooperation Projects

These mainly involve four sectors:

1. Vocational training
(Equipment and technical assistance for the establishment of ten institutes of applied technology);
2. Industrial cooperation
(Technical assistance unit for small and medium-sized enterprises and industrial promotion programmes);
3. Trade promotion
(Technical assistance for the Moroccan Export Promotion Centre, market surveys, fairs, etc.);
4. Scientific research
(Agricultural research, Arabization Study and Research Institute).

II.

REPERCUSSIONS OF THE ENLARGEMENT

OF THE EEC

ON THE MOROCCAN ECONOMY

The implementation of the review clause embodied in Article 55 of the Cooperation Agreement has coincided exactly with the completion of the first stage of the second enlargement of the Community, with the signing of the Treaty of Accession with Greece.

Even though a review of the results of the Agreements clearly reveals the many difficulties encountered by Moroccan exports - whether of agricultural, agro-industrial or manufactured products - it is very clear that the implications of enlargement are on a quite different scale and call into question the very future of our relations with the Community.

The stakes are high and we should neither postpone the examination nor minimize the scale of a phenomenon that is objectively "negative" for Morocco. It is necessary to find the right framework and appropriate means and solutions so that Morocco's interests are not sacrificed for the sake of some "adaptation" procedure. If Morocco once again had to "adjust" to arrangements that had been devised, drafted and finalized without its viewpoint being sought and its interests taken into consideration, this would doubtless result in very serious difficulties for the Moroccan economy.

If Morocco had to conform strictly to a linear process of adaptation - which would mean the conclusion of separate "protocols of adaptation" following each of the three treaties of accession - the result would clearly be a Cooperation Agreement that was amended, enlarged and increased in volume but emptied of substance. The implications of the Community's enlargement to include Greece, Portugal and Spain are such as to require a specific approach, which can in no way be the same as that followed in 1973 when the EEC was enlarged for the first time.

The internal economic structure of the countries just referred to is comparable in many respects to that of Morocco (despite notable differences). There are at least four common points which will be decisive:

the importance of the agricultural sector,
the preponderance of manufacturing industries in industrial exports,
external trade geared heavily to the Community,
a source of labour for the Community.

As regards the agricultural sector, and Mediterranean produce in particular, the accession of Greece, Spain and Portugal will have the effect of bringing the enlarged Community's self-supply rate close to 100%, and to over 100% in the case of certain products.

The Commission's Opinion on Spain's application for membership (November 1978) clearly shows the self-supply levels that the Community will reach with just this one additional member:

Fresh fruit (excluding citrus fruit)	90.5%
Citrus fruit	83.4%
Fresh vegetables (excluding tomatoes and potatoes)	99.7%
Fresh tomatoes	100.6%
Potatoes	102.3%
Wine	101.9%
Olive oil	123.5%

Furthermore, the addition of the agricultural production of the applicant Mediterranean countries will complement the Community's production timetable.

However, because of its Mediterranean nature, Moroccan agricultural production for export coincides in time with the production of the applicant countries. The climatic advantage which Moroccan produce has hitherto enjoyed will thus be cancelled out.

This situation is liable to be aggravated by the increase in supply from the applicant countries as a result of their adoption of the support machinery of the common agricultural policy and more particularly of the arrangements of the common organization of the market for fruit and vegetables. If the various intervention mechanisms in operation were extended to the applicant countries, this would stifle Morocco's agricultural and agro-industrial sectors and lead as a result to a total disruption of production. The mechanisms in question are:

- the benefit of Community preference,
- the granting of marketing premiums and refunds for citrus fruit,
- the guaranteeing of earnings from production under the intervention system (purchase price and withdrawal price),
- Community financial aid to help improve production structures,
- existing Community machinery (reference prices, minimum prices, Community and, in some cases, national timetables, national arrangements),
- the opportunity available to the enlarged Community to resort to safeguard measures at any time.

The prospects are hardly any more reassuring in the industrial field. The accession of Greece, Spain and Portugal will have the effect of increasing Community production capacity and generating further protectionist responses. As stated earlier, manufactured goods occupy a preponderant place in the industrial exports of the applicant countries and in those of Morocco. Furthermore, these exports involve a limited number of products, one of which - textiles - accounts for a large proportion of the exports of manufactured goods from Morocco and from the future Member States.

The Moroccan textile industry, already severely penalized by the 1977 measures, is threatened by the addition to EEC production of production in Greece, Spain and Portugal, which after accession would no longer be subject to restrictive measures. The example of textiles could be repeated in other export-oriented sectors, their development being compromised for similar reasons. The trade provisions of the Cooperation Agreement would then be left with little meaning and Morocco's industrial development, hitherto greatly encouraged by the Community, would be seriously affected.

Lastly, with regard to the social aspect, the importance of which needs no underlining, it is obvious that the establishment of free movement of workers in the enlarged Community will have unfavourable repercussions on the opportunities for the employment of Moroccan labour.

The brief analysis that has gone before shows the scale of the "changes" that would be required by enlargement if that operation were conceived of - whatever the duration of the transitional periods - as a simple extension of current rules and machinery to the three applicant countries, without allowance being made for other factors. The Commission of the European Communities has, it is true, noted in its Opinions and notably in its "Fresco" on enlargement the serious repercussions that would result for certain countries, including Morocco.

Accordingly, in its "General considerations on the problems of enlargement"¹, the Commission, after referring to the countries and sectors that would be particularly hard hit, concludes that "The Community will therefore have to seek with those countries, parallel to the process of enlargement, a new equilibrium based on active cooperation to permit orderly trade and to enable them to pursue their development with the support of the Community."

The scale and complexity of the problems posed by enlargement require a global approach based on close consultations that should precede and then dovetail with the process of enlargement, and more particularly with the negotiations for the accession of Spain.

Morocco has noted that the Commission is studying the effects of enlargement on the economies of the Mediterranean countries which have association or cooperation agreements with the Community.

¹ Commission Communication sent to the Council on 20 April 1978, Bulletin of the European Communities, Supplement 1/78.

It would therefore be desirable for a consultation procedure to be established once the Commission's work is completed and to continue throughout the negotiations for Spain's accession. It is only in this way, and via what emerges from those consultations, that the enlargement of the Community, rightly viewed as a "positive" act by the Nine, will take place "with" and not "against" Morocco.