
Morocco-EU Trade Relations

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The European Union is Morocco's main trading partner. In 2008 Morocco-EU bilateral merchandise trade represented some 60 percent of total Moroccan merchandise trade with the world (table 10.1). Since the Association Agreement entered into force in 2000, bilateral merchandise trade between the two partners has tripled. The increase has been especially significant on the import side, but Moroccan exports more than doubled as well.

As can be seen in table 10.2, Moroccan exports to the European Union are dominated by textiles and clothing (\$3.6 billion, 34 percent) and agricultural products (\$2.4 billion, 22 percent); machinery accounts for 9 percent (\$1.1 billion). With respect to Moroccan imports, the distribution is spread across more sectors, as is typical of the trade patterns of medium-sized countries. The most important flows from the European Union to Morocco are machinery (\$3.3 billion, 19 percent), textiles and clothing (\$2.0 billion, 12 percent), transport equipment (\$1.8 billion, 11 percent), and agricultural products, chemicals, and energy (all around \$1.5 billion, 9 percent).

In services trade with the European Union, Morocco's surplus grew steadily from 2004 to 2007, when the country imported \$3 billion from the European Union and exported double that amount (tourism is the leading export category; table 10.3). The services sector is a key source of growth for Morocco, accounting for about 59 percent of the economy in 2007.

Foreign investment in Morocco (inward foreign direct investment stocks) amounted to \$32.5 billion in 2007 (table 10.4). The European Union

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Table 10.1 Merchandise trade between Morocco and the European Union, 1995–2008

Trade	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 ^a
Exports														
Billions of dollars	3.0	3.0	2.9	2.8	5.5	5.6	5.3	5.8	6.7	7.4	7.6	8.2	10.0	12.1
Growth (percent)	14.0	0.0	-2.0	-5.0	100.0	1	-5.0	9.0	16.0	10.0	3.0	8.0	22.0	21.0
As a percent of world	60.0	58.0	56.0	60.0	68.0	75	73.0	74.0	76.0	74.0	72.0	62.0	62.0	62.0
Imports														
Billions of dollars	4.9	4.6	4.2	4.7	7.8	6.8	6.3	6.8	8.5	10.0	10.6	14.3	18.5	24.5
Growth (percent)	19.0	-8.0	-8.0	12.0	66.0	-14	-6.0	7.0	25.0	18.0	6.0	35.0	29.0	32.0
As a percent of world	52.0	49.0	47.0	56.0	66.0	59	55.0	57.0	60.0	56.0	52.0	57.0	57.0	59.0
Trade balance														
Billions of dollars	-2.0	-1.6	-1.3	-2.0	-2.3	-1.2	-1.1	-1.0	-1.8	-2.6	-3.0	-6.2	-8.6	-12.4
Growth (percent)	27.0	-19.0	-18.0	50.0	18.0	-49	-12.0	-3.0	76.0	47.0	14.0	106.0	39.0	45.0
As a percent of world	43.0	38.0	34.0	52.0	62.0	29.0	25.0	25.0	33.0	33.0	31.0	52.0	52.0	56.0

a. 2008 estimates based on the first nine months of 2008.

Source: International Monetary Fund, *Direction of Trade Statistics*, February 2009.

Table 10.2 Morocco–EU trade by major product category, 2007
(billions of dollars)

Category	Exports	Imports	Trade balance
Agricultural products	2.4	1.6	0.8
Chemicals	0.6	1.5	-1.0
Energy	0.1	1.5	-1.4
Machinery	1.1	3.3	-2.2
Textiles and clothing	3.6	2.0	1.7
Transport equipment	0.2	1.8	-1.6
<i>Total</i>	10.7	16.9	-6.2

Source: European Commission, Eurostat Database, <http://epp.eurostat.ec.europa.eu>.

was the source of 62 percent of those stocks (\$20 billion); even so, Morocco accounts for a very small portion of EU outward investment, and EU investment in Morocco is abnormally low in light of the geographical proximity and historical ties between the two. Recorded outward investment stocks from Morocco to the world are quite small, only \$2 billion. Data on outward investment stocks from Morocco to the European Union are not available. Morocco-EU trade relations have been governed by a series of trade agreements since the 1960s, culminating in the Morocco-EU Association Agreement in 2000¹ and the Advanced Status that the European Union granted to Morocco in October 2008.

The Association Agreement

The Association Agreement was signed in the context of the Barcelona Process, or Euro-Mediterranean Partnership, initiated in November 1995 as a means of promoting relations between the European Union and nine economies of the Mediterranean, including Morocco.² The original goal was to establish bilateral association agreements with each country to create a free trade area in the Mediterranean region by 2010. But the process for regional integration has stalled, and further integration with the European Union is essentially occurring on a bilateral basis, at variable speeds depending on the partner country.

This section gives an account of the progress achieved in merchandise and services trade, investment, and rules of origin.

1. The Association Agreement was signed in 1996 but did not enter into force until 2000 due to a long ratification process, and, unlike the Morocco-US FTA, it covers the Western Sahara.

2. The other eight are Algeria, Egypt, Israel, Jordan, Lebanon, Palestinian Authority, Syria, and Tunisia.

Table 10.3a Services trade between Morocco and the European Union, 2004–07 (billions of US dollars)

Trade	2004	2005	2006	2007
Exports	3.7	3.8	4.5	6.0
Imports	2.1	2.0	2.3	2.9
Balance	1.6	1.9	2.3	3.2

Source: European Commission, Eurostat Database, <http://epp.eurostat.ec.europa.eu>.

Table 10.3b Services trade between Morocco and the European Union, by major category, 2006

Category	Exports		Imports	
	Billions of US dollars	As percent of total exports	Billions of US dollars	As percent of total exports
Tourism	2.4	52	0.3	15
Transportation	1.2	26	0.7	30
Business and communication	0.7	15	0.7	33
Other	0.3	7	0.5	22

Source: OECD Statistics, <http://stats.oecd.org> (accessed via subscription).

Merchandise

The Morocco-EU Association Agreement calls for gradual liberalization of the Moroccan industrial sector over 10 years starting in 2003; the European Union already grants free access to Moroccan industrial goods. In 2003 both countries agreed to wider liberalization of agricultural markets, and in January 2004 an amended protocol went into effect, but it lacked ambition. In February 2006, the two parties launched discussions for the further liberalization of agricultural (including processed) products, and now almost 96 percent of Moroccan traditional agricultural exports and 62 percent of such EU exports will be granted preferential access to the other's markets. The AA-specified dismantling of tariffs is for the most part proceeding in line with commitments. At this stage, Morocco does not apply the combined nomenclature.³

The Association Agreement grants Morocco duty-free access to the EU

3. The combined nomenclature is a merchandise designation method that was established to meet the requirements both of the Common Customs Tariff and of the external trade statistics of the European Community. It comprises the Harmonized System (HS) nomenclature with further European Community subdivisions.

Table 10.4 Morocco's inward and outward foreign direct investment stocks, 2004–07 (billions of dollars)

Foreign direct investment	2004	2005	2006	2007
Inward stocks				
From the world	19.9	20.8	29.9	32.5
From the European Union	11.7	13.0	16.2	20.0
Outward stocks				
To the world	0.7	0.7	1.3	2.0
To the European Union	n.a.	n.a.	n.a.	n.a.

n.a. = not available

Source: UNCTAD, Foreign Direct Investment (FDISTAT) Database; European Commission, Eurostat Database, <http://epp.eurostat.ec.europa.eu>.

market for all fish and fishery products. On February 28, 2007, Morocco and the European Union implemented a fisheries partnership agreement to allow ships from 11 EU member states the right to fish in Moroccan waters.⁴ The agreement will last four years and is renewable. As compensation, the European Union provides an annual payment of €36 million (\$48 million), of which roughly a third is for the development of sustainable fishing activities in Morocco and the modernization of the country's coastal fleet.

Investment

As mentioned above, EU investment in Morocco is rather low, and recorded investment in the other direction is trivial (although there could be a good deal of unrecorded portfolio investment by Moroccans in Europe). The Association Agreement achieved some progress in promoting investment: Foreign and locally owned enterprises are treated equally (except in the construction sector), and 100 percent foreign ownership is allowed in most sectors.⁵

As discussed in chapter 2, Morocco has a low overall score (58 out of 100) in the Heritage Foundation–Wall Street Journal Index of Economic Freedom, with particularly low scores in property rights protection (35), corruption (35), and labor (31). These low scores reflect a poor overall business environment and are a serious impediment to investment. In 2003

4. The 11 member states are France, Germany, Ireland, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Spain, and the United Kingdom.

5. The following sectors do not allow 100 percent foreign ownership: mobile telecommunications, insurance (foreigners cannot own majority stakes), and agriculture (foreigners can invest in firms but not own land).

Morocco undertook reforms to upgrade its business climate and removed obstacles to the creation of new enterprises. Of particular note were the establishment of a one-stop investment window at the regional level and the opening of regional investment centers, although most of these lack the funds to be truly effective. From the EU point of view, the two main obstacles to investment are complicated procedures for business registration and a lack of transparency in the regulatory framework (Commission of the European Communities 2004).

Morocco has made efforts to attract investment in the context of the Agadir Agreement (between Egypt, Jordan, Morocco, and Tunisia), which was signed in 2004 and became operational in April 2007.⁶ The Agadir Technical Unit (ATU), which is in charge of implementing the agreement, benefits from EU assistance and financial aid in the amount of €4 million (\$5.5 million). In April 2008 the ATU organized the first Agadir Member States Investment Forum in Brussels to attract EU investment to the region, develop joint ventures between the European Union and Agadir members, and advertise investment opportunities and incentives.

Services

A pan-Maghreb approach to liberalizing services trade and ensuring the right of establishment would help attract EU investment in the region. An EU engineering firm could, for example, establish a subsidiary in Morocco and from that subsidiary operate across the region. Liberalized services trade could also help attract investment from US firms who could use Morocco as a base for catering to the EU market.

To that end, representatives of the EU and Mediterranean countries met in Marrakech in 2007 and agreed to start negotiations toward a regional liberalization of services and the right of establishment; in 2008, as an interim step toward a regional agreement, the European Union and four Mediterranean partners, including Morocco, began negotiations to liberalize services.⁷

Although the Mediterranean countries have been receptive to opening up services trade with the European Union, they are reluctant to extend the same advantages to their immediate neighbors. As for the liberalization of merchandise trade, efforts to promote a regional approach are failing, and EU trade relations in the region boil down to a series of individual bilateral relationships.

6. The agreement liberalized all industrial trade between the four countries and a large part of agricultural trade and is open to other Euro-Med countries.

7. The other three countries are Egypt, Israel, and Tunisia.

Rules of Origin

In the context of the Barcelona Process, the European Union has created a Pan-Euro-Med system of cumulation, an important tool for promoting regional integration in the Mediterranean. This new protocol for the cumulation of origin could spur investment and trade in Morocco and the Mediterranean region. One study estimates that trade between the countries participating in the Pan-Euro-Med system has increased 43 percent due to the cumulation of origin (Augier, Gasiorek, and Lai-Tong 2004).

The program extends beyond the Mediterranean countries to include Denmark's Faroe Islands, Turkey, and the members of the European Free Trade Association (EFTA).⁸ This system allows different kinds of cumulation depending on the country. Morocco applies "full cumulation" with Algeria and Tunisia but "diagonal cumulation" with the other countries.

"Full cumulation" allows the parties to an agreement to carry out the working or processing on non-originating inputs in the geographic area formed by the member countries. Thus the non-originating inputs as well as all operations carried out in the participating countries are given credit for meeting the rules of origin. Other forms of cumulation require that the goods originate in one party before being exported to another party to obtain credit for working or processing, but this is not the case with full cumulation. Full cumulation simply demands that all the working or processing on non-originating material be carried out within the geographic area in order for the final product to qualify for meeting the rules of origin.

"Diagonal cumulation" involves three or more countries whose free trade agreements have identical origin rules and provisions for cumulation between them, as is the case with the signatories of the Agadir Agreement. Unlike full cumulation, only originating products or materials can benefit from diagonal cumulation. Although more than two countries can participate in the manufacturing process, the origin of the product is the country where the last working or processing operation took place, provided that it was more than a minimal operation.

Advanced Status

On October 13, 2008, Morocco became the first EU neighbor country to be granted Advanced Status. This agreement aims to integrate Morocco more fully into the EU market, through political engagement, participation in EU agencies and programs, and assistance for the alignment of economic, financial, environmental, energy, agricultural, and social standards. The

8. The EFTA members are Iceland, Liechtenstein, Norway, and Switzerland.

first schedule of reforms requires Morocco to align its legislative structure more closely with that of the European Union. The second concerns the negotiation of an extended free trade agreement that would allow the free movement not only of merchandise (eliminating both tariff and nontariff barriers) but also of services, capital, and people seeking temporary entry for professional purposes. The main advantages are expected to come in areas where the Association Agreement has stalled, namely the services sector and the right of establishment (expectations for progress in agriculture are low).

It is too soon to gauge the impact of the Advanced Status designation, and there is no precedent on which to base predictions of its potential effects, but the goals are ambitious. Above all, it is a signal of EU confidence in the progress of Moroccan political, social, and economic reforms, and of EU willingness to expand relations with its Mediterranean neighbors.⁹

Political Engagement

The Advanced Status establishes a bilateral Morocco-EU summit, which will meet on an ad hoc basis. Morocco will also participate in certain meetings of EU Council committees—for example, in working groups on transportation or on the Maghreb-Mashrek and Africa regions—also on an ad hoc basis. The Advanced Status grants the Moroccan Parliament observer status at the Parliamentary Assembly of the EU Council and creates a joint commission between the Moroccan and EU parliaments.

The emphasis of the political dimension of the Advanced Status is on peace, security, and regional cooperation. The two parties participate in dialogues on the Common Foreign and Security Policy (CFSP) and the European Defense and Security Policy (EDSP) and are planning a dialogue on human rights, as well as increased cooperation for the police and judicial systems. Progress in the security arena is somewhat more challenging, as border control negotiations will take place only with the resolution of negotiations on readmission.

Readmission agreements require the immediate readmission of illegal immigrants to their country of origin and the mutual recognition of judicial decisions governing such repatriations. Such agreements are standard international practice, yet negotiations between the European Union and Morocco have been deadlocked for eight years. The problem lies in the definition of the migrants concerned: Morocco refuses the repatriation of

9. The Advanced Status aligns with the new Union for the Mediterranean, which was created in July 2008 to spur further regional integration between the European Union and the Mediterranean countries. The Union was not meant to replace the Barcelona Process but rather to complement it with new forms of engagement. These have involved a project-based approach to integration, with a heavy focus on environmental, energy, and transport projects.

sub-Saharan African migrants who transited through Morocco to the European Union. Freer movement of people between Morocco and Europe will not occur until resolution of the readmission issue, and even then, progress will likely be slow.

Participation in EU Agencies and Programs

Morocco's participation in EU agencies and programs will be gradual and will depend on progress made toward harmonizing its rules and laws with EU norms. But Morocco will have immediate membership in some agencies—the European Aviation Safety Agency (EASA), the European Monitoring Center for Drugs and Drug Addiction, and Eurojust (an EU body to fight organized crime)—and programs—the Competitiveness and Innovation Program (CIP), Customs 2013, Single European Sky ATM Research (SESAR), and Marco Polo (which shifts freight from roads to less polluting transportation modes like sea or rail).

Economic, Financial, and Social Dimension

New Topics

The Advanced Status agreement will address topics not explicitly included in the Association Agreement. It will liberalize government procurement and increase cooperation in applying competition rules. It will promote dialogue on sanitary and phytosanitary measures, intellectual property rights, and customs services, with a new program to modernize customs services in Morocco and align the relevant statutes with EU and international standards. The two parties are also discussing the possibility of mutual recognition of professional skills to facilitate the South-North movement of businessmen and investors. A series of discussion forums will explore opportunities for investment and support for small and medium enterprises. And the European Union and Morocco are exploring an agreement in which the European Patent Office would certify its Moroccan equivalent, the Office Marocain de la Propriété Industrielle et Commerciale (OMPIC), to issue patents valid in the European Union.

Priority Sectors

The Advanced Status also includes measures to integrate Morocco into the EU network for priority sectors. High-speed train connections are planned across the strait of Gibraltar, an initiative akin to the England-France Channel, and the European Union and Morocco aim to create a Maghreb-Europe Freight Corridor for railways and maritime transport. With respect to air transport, in December 2006, Morocco and the European Union signed a Euro-Mediterranean Air Transport Agreement to integrate Morocco into

the European Common Aviation Area (CAA).¹⁰ Morocco will also be integrated into the Single Sky committee, which is the last step toward its membership in the European CAA.

In the energy sector, the largest undertaking is the integration of Morocco into the EU internal energy market. There has been significant progress in electricity but not in natural gas. The European Union is also looking to open its green electricity market to Morocco for renewable energy sources, notably wind power. The two parties will collaborate extensively on security, competitiveness, and regulatory issues associated with developing the Moroccan energy sector.

In the area of information technology, Morocco will follow the European Interoperability Framework for the development of its e-government structure. The two parties will increase collaboration on communication infrastructure and compatibility of Internet and cellular technology networks, and the European Union will provide technical assistance to strengthen the security of critical information infrastructure.

In the agricultural sector, the European Union will assist Morocco in modernizing its farms. One measure will accelerate the creation of a transparent regulatory system with harmonized norms and standards. Another will support the Moroccan agricultural reform plan, Plan Maroc Vert (the Green Plan), which aims to boost the agricultural share of the economy. Despite the absence of progress in removing tariff barriers to agricultural trade, some cooperation has been achieved in trade facilitation. The Etablissement Autonome de Contrôle et de Coordination des Exportations (EACCE; Autonomous Body for the Control and Coordination of Exports) of the Moroccan Ministry of Agriculture is in charge of sanitary and phytosanitary issues, and in 2002 the European Union recognized it as an accredited body for the inspection of agricultural and food products exported to the EU market.

With respect to the environment, Morocco will gradually align its legislation with that of the European Union, which is a world leader in that domain, an ambitious move that will help Morocco prepare for the challenges of the future. Morocco will expand the scope of environmental oversight across all sectors to promote sustainable development and will establish institutions at local levels to further environmental awareness. The European Union will assist Morocco with the implementation of international agreements and participation in projects such as Horizon 2020 for the depollution of the Mediterranean Sea. Finally, the European Union will support the development of the water sector, notably the treatment of used water.

10. The European CAA includes the 27 member states, all candidate countries, Iceland, and Norway. The CAA grants Moroccan carriers consecutive fifth freedom rights in Europe and EU carriers fifth freedom passenger rights beyond Morocco to countries involved in the European Neighborhood Policy and fifth freedom cargo rights to all third countries.

Human Dimension

The two parties want to encourage civil society interactions on both sides. Progress is being made on cooperation between the education systems in the European Union and Morocco; notably, Morocco is being encouraged to align its school curricula to that of the European Union so credits can be transferred between universities.

EU Financial and Technical Assistance

European Investment Bank

Morocco receives EU funding through various instruments. Principal among these are loans, private equity, and technical assistance from the European Investment Bank (EIB) through the Facility for Euro-Mediterranean Investment and Partnership (FEMIP).

Since 1978, the EIB has provided €3.5 billion (\$4.8 billion) in financing to Morocco, largely for energy (€1.3 billion, \$1.8 billion) and transport and equipment (€1.1 billion, \$1.5 billion). Energy projects include the Maghreb gas line from Morocco to Spain and the first private-sector wind farm. Transport and equipment financing focused on the construction of major highways and the modernization of key ports. Other sectors included water and the environment, small and medium-sized enterprises, private equity, human capital, and urban infrastructure.

In technical assistance, as one of FEMIP's main beneficiaries, Morocco received roughly €9 million (\$12 million) between 2003 and 2007, much of it for projects in support of the environment, human capital, and the financial sector.

National Indicative Program

Morocco also receives aid through the National Indicative Program (NIP) of the European Neighborhood Policy, which was set up to support the priorities outlined first in the Association Agreement and now in the Advanced Status terms. The NIP for Morocco has a budget of €654 million (\$895 million) for 2007–10 (ENPI 2006). The plan covers a large swath of socioeconomic programs with social, governance, economic, and energy and environmental measures.

Social Measures

Social priorities focus on education and health care. Education reforms aim both to fight illiteracy, by raising the number of children in school and the number of years of attendance, and to provide staff training, improved curricula, and newer technologies. The goals of health care measures are

universal coverage, improved quality, and better financial and management systems.

Governance Measures

Support for the Ministry of Justice covers modernization of the prison system, training of court staff, budget management, and human resources management. Reforms include internal audits and performance controls, with the aim of reducing corruption. Governance reforms will also align legislative and legal frameworks with those of the European Union.

Economic Measures

Economic priorities include programs to promote investment and exports. Policies will concentrate on raising industrial investment, sparking innovation, and expanding vocational training both to satisfy industry needs and to encourage youth employment. The NIP will also address problems in the agricultural sector such as water scarcity, climate change, human resources, and land tenure. Another aim is to improve road infrastructure in the Northern region (Mediterranean Rcade project) and isolated regions of Morocco.

Energy and Environmental Measures

Morocco's oil and natural gas resources are limited, so the country imports most of its energy for consumption. Energy accounted for 20 percent of Morocco's total merchandise imports in 2007 (Faid 2008) and 9 percent of its imports from the European Union in 2008 (table 10.2). High oil prices until mid-2008 were particularly burdensome and contributed to a widening of the Moroccan trade deficit with the European Union and the global economy. While complementarities between energy resources and demand in the Maghreb region are high, Morocco has limited trade with its Maghreb neighbors. For all these reasons, energy security in Morocco is an important concern.

The NIP calls for plans to restructure the electricity sector and develop the use of natural gas. In 2003 Morocco, Algeria, and Tunisia signed a memorandum of understanding for the integration of their electricity systems with the EU internal market. The NIP aims to boost this and other initiatives. More broadly, Morocco is on track to become part of the EU internal market for energy through its Advanced Status.

Since Morocco uses a significant amount of coal, promoting the clean combustion of coal is an important element of the energy plans, as is developing the use of renewable energy. Morocco has significant resources of solar and wind power: Sunshine time is close to 3,000 hours per year, and the average wind speed is about 10 meters per second. The potential for those two sources of energy is high but remains unexploited because of institutional, regulatory, and financial obstacles (Faid 2008).

An important funding instrument for environmental projects is Morocco's Industrial Depollution Fund (FODEP). NIP funding for FODEP reached €50 million (\$68 million) for 1998–2008, and another €50 million was set aside for 2007–10. The main objective is to protect water resources, particularly the Sebou basin (some 20 percent of Morocco's population lives around the Sebou basin, hence its importance as a clean and unpolluted source¹¹). Morocco's water resources are about 700 cubic meters per capita per year, which is below the 1000 cubic meters set by the United Nations as the scarcity threshold.

The remaining NIP funds for FODEP will support research on new technologies for reducing industrial emissions. In parallel, the NIP has set aside €35 million (\$48 million) for sewage treatment in 2009.

Support for Fiscal Reforms

In 2006 Morocco and the European Union signed a convention to finance a program in support of Moroccan fiscal reform. Morocco has significantly opened its markets to the global economy through a series of recent agreements: the Association Agreement with the European Union (implemented in 2000), the Agadir Agreement (implemented in 2007), and FTAs with Turkey (implemented in 2005) and the United States (implemented in 2006). Tariff revenues consequently fell, and Morocco compensated for the loss by increasing corporate taxes instead of the value-added tax (VAT) (Brun, Chambas, and Laurent 2007). But in 2004 Morocco initiated wide-ranging reforms to make the VAT the principal source of fiscal revenues, with support from the convention with the European Union, which dedicated €80 million (\$110 million) over three years for these reforms. The VAT reform called for eliminating numerous exemptions, gradually reducing the corporate tax, and modernizing tax administration. Implementation has been slow because of political obstacles, but in 2008 the Moroccan government reiterated its intention to decrease the corporate tax rate on banks and insurance firms from 39.6 to 37 percent, and for others from 35 to 30 percent, and to eliminate some exemptions.¹²

Conclusion and Recommendations

The European Union and Morocco have made good progress in opening merchandise trade, with free trade in manufactures and significant liberalization in industrial products. Under the Morocco-EU Advanced Status

11. SPI-Water, "Deliverable 20B: Description of the Selected Non-EU River Basin Sebou (Morocco)," 2007, www.hydroscan.be (accessed on March 19, 2009).

12. Maghreb Arabe Presse, «La réforme fiscale s'inscrit dans le sillage des choix stratégiques du gouvernement pour assurer l'équité fiscale», April 23, 2008.

agreement, negotiations for the liberalization of services trade and the right of establishment could lead to better integration with neighboring Mediterranean countries. Nevertheless, investment remains low. The poor business climate in Morocco ranks among the leading obstacles.

Through various instruments, the European Union has encouraged a wide variety of reforms in Morocco. Trade facilitation measures range from customs modernization to mutual recognition of standards. In all sectors, the European Union is providing technical and financial assistance to Morocco to align its rules and laws with EU norms, with a long-term goal of integrating Morocco into the EU internal market. Along this path, Morocco will benefit from increased political, institutional, and judicial cooperation with the European Union.

But despite the assistance from the European Union, results have been slow to appear. On the Moroccan side, the take-up seems slow; on the EU side, the available aid money is spread thin among a large number of small and medium-sized programs. It would be more useful to concentrate financial assistance in key areas such as the judicial system, investment and exports, and education, and to make its availability more visible. Morocco might then be more inclined to take advantage of such resources, progress would be easier to monitor, and the chosen programs could be modified to improve performance.

Little liberalization has taken place in Morocco-EU agricultural trade. The Morocco-US FTA, on the other hand, opens agricultural markets in both directions and is considered quite successful in that respect. Given the importance of the agricultural sector in Morocco, both in terms of its share of GDP and its share of employment, the country would significantly benefit from more opening of the EU internal agricultural market. But the European Union is notoriously reluctant to open that sector.

More efforts are also needed to increase investment opportunities. Global procurement, intellectual property rights, and competition rules are all new topics included in the Advanced Status program. It remains to be seen what will be achieved in these areas. As the Advanced Status is a new scheme, the European Union will most likely adopt a cautious approach.

Finally, the free movement of people continues to be a politically sensitive topic between Morocco and the European Union. EU actions in this domain are restricted to the control of illegal immigration. The European Union is reluctant to open its borders to Moroccan travelers and immigrants, but there has been some progress in terms of admission for business travelers. Immigration cooperation will require a change in European thinking. Against the backdrop of the current economic crisis, which will probably affect EU economies for two or three years (and attitudes much longer), opening the borders to Moroccan citizens is unlikely to occur for at least five years. What can be done now is to design systems for accepting and monitoring Moroccan immigrants when the political climate improves.

Considerations for Morocco-US Relations

The United States could learn from successful aspects of the long-standing Morocco-EU experience. The work that Morocco and the European Union have done to align Moroccan standards and legislation with EU norms is often cited as one of the main advantages to trading with the European Union compared with the United States. Through mutual recognition and customs reforms, Morocco has succeeded in removing a significant portion of nontariff barriers to trade between the two parties. Another strength of the EU agreement with Morocco lies in established institutional links between the two parties, and these are benefiting from further development through the Advanced Status.

Another area in which the European Union has made noteworthy progress with Morocco is the environment. The European Union is prominently involved in all major environmental projects in Morocco and the Maghreb as a whole, notably through Horizon 2020. As the European Union continues to move in the direction of tighter environmental regulation, it will export those standards to Morocco. This will affect US companies wanting to invest in Morocco.

Morocco-EU trade relations are also important because they affect the political economy of Morocco-US relations. Tensions were most visible in the French reaction at the start of negotiations of the Morocco-US FTA. In January 2003 François Loos, then French Foreign Trade Minister, stated that Morocco “cannot say that [it] want[s] a close partnership with the European Union and at the same time sign a free trade agreement with the United States.”¹³ Although the comment was retracted shortly after, and the French government stated that there was no incompatibility between the two agreements, it illustrates a concern regularly raised by Moroccans: As Morocco deepens its relations with the United States, it must at the same time preserve its ties with the European Union.

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