



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 11 June 2012

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**WTO 356
SERVICES 104
FDI 29
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RHJ 9
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MED 31**

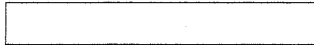
PARTIAL DECLASSIFICATION

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Subject: Recommendation from the Commission to the Council authorising the Commission to open bilateral negotiations with Egypt, Jordan, Morocco and Tunisia to upgrade the respective Euro-Mediterranean Association Agreements with a view to establish Deep and comprehensive Free Trade Areas

Delegations will find attached Commission document SEC(2011) 1191 final/2.

Encl.: SEC(2011) 1191 final/2



EUROPEAN COMMISSION

Brussels, 14.10.2011
SEC(2011) 1191 final /2

DECLASSIFIED PART

RECOMMENDATION FROM THE COMMISSION TO THE COUNCIL

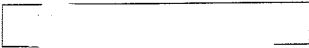
authorising the Commission to open bilateral negotiations with Egypt, Jordan, Morocco and Tunisia to upgrade the respective Euro-Mediterranean Association Agreements with a view to establish Deep and Comprehensive Free Trade Areas

DECLASSIFIED PART ON 29.04.2012

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A. EXPLANATORY MEMORANDUM

1. BACKGROUND

The Southern Mediterranean is going through a period of sweeping changes which are having deep consequences on the region's political and economic stability. The situation on the ground has considerably evolved in the last six months. In **Tunisia**, at the time when the democratic transformation is advancing, the economy is still in the negative cycle caused by the turmoil in the region and by the international crisis. The democratic uprising in **Egypt** has had a significant negative impact on the Egyptian economy with economic growth declining and an unprecedented decrease in foreign investment, due to a perception of a deteriorating business environment. In **Morocco** and **Jordan**, a commitment to reforms has emerged. On 12 June, King Abdullah of Jordan outlined reform proposals concerning political parties and the electoral process. In Morocco, a referendum on 1 July endorsed the new constitution. Trade flows and foreign direct investment have fallen to different degrees in all four countries. Support to improved economic governance and to the establishment of a more transparent and predictable investment climate is needed to revive trade and investment. Improved market access opportunities and a clear perspective of progressive economic integration into the EU single market will also contribute to revive their economies.

Against this backdrop, the European Commission and the High Representative of the European Union for Foreign Affairs and Security Policy adopted two Joint Communications on 8 March 2011 "A partnership for democracy and shared prosperity with the Southern Mediterranean"¹ and on 25 May 2011 "A new response to a changing Neighbourhood"². These two Joint Communications have set up our medium to long term policy objective of upgrading our trade and investment relations with Southern Mediterranean partners. Both Communications offer an EU response on a 'more-for-more' basis to partners engaged in a process of democratic and economic reforms.

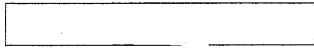
The current legal basis for the EU's trade and investment relations with Egypt, Jordan, Morocco and Tunisia are the **Euro-Mediterranean Association Agreements**³. The Euro-Mediterranean Association Agreements include free trade areas, essentially for trade in goods. Their scope has been or will be completed with additional negotiations, notably on the establishment of dispute settlement mechanisms, on the further liberalisation of trade in agricultural, processed agricultural and fisheries products, on the liberalisation of trade in services and the right of establishment, and on agreements on conformity assessment and acceptance of industrial products. Some of these negotiations have been concluded in the last years whereas others, notably the ones on the liberalisation of trade in services and establishment, are still on-going with Egypt, Jordan, Morocco and Tunisia. Other trade-related

¹ COM(2011)200.

² COM(2011)303.

³ EU-Egypt Association Agreement (entry into force in June 2004, published in OJ L 304/04), EU-Jordan Association Agreement (entry into force in May 2002, published in OJ L 129/02), EU-Morocco Association Agreement (entry into force in March 2000, published in OJ L 70/00) and EU-Tunisia Association Agreement (entry into force in March 1998, published in OJ L 97/98)





areas, such as investment protection or trade and sustainable development, and trade-related regulatory areas, e.g. public procurement, competition, intellectual property rights or trade facilitation are insufficiently or not at all covered in the Agreements.

The EU has also concluded European Neighbourhood Policy (ENP) Action Plans with the above four countries, which are steps in the overall process of developing closer trade and economic integration between these countries and the EU.

At the Foreign Affairs Council meeting of 20 June, the Council of the European Union welcomed the Joint Communication of 25 May and recognised the economic benefits of enhancing trade in goods and services and investment and the importance of progressive economic integration with the EU internal market, in particular through the establishment of Deep and Comprehensive Free Trade Areas (DCFTAs) with ENP partners as soon as conditions are met. Concerning the Southern Mediterranean region in particular, the Council encouraged "initiatives aimed at enhancing trade and investment relations with partners engaged in democratic and economic reforms" and to this end, invited the Commission "to submit recommendations for negotiating directives for DCFTAs with selected Southern Mediterranean partners". The Council also noted that the launching of negotiations will require WTO membership and thorough preparation based on key recommendations.

2. PREPARATIONS FOR THE LAUNCH OF NEGOTIATIONS ON DEEP AND COMPREHENSIVE FREE TRADE AREAS

Egypt, Jordan, Morocco and Tunisia are already WTO members and have been implementing free trade areas with the EU through the Euro-Mediterranean Association Agreements in the past years. Therefore, the main objective of future DCFTA negotiations is to bring these countries progressively closer to the EU single market.

An earlier political commitment to negotiating DCFTAs in future was taken by these countries in the conclusions of the Union for the Mediterranean Trade Ministerial Conferences of 2009 and 2010. However, in view of the important changes which are taking place in the region, the commitment of each of these partners to implement far-reaching regulatory approximation and their level of ambition in the future negotiations will need to be assessed on a case-by-case basis during a scoping exercise.

Following this preparatory process, the Commission will present to the Council a report with key recommendations which will reflect the assessment of the Commission that the partner in question is able to negotiate and subsequently implement the commitments undertaken in a DCFTA in a sustainable manner.

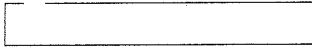
These partners have signalled their commitment to a process of democratic and economic reforms. In parallel to the negotiations, the European External Action Service (EEAS) and the Commission services will assess the commitment of these partners to pursue long lasting democratic reforms, notably in the areas identified in the Joint Communication of 25 May 2011.

Against this background, the Commission presents in attachment draft negotiating directives for DCFTAs with Egypt, Jordan, Morocco and Tunisia.

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B. RECOMMENDATION

In light of the above, the Commission recommends that:

- The Council authorises the Commission to open negotiations individually with Egypt, Jordan, Morocco and Tunisia with a view to establish Deep and Comprehensive Free Trade Areas (DCFTAs) as part of the Euro-Mediterranean Association Agreements. Negotiations on DCFTAs should only start following an assessment that the partner in question is able to negotiate and subsequently implement the commitments undertaken in such DCFTAs in a sustainable manner. Therefore, negotiations may only be launched after consultation of the Trade Policy Committee on the basis of a report with key recommendations from the Commission;
- The Council appoints the Trade Policy Committee as the Special Committee charged with assisting the Commission in the negotiations;
- The Council issues the attached negotiating directives;

DECLASSIFIED PART on 26.04.2012

