

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

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CO-OPERATION AGREEMENT BETWEEN THE EUROPEAN ECONOMIC COMMUNITY  
AND MOROCCO

Questions and Replies

The contracting parties were invited (documents C/M/116 and GATT/AIR/1312) to communicate to the secretariat any questions they might wish to put concerning the Agreement between the European Economic Community and Morocco.<sup>1</sup> In response to this request, a number of questions were received. These questions and the replies by the European Economic Community are attached.

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<sup>1</sup>Copies of the text of the Agreement were sent to each contracting party with document L/4381.

CO-OPERATION AGREEMENT BETWEEN THE EUROPEAN ECONOMIC COMMUNITY  
AND MOROCCO

Annex I

Questions and Replies

I. GENERAL CONSIDERATIONS

1. In the notification of the Agreement to the CONTRACTING PARTIES (L/4381), it is stated that "as from the entry into force of the trade provisions of the Agreements, the Community is respecting the obligation to eliminate duties and other restrictive regulations of commerce with respect to substantially all its trade with Morocco". However, the Agreement makes no mention of the parties' intention to form a free-trade area.

- (a) Does this mean that the Agreement is intended to form a free-trade area in the sense of Article XXIV of the General Agreement, covering substantially all the trade between the parties?
- (b) Does this mean that the Agreement is intended to be an interim Agreement leading to the formation of a free-trade area in the sense of Article XXIV?

Reply

This Agreement, which is of unlimited duration, defines the arrangements for overall co-operation between the partners, thus putting into effect the intention stated in Article 14 of the 1969 Association Agreement<sup>1</sup> of concluding a new Agreement on a broader basis. The Agreement therefore constitutes a further step in the implementation of the 1957 Declaration of Intent annexed to the Treaty of Rome on the independent countries of the franc area, and falls within the very specific context of the historical and geographical background to the relations between the parties.

As regards its own contribution to trade co-operation in the context of the Agreement, the Community considered that the attainment of the objectives set forth in Article 1 of the Agreement, and in particular the attainment of a better balance in trade, implied appropriate obligations on its part, being economically the more developed party.

Consequently, the Community views its own obligations as taking the form of arrangements for free access to its market, as provided in the General Agreement in connexion with the formation of a free-trade area.

2. If the answer to question 1(a) is in the affirmative, what is the opinion of the parties on the compatibility of the Agreement with Article XXIV:8(b), in view of the fact that Morocco is not required to assume the same obligations as the European Economic Community (EEC) with respect to the elimination of duties and other restrictive regulations of commerce on products imported from the other party

<sup>1</sup>L/3227/Add.1 and Corr.1

3. If the answer to question 1(b) is in the affirmative, is there a plan and schedule for the formation of such a free-trade area within a reasonable length of time, as required by Article XXIV:5(c)?

Replies to questions 2 and 3

The fact that in view of its present development needs, Morocco is not required initially - as regards imports of products originating in the Community - to assume obligations corresponding to the undertakings given by the Community, is consistent with the spirit and the letter of Part IV of the General Agreement. This fact in no way impairs the validity and applicability of the provisions of Article XXIV as far as the Community is concerned. Since the entry into force of the trade provisions of the Agreement, the Community has respected the obligation to eliminate duties and other restrictive regulations of commerce with respect to substantially all its trade with Morocco.

In the course of the reviews provided for under the Agreement, the parties to the Agreement will seek opportunities to make progress towards the removal of obstacles to trade. The Agreement should therefore be seen in a dynamic perspective of economic development where the principle embodied in the basic rule - in this case Article XXIV - retains its full validity. For these reasons, the parties to the Agreement are not requesting that this Agreement be made the subject of a waiver.

4. If the answers to questions 1(a) and (b) are in the negative:

- (a) What is the opinion of the parties with respect to the compatibility of the Agreement with the most-favoured-nation principle of the General Agreement?
- (b) By virtue of which provision(s) of the General Agreement do the parties consider the Agreement could be justified?
- (c) Are the parties requesting a waiver under Article XXV, pending their consideration of the possibility of a wider association taking the form of a free-trade area covering substantially all their mutual trade, or pending the provision of a plan and schedule for the formation of a free-trade area?

Reply

Not applicable.

5. With the entry into force of the Agreement, the various commercial benefits which Morocco has been granting to the EEC in accordance with the 1969 Agreement of Association would no longer be required.

- (a) Is it the intention of the Government of Morocco to treat the EEC on equal terms with third contracting parties on a de facto basis as well?

- (b) Is the 1969 Association Agreement to be considered as wholly superseded with regard to the provisions on tariffs and quantitative restrictions applied by Morocco vis-à-vis the EEC?
- (c) Will the preferences extended to the EEC with regard to quantitative restrictions by Morocco under the 1969 Association Agreement be maintained, or will they be phased out?

Reply

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II. INTERIM AGREEMENT

6. With respect to Article 2:

- (a) What percentage of trade between the parties will be granted entry free of quantitative restrictions and duties as specified in Article 2?
- (b) Do the parties consider that the percentage of trade covered by Article 2 represents a significant proportion of their trade?
- (c) Will these concessions be granted on an m.f.n. basis?

Reply

- (a) On the basis of the 1975 trade figures, 61.5 per cent of the Community's total imports from Morocco are free of quantitative restrictions and duties as specified in Article 2.
  - (b) Yes, but it has to be borne in mind that this percentage reflects the present structure of Morocco's exports to the Community. It cannot reflect the trend that will result from the process of industrialization in Morocco and from the development prospects embodied in the Agreement.
  - (c) The provisions of the Agreement govern relations between the Community and Morocco only.
7. With respect to Article 3:
- (a) Which tariff items are affected by Article 3?
  - (b) What is the nature of and reason for the "fiscal element" of customs duties referred to under this Article?
  - (c) Paragraph 2 of Article 3 indicates that the United Kingdom shall replace the fiscal element of the customs duties referred to in paragraph 1 by an internal tax. Will this internal tax apply to all contracting parties?

- (d) If the answer to the preceding question is affirmative, does this not increase the protective element on imports from other contracting parties?

Reply

- (a) The tariff headings affected by Article 3 are the following:

No. in United Kingdom customs tariff on 1.1.1972	Description of goods
24.01	Unmanufactured tobacco; tobacco refuse: (A) Containing 10% or more by weight of moisture (B) Other
24.02	Manufactured tobacco; tobacco extracts and essences: (A) Manufactured tobacco: (1) Cigars (2) Cigarettes (3) Cavendish or negrohead: (a) Manufactured in bond (b) Other (4) Snuff and snuff work (including tobacco dust or powder and ground tobacco) (5) Other

- (b) The fiscal element of the customs duties referred to in Article 3 is a specific component expressed in pounds sterling (£) per pound weight (lb).

It has been included in the customs duties for administrative reasons, inter alia in order to facilitate collection at the frontier. For the same reasons the United Kingdom has been authorized to maintain until 31 December 1977 an overall amount in respect of "customs duties - fiscal charge".

- (c) The internal tax replacing the fiscal element of customs duties will apply to imports from all countries (contracting parties, member States of the European Communities, EFTA States and other States).
- (d) The fiscal element does not increase the protective element on imports from other contracting parties since a very clear distinction has been made between the protective element and the fiscal element for each of the customs duties concerned. In each case only the fiscal element will be converted into an internal tax on 1 January 1978 and this internal tax will be consistent with paragraphs 1 and 2 of Article III of the General Agreement.
8. With respect to Article 8:
- (a) What percentage of the trade between the parties will be affected by the provisions of Article 8?
- (b) What percentage of the trade between the parties in agricultural products will be affected by the provisions of Article 8?

Reply

- (a) On the basis of the 1975 trade figures, 27.1 per cent of the Community's total imports from Morocco are affected by the provisions of Article 8.
- (b) On the same basis 70.3 per cent of the Community's agricultural imports from Morocco are affected by the provisions of Article 8.

9. With respect to Article 15: Will the tariff reductions granted under this Article apply to other developing countries, e.g. signatories of the Convention of Lomé?<sup>1</sup>

Reply

See reply to question 6(c).

III. RULES OF ORIGIN

10. Potentially the most damaging to trade interests of other contracting parties are the rules defining the concept of 'originating products'. Rules of origin have a tendency to redirect trade away from third countries towards EEC and Maghreb countries. Raw materials and semi-fabricated materials originating in the EEC and Maghreb countries are considered originating products of the Maghreb once they are further processed in these countries, whereas the same products from third countries face content requirements.

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<sup>1</sup>Circulated to contracting parties in connexion with L/4193 and L/4198.

- (a) Do the parties consider that the rules of origin as laid down in Protocol No. 2 are compatible with Article XXIV:5(b)?
- (b) In the event that the rules of origin have prejudicial effects on the trade interests of third countries, will there be provisions for modifications?

Reply

Generally speaking, the main purpose of rules of origin is to avoid deflection of trade under preferential arrangements.

As regards Morocco's exports to the Community, however, the provision quoted does not prevent Morocco from importing and utilizing products and spare parts from third countries, provided that substantial processing - the only guarantee of real development - actually takes place in the Maghreb countries.

Furthermore, the fact that in this connexion products wholly obtained in Algeria or Tunisia or in the Community are considered as having been wholly obtained in Morocco and working or processing carried out in Algeria or Tunisia or in the Community is considered as having been carried out in Morocco where the products in question or the products obtained from the working or processing in question undergo further processing in Morocco, makes it easier for a product to incorporate components from third countries while still being eligible for originating status than would be the case if the rule applied solely to the territory of Morocco.

Lastly, the provisions concerning origin contained in the Agreement affect only Morocco's exports to the Community and not its imports of products or worked or processed parts intended for incorporation in products to be sold on the domestic market or exported to third countries.

- (a) Yes, since by definition the rules of origin cannot affect the provisions of Article XXIV:5(b) of the General Agreement;
- (b) If any such "prejudicial effects" became apparent, the problem would be examined by the parties to the Agreement, who could agree on the action to be taken.

IV. TRADE COVERAGE

11. The following information on trade values and percentages between the parties to the Agreement are requested with respect to the three most recent years for which statistics are available.

- (1) Imports from Morocco to the European Communities:
  - (a) Total imports.

- (b) Imports of the products which are subject to the elimination of the existing quantitative restrictions and the elimination or reduction of customs duties.
- (c) Of which, the products which are newly subject to the above measures on the basis of the Agreement.

(2) Imports from the European Communities to Morocco:

- (a) Total imports.
- (b) Imports of products not subject to customs duties or to levies having equivalent effects.
- (c) Imports of products upon which customs duties or levies having equivalent effects are permitted under the Agreement.
- (d) Imports of products subject to quantitative restrictions.

Reply

(1)

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
(a) Total imports	573,217	100	869,225	100	757,495	100
(b) Imports benefiting from the elimination of existing quantitative restrictions	573,217	100	869,225	100	757,495	100
Imports benefiting from the elimination or reduction of customs duties	539,544	94.1	842,401	96.9	725,779	95.8
(c) Of which: products newly eligible for the above tariff measures by comparison with the 1969 Agreement	91,870	16.0	79,307	9.1	102,487	13.5

(2)

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Annex II

Additional Questions asked by the United States

I. GENERAL QUESTIONS

1. In Article 4, paragraph 1 of the Agreement the parties state that one of the purposes of co-operation between them is "the encouragement of private investments which are in the mutual interest of both parties". What incentives are contemplated to encourage such investments? Will these incentives be available to third-country investors on the same basis as investors from the EC and Morocco?

Reply

The Co-operation Council established by the Co-operation Agreement will be responsible for seeking ways and means of encouraging investment.

The provisions of the Agreement relate solely to investments originating in the Community or in Morocco.

2. Article 12 of the Agreement describes annual ceilings which will apply to EC imports of certain products from Morocco. The Article notes that the EC may reintroduce duties at the level applied to third countries when ceilings are reached. What criteria will be used to determine whether, in fact, duties will be reintroduced when ceilings are reached?

Reply

The system of ceilings is intended to enable the Community's processing industries to adjust progressively to competition from imported products. Accordingly, no criterion is necessary for triggering the reintroduction of the customs duties applicable in respect of third countries. The simple fact of the ceiling being reached will therefore be sufficient reason for the Community to decide to reintroduce the duties should it prove necessary to invoke such a safeguard clause. It should be noted, furthermore, that the ceilings have been calculated in such a way that they should normally cover Morocco's export capability up to 1 January 1980, when they are to be completely abolished.

3. Article 21 of the Agreement sets out tariff quotas for EC imports of wine from Morocco. Will EC duties be raised automatically to levels applied to third-country imports when the quotas are reached, or will discretion be exercised?

Reply

A preferential duty subject to a quota is applicable only within the limit of the volume of the tariff quota. Immediately this volume has been taken up the normal CCT duties are automatically applicable. It should be noted, however, that the volume of the tariff quota provided for in Article 21 of the Agreement has been calculated to cover Morocco's export capability.

4. Under the 1969 trade agreements with the EC, Morocco granted preferences for some EC products both on tariffs and quantitative restrictions. Are any of these preferences still in effect? If so, would the parties specify what they are?

Reply

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5. The rules of origin contained in the Agreement constitute a restrictive requirement and may divert Moroccan imports toward higher cost suppliers and thereby increase the cost of development. What measures are contemplated by the parties to offset this negative effect of the rules?

Reply

The parties to the Agreement cannot accept the statement that the rules of origin contained in the Agreement constitute a restrictive requirement. The rules in question are based on objective criteria and are not intended to favour specific suppliers.

6. Are the parties prepared to consult regarding any problems that third countries may experience as a result of the restrictive rules of origin contained in the Agreement?

Reply

See reply to question 10(b) of the general questionnaire.

7. None of the Maghreb countries are full contracting parties to GATT. Algeria has been applying the General Agreement on a de facto basis for over ten years, Tunisia has "provisionally acceded" to GATT and Morocco is not a member of GATT. Do the parties to the Agreement have any information on the plans of Morocco with regard to the GATT?

Reply

8. The preamble of the Agreement describes it as a "new model for relations between developed and developing States". What is meant by this phrase?

Reply

The Agreement is presented as a "new model for relations between developed and developing States" because its provisions constitute a comprehensive approach to development. They provide for the combined use of a whole range of means of action which will contribute to Morocco's economic and social development in such spheres as economic, industrial, financial and technical co-operation, trade co-operation and co-operation in the field of labour.

## II. STATISTICAL QUESTIONS

### A. EC imports from Morocco

9. What was the total value of imports into the EC of products originating in Morocco in each of the three most recent years for which statistics are available?

10. What value and percentage of imports into the EC of products originating in Morocco were comprised of agricultural products?

- (a) What was the value, if possible broken down month by month, of citrus imports during the last three years?
- (b) What percentages do these represent of the total EC citrus imports and citrus imports under preferential tariff treatment?

11. What value and percentage of imports into the EC of products originating in Morocco in each of the three most recent years for which statistics are available were comprised of industrial products?

Replies to questions 9, 10 and 11

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
9. Total imports of which:	573,217	100	869,225	100	757,475	100
10. <u>Agricultural products</u> of which:	348,146	60.7	308,687	35.5	291,426	38.5
(a) Citrus fruit <sup>1/</sup>						
-- Total imports of citrus fruit (extra EEC)	615,147	100	601,099	100	687,635	100
of which: Morocco	83,630	13.6	65,162	10.8	57,968	8.4
-- Total imports of citrus fruit under preferential arrange- ments (extra EEC)	423,067	100	464,687	100	522,315	100
of which: Morocco	83,630	19.8	65,162	14.0	57,968	11.1
11. <u>Industrial products</u>	225,071	39.3	560,538	64.5	466,049	61.5

<sup>1/</sup> Monthly statistics are not available.

12. What were the value and percentages of total imports of the following categories of imports into the EC of products originating in Morocco in each of the three most recent years for which statistics are available:

- (a) Imports of products in which customs duties and levies will not be imposed? Of these imports, what percentage gain duty-free entry as a result of the EC generalized system of preferences and what percentage as a result of agreements now under consideration?
- (b) Imports of products for which customs duties and charges having equivalent effect are to be reduced?
- (c) Imports of products for which quotas or quantitative restrictions are not to be eliminated?

Reply

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
Total imports	573,217	100	669,225	100	757,475	100
of which:						
(a) Imports exempt from customs duties and levies						
(1) under the generalized system of preferences <sup>1/</sup>	1 110,622	28.1	404,357	46.5	321,310	42.4
(2) under the Agreement	320,999	56.0	647,543	74.5	557,554	70.9
(b) Imports benefiting from reductions in customs duties and charges under the Agreement	218,545	38.1	194,858	22.4	188,225	24.8
(c) Imports subject to quotas or quantitative restrictions	0	0	0	0	0	0

<sup>1/</sup> It should be noted, however, that in the case of industrial products the granting of exemption is subject to the application of certain arrangements (inter alia overall ceilings opened in respect of all beneficiary countries).

13. What value and percentage of agricultural imports will be free to enter the EC from Morocco without payment of duties or subject to other restrictive regulations of commerce such as variable levies? Of these imports, what percentage gain duty-free entry as a result of the EC generalized system of preferences and what percentage as a result of agreements now under consideration?

14. What value and percentage of agricultural imports into the EC from Morocco will be subject to tariffs?

Replies to questions 13 and 14

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
Imports of agricultural products	348,146	100	306,687	100	291,426	100
of which:						
13. Imports free of duties and levies						
(a) under the generalized system of preferences	16,164	5.2	16,065	5.2	10,085	3.5
(b) under the Agreement	95,928	27.6	86,905	28.2	71,505	24.5
14. Imports subject to customs duties	232,218	72.4	221,782	71.8	219,921	75.5

15. What value and percentage of industrial imports will be free to enter the EC from Morocco without payment of duties or subject to other restrictive regulations of commerce? Of these imports, what percentage gain duty-free entry as a result of the EC generalized system of preferences and what percentage as a result of agreements now under consideration?

16. What value and percentage of industrial imports into the EC from Morocco will be subject to tariffs?

Replies to questions 15 and 16

	1973		1974		1975	
	'000 EUR	%	'000 EUR	%	'000 EUR	%
Imports of industrial products	225,071	100	560,538	100	466,049	100
of which:						
Imports of industrial products not subject to duties or other restrictive regulations						
(a) under the generalized system of preferences <sup>1</sup>	225,071	100	560,538	100	466,049	100
(b) under the Agreement	225,071	100	560,538	100	466,049	100

<sup>1</sup>It should be noted, however, that in the case of industrial products the granting of exemption is subject to the application of certain rules (inter alia overall ceilings opened in respect of all beneficiary countries).

B. Moroccan imports from the EC

17. What was the total value of imports into Morocco of products originating in the EC in each of the three most recent years for which statistics are available?
18. What value and percentage of imports into Morocco of products originating in the EC in each of the three most recent years for which statistics are available?
19. What value and percentage of imports into Morocco of products originating in the EC were comprised of industrial products?
20. What were the values and percentages of total imports of the following categories of imports into Morocco of products originating in the EC in each of the three most recent years for which statistics are available.
  - (a) Imports of products on which customs duties and levies will not be imposed?
  - (b) Imports of products for which customs duties and charges having equivalent effect are to be reduced?
  - (c) Imports of products for which tariff quotas or quantitative restrictions are not to be eliminated?
21. What value and percentage of agricultural products will be free to enter Morocco from the EC without payment of duties or subject to other restrictive regulations of commerce?
22. What value and percentage of industrial products will be free to enter Morocco from the EC without payment of duties or subject to other restrictive regulations of commerce?
23. What value and percentage of agricultural imports into Morocco from the EC will be subject to preferential tariffs?
24. What value and percentage of industrial imports into Morocco from the EC will be subject to preferential tariffs?

Replies

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III. FINANCIAL AND TECHNICAL CO-OPERATION QUESTIONS

25. Protocol 1 of the Agreement specifies that loans from the European Investment Bank (EIB) will be made available to Morocco (114 million u.a.). What percentage of these loans will be made by the EIB from its own funds under "ordinary operations" and what percentage will be provided by EC member States via the EIB "special operations"?

26. Paragraphs 1 and 3 of Article 12, Protocol 1 of the Agreement indicate that third-country suppliers will be prevented from bidding on contracts "financed by the Community" except in exceptional cases. Does this include projects financed by the EIB under both "ordinary operations" and "special operations"? What kinds of situations would constitute "exceptional cases"?

Replies

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