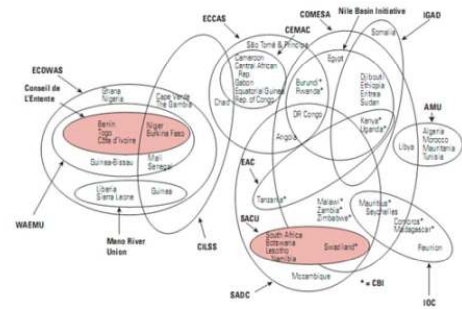




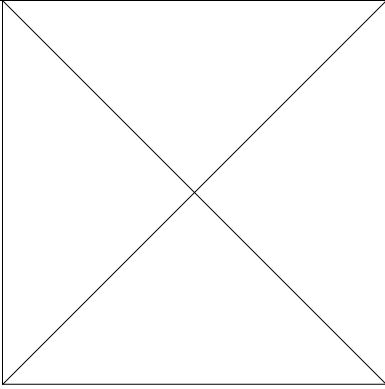
STUDY ON THE NEW GENERATION OF FREE TRADE AGREEMENTS AND THEIR IMPACT ON INTRA-OIC TRADE



Submitted by ICDDT
April 2015
www.icddt-oic.org

CONTENTS

	Page
CONTENTS	1
LIST OF ABBREVIATIONS AND ACRONYMS	3
INTRODUCTION	8
PART I – CRITICAL STUDY OF THE TRADITIONAL FORMS OF TRADE AGREEMENTS	10
1. WHAT IS FREE TRADE AGREEMENT (FTA) AND WHAT ARE THE TYPES?	11
2. THE FTA AND WTO RULES	12
PART II – FEATURES AND SPECIFICATIONS OF the FREE TRADE AGREEMENTS of the NEW GENERATION (FTA-NG)	14
1. KEY LIMITATIONS OF CLASSIC FTA	17
2. KEY FEATURES OF FREE TRADE AGREEMENTS CALLED NEW GENERATION (FTA-NG)	17
PART III – CASE STUDY OF CERTAIN NEW GENERATION TRADE AGREEMENTS GIVING POSITIVE RESULTS	18
1. NEW EUROPEAN CONTEXT OF ALE-NG CREATED BY THE LISBON TREATY	18
2. CASE OF THE FTA BETWEEN THE EU AND CANADA (CETA)	21
3. CASE OF THE FTA BETWEEN THE EU AND SOUTH KOREA	21
4. CASE OF THE FTA BETWEEN THE EUROPEAN FREE TRADE ASSOCIATION OF (EFTA) AND UKRAINE	22
PART IV – PRESENTATION OF THE NEW GENERATION TRADE AGREEMENTS INVOLVING THE OIC COUNTRIES	24
1. CASE OF MOROCCO	24
1.1 ASSESSMENT OF FREE TRADE AGREEMENTS SIGNED BY MOROCCO	24
1.2. DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT BETWEEN MOROCCO AND THE EUROPEAN UNION (EU-MOROCCO CAFTA)	35
1.3. THE BENEFITS OF CAFTA WITH OTHER TRADE AGREEMENTS BETWEEN MOROCCO AND THE EU	37
1.4. RESULTS OF THE IMPACT ANALYSIS COMMISSIONED BY THE EU FOR THE EU-MOROCCO CAFTA	38
1.5. A FINANCIAL SUPPORT OF THE EU FOR THE IMPLEMENTATION OF MOROCCO-EU CAFTA	41
1.6. PROGRESS OF CAFTA MOROCCO-EU NEGOTIATIONS: FOUR ROUNDS OF NEGOTIATIONS	41
1.7. MOROCCO LAUNCHES AN IMPACT AND ACCOMPANYING STUDY OF CAFTA NEGOTIATIONS BETWEEN MOROCCO AND THE EU	45
1.8. CONSULTATIONS WITH THE PRIVATE SECTOR AND CIVIL SOCIETY	46
1.9. PROCESS OF CONVERGENCE: THE MID-TERM REVIEW	46
2. CASE OF THE FTA OF THE EU WITH MALAYSIA UNDER THE FTA WITH ASEAN	48
3. CASE OF FTA WITH THE UNITED STATES AND THE MIDDLE EAST COUNTRIES	50
3.1 FREE TRADE AGREEMENT OF THE UNITED STATES WITH JORDAN	50
3.2 AGREEMENTS WITH OTHER COUNTRIES UNDER THE MEFTA INITIATIVE (Middle-East Free Trade Area)	51
3.2.1 FREE TRADE AGREEMENT UNITED STATES - MOROCCO	52
3.2.2 UNITED STATES - BAHRAIN FTA	55

3.2.3		UNITED STATES - OMAN FTA	56
3.2.4	UNITED STATES - UNITED ARAB EMIRATES FTA		56
PART V – CONCLUSION: PROPOSED ECONOMIC POLICY MEASURES AND RECOMMENDATIONS TO DERIVE THE BEST BENEFIT OF TRADE AGREEMENTS			57
1. FREE TRADE AGREEMENTS SUBJECT OF TWO TYPES OF CONFLICTING READING			57
2. SOME MEASURES AND RECOMMENDATIONS OF ECONOMIC POLICY			59
2.1 BEFORE FTA			59
2.2 DURING THE NEGOTIATIONS ON THE FTA			61
2.3 AFTER THE ESTABLISHMENT OF THE FTA			62
BIBLIOGRAPHY			63

LIST OF ABBREVIATIONS AND ACRONYMS

FTA	FREE TRADE AREA
EFTA	European Free Trade Association
EFTA-NG	Free Trade Agreement of New Generation
DCFTA	Deep and comprehensive free trade agreement
NAFTA	North American Free Trade Agreement
RTA	Regional Trade Agreement
ASEAN	<i>Association of South East Asian Nations</i>
NTB	NON TARIFF BARRIERS
CETA	<i>Canadian-EU Comprehensive Economic and Trade Agreement</i>
CRTA	<i>Committee on Regional Trade Agreements</i>
DCFTA	<i>Deep and Comprehensive Free Trade Agreement</i>
DH	Moroccan Dirham
IMF	International Monetary Fund
GATS	<i>General Agreement on Trade in Services</i>
GATT	<i>General Agreement on Tariffs and Trade</i>
GTAP	<i>Global Trade Analysis Project</i>
FDI	Foreign Direct Investissement
MC	Commun Market
MEFTA	<i>Middle-East Free Trade Area</i>
MERCOSUR	<i>Common Market of the Southern Cone</i>
MNT	Non-Tariff Measures
MFN	(Clause of the) Most Favoured Nation

OIC	Organisation of Islamic Cooperation
OCT	<i>Overseas Countries and Territories</i>
WTO	World Trade Organisation
TBT	Technical barriers to Trade
GDP	Gross Domestic Product
RTA	<i>Regional Trade Agreement</i>
SAT	<i>Substantially All Trade</i>
SGP	Generalised System of Preferences
SPS	Sanitary and Phytosanitary Measures
TAIEX	<i>Technical Assistance and Information Exchange instrument of the European Commission</i>
ECT	Common External Tariff
TIC	<i>Technology of Information and Communication</i>
TRIPs	<i>Trade-Related Aspects of Intellectual Property Rights (TRIPS)</i>
CU	Customs Union
EU	European Union
USD	United-States Dollar
WTO	World Trade Organisation (voir OMC)
FTA	Free Trade Area
CAFTA	Central America Free Trade Agreement

NEW GENERATION OF FREE-TRADE AGREEMENTS (NGFTAs)

Executive Summary 1

The proliferation of free trade agreements (FTAs) in the last three decades with an accelerated pace since the creation of the WTO in 1995, raises very mixed reactions both from the specialists, and from the countries involved, and even from countries left outside. So while some see these FTAs as being a significant contribution to the spread of free trade, some others see them as a form of protectionism and even Trojan horses to open-up developing countries' markets and prepare the way to multinational firms that Bhagwati (2004) calls the B-52s of capitalism.

Indeed, although Article XXIV of GATT permits the creation of free trade areas (FTAs) and customs unions (CU) under certain conditions, WTO experts have given up a long time ago to decide on whether all notified FTAs are in full compliance with these conditions. It is noteworthy that while these agreements have some clear advantages for member countries, they also entail many disadvantages and pitfalls both for some of these countries and for third parties.

These agreements have been criticized mainly because they seek to promote trade without targeting its real origins: i.e., industries producing goods being traded. In addition, critics of globalization and its corollary, free trade, continue to attack the claim of free trade agreements' adepts that these FTAs contribute to the well being of the population. According to these critics such as Michel Chussodovsky, it is exactly the quite opposite.

Developing countries including most of the OIC members engaged in a large number of FTAs especially with developed countries are often powerless against these partners to negotiate advantageous terms under these arrangements. Worse, many agreements initially presented as "bargains" have proven after their implementation, to be real threats to the economy of these countries and major sources of their trade balance deficit.

It is precisely to address the shortcomings of these agreements, which are limited to the simple dismantling of tariff and non-tariff barriers hindering the trade of goods and services that a new generation of arrangements emerged. This is the so-called new generation FTAs or FTAs WTO-Plus.

The main feature of these agreements is that they go well beyond trade to address areas sometimes with no relation, at least visible and direct, with trade, such as human rights and freedoms, the environment, the fight against poverty, the fight against corruption, etc.

What are these FTAs exactly? Do these agreements actually allow overcoming the limitations of previous versions? Do they present risks for countries that engage in them? What can be recommended to OIC countries to take benefit from them?

To address this kind of questions, this report is structured into five parts:

- In the first part, classic or traditional arrangements are presented particularly in relation to their typology and their compliance with multilateral rules of the WTO. In short, an FTA can be defined as the

¹ Prepared by Dr. Brahim ALLALI, Consultant at ICDT

commitment of the signatory parties to remove trade barriers that may exist between them. It is, however, a basic definition that corresponds to the so-called Free Trade Zone (FTZ). More or less advanced forms such as Customs Union (CU) and the Common Market (CM) involve greater engagement of the parties such as the adoption of a common external tariff (in the case of CU) and the free movement of production factors (in the case of CM). There are other types of agreements such as the non-reciprocal preferential agreements, the limited scope agreement, the bilateral trade agreement; the cooperation agreement, the association agreement, etc. The second part of the section presents the ongoing debate on whether FTAs are or are not in compliance with multilateral rules. It also outlines the main arguments of the proponents of the two theses.

- In the second part, the characteristics of the new generation of agreements are presented on the basis of the identification of limitations and inadequacies of traditional forms of such agreements. With regard to the limitations and shortcomings of traditional FTAs, this section highlights in particular the complexity of the procedures provided in FTAs especially when they overlap, and the difficulty of measuring trade creation and diversion resulting from their implementation. Other important limitations pertain to the limited effectiveness of FTAs in that the main barriers to trade are no longer tariffs-based, and to the fact that these FTAs contain many exemptions. It is precisely to overcome the difficulties and limitations of these FTAs that the next generation of so-called agreements has emerged. This new form of FTA goes beyond trade in goods and covers issues called the Singapore issues or "WTO-Plus issues": agriculture, NTBs, trade in services, government procurement, investment, intellectual property rights, competition policy, fight against poverty, etc. They may also have dispute resolution mechanisms. These agreements are normally part of what is commonly called mixed agreements.
- The third part is devoted to the presentation of the European context of defining the next generation of these agreements in the framework of the implementation of the Lisbon Treaty. Thus, the Lisbon Treaty signed in 2009 created a new context that governs the conclusion of new FTAs involving the European Union. Indeed, trade policy considerations are now conditioned by the external action of the Union. This trade policy will now be guided by broader goals than simply progressive abolition of restrictions on trade and investment. The EU is increasingly combining the economic, political values and other standards in its external relations. Concrete examples of the new generation of FTAs are presented in the second section of this part, namely the agreements between the EU and Canada, the EU and South Korea, as well as between the EFTA and Ukraine.
- The fourth part presents the case of some OIC countries engaged in new generation agreements with a preliminary assessment of the impact of these FTAs at different levels. Within this framework, are exposed the agreements concluded by the Kingdom of Morocco with

the EU (CAFTA or ALECA) with the United States as part of MEFTA, the FTA between the EU and Malaysia, and the US-MEFTA agreements with Jordan, Bahrain, Oman and the United Arab Emirates. When impact data are available, they are exposed and commented particularly in the case of Morocco and Malaysia.

- The fifth and final part which also concludes the report is devoted to the presentation of a set of measures and policy recommendations on best practices in the preparation, negotiation, implementation and monitoring of FTAs. This part comes back first on the debate between supporters and detractors of FTAs by making it an issue of dual pessimistic and optimistic reading. It determines the success or failure of an FTA with a set of elements and factors including:
 - The dynamics of growth of the economy driven by domestic demand;
 - The impact of the global economy;
 - The economic gap between the country's dynamic economic growth and that of its main foreign partners;
 - The ability of national actors to meet the international requirements of standards;
 - The specific value chains of its main industries.

The second section of this part puts forward a set of recommendations to take advantage of FTAs, especially new generation ones, which, if they appear more effective than those of the older generation, are more complex and require careful and thorough preparation. Thus, it is recommended before initiating negotiations to closely involve all parties concerned in the decision making. Similarly, it is highly advisable to conduct a preliminary impact study to assess the potential impacts and spillovers of the FTA at all levels.

During the negotiations and while continuing to closely involve all concerned parties, it is necessary to deepen the impact analysis and conduct extensive simulations to evaluate the impact and challenges of any concessions during negotiations.

After the implementation of the FTA, it is necessary to establish monitoring mechanisms and provide for correction mechanisms in case of deviation. These mechanisms must allow to effectively monitoring the implementation of commitments both nationally and in the country (or group of countries) concerned.

INTRODUCTION

The proliferation of free trade agreements in the last three decades characterized by a sustained pace acceleration since the creation of the WTO in 1995, arouses mixed reactions. So while some consider it as a significant contribution to the spread of free trade, others consider them as stubborn protectionist trends of and even Trojan horses to monopolize the developing country markets and open the way to multinational firms that Bhagwati (2004) calls the B-52 of capitalism.

In effect, although Article XXIV of the GATT allows the creation of free trade areas (FTAs) and customs unions (CU) under some conditions, the WTO experts have long since given up deciding on the compliance agreements signed in relation to these conditions. It must be said that if these agreements include a set of clear advantages for signatory countries, they also contain disadvantages both for some of these countries and for third parties.

Indeed, former agreements have always been blamed to promote trade not directly originating from trade-related areas. In addition, critics of globalization and its corollary, free trade, continue to attack the theory of free trade that these agreements contribute to the welfare of the population. According to them, it is the opposite that is true.

Developing countries most of which are OIC members which have embarked in on plethora of free trade agreements especially, with developed countries are often powerless against these partners to negotiate advantageous terms under these agreements. Worse, many agreements initially presented as "bargains" have proven, after their implementation, real threats to the economy of these countries and a major source of the deficit of their trade balances.

It is precisely to remedy the shortcomings of these agreements reduced to mere dismantling of tariff and non-tariff barriers hampering trade in goods and services, a new generation of agreements emerged. This is the so-called new generation free trade agreements or free trade agreements WTO-Plus.

The main feature of these agreements is that they go well beyond trade and concern an area without any relationship, at least visible and direct, with trade, such as human rights and freedoms, the environment, poverty reduction, the fight against corruption, etc.

What are they exactly? Do these agreements really allow overcoming the limitations of previous versions? Do they present risks for countries that commit themselves to them? What can you recommend to the OIC countries to derive the best benefit from them?

It is to these questions and many others that we shall endeavour to give answers through this report divided into five parts:

- ❖ In the first part, classic or traditional agreements are presented critically and in particular in comparison to their typology and compliance with multilateral rules of the WTO;
- ❖ In the second part, the specificities of the new generation of agreements are presented based on the identification of limitations and inadequacies of traditional forms of such agreements;
- ❖ The third part is devoted to the presentation of the European context for defining the next generation of these agreements within the framework of the implementation of the Lisbon Treaty. Similarly, examples of such agreements are depicted;
- ❖ The fourth part presents the case of some OIC countries engaged in the new generation of agreements with an impact assessment of the latter at different levels;
- ❖ The fifth and final part concluding the report, is devoted to the presentation of a set of measures and policy recommendations based on the best practices for preparing, negotiating, implementing and following up free trade agreements.

PART I CRITICAL STUDY OF TRADITIONAL FORMS OF TRADE AGREEMENTS

The primary objective of this part is to study the main forms of trade agreements and to describe the general context particularly, in terms of compliance with the multilateral rules.

In fact, the issue of FTAs is consistent with the broader problem of economic globalization. The latter refers to "Economic globalization constitutes the integration the integration of national economies into the international economy through trade, foreign direct investment (by corporations and multinationals), short-term capital flows, international flows of workers and more generally human beings flows, and [finally] technology flows.»Bhagwati (2004-3)

1. What is a free trade agreement (FTA) and what are the types?

Roughly, an FTA can be defined as the commitment of the signatory parties to remove trade barriers that may exist between them. However, each country remains free to define its own commercial and pricing policy towards third countries (Dent, 2006). This type of FTAs is generally known as the Free Trade Area (FTA)

The Customs Union (CU) goes further on the path of integration by allowing signatory countries to adopt a common external tariff (CET) and unify certain other trade policy measures against non-members.

The Common Market (CM) is based on the CU and involves, in addition to trade integration, the elimination of other barriers that may hamper the free movement of goods and services, labor and capital between the signatory parties.

The three types of FTAs above are called in the terminology of the WTO Regional Trade Agreements (RTAs) in reference to their English name. Some types of FTAs are also sometimes called "Preferential Agreements" which are generally of two types:

- ❖ Non-reciprocal agreements: These are usually tariff concessions, without compensation by some developed countries to some other developing countries.
- ❖ Agreements of Limited scope: such agreements usually involve only developing countries, which without creating an FTA, decide, by mutual agreement, to exchange preferences on a limited number of specified products.

There are many other types of FTAs. One of the most popular, but also more simple is to distinguish between the following types:

- ❖ Bilateral trade agreements;
- ❖ Cooperation agreements with preferential market access;
- ❖ Association agreements with a more or less elaborate institutional framework;
- ❖ Plurilateral or multilateral agreements with a group of countries or within the framework of the WTO.

In comparison with their intensity, it is possible to distinguish between three types of agreements that prevail in trade relations between countries. These are trade agreements, cooperation agreements that go well beyond the simple trade in goods and, finally, the association agreements that include aspects such as privileged market access, forms of economic financial or technical cooperation, etc.

Some countries prefer a more evolved form of FTA known as the "FTA Plus" or even New Generation FTA (FTA-NG). This form of FTA to which this report is devoted goes far beyond the simple elimination of import tariffs and other trade barriers to also address non-trade measures such as investment, intellectual property, political competition, public procurement, mobility of individuals, the environment, scientific and technical cooperation, e-commerce, etc.

2. The FTA and WTO RULES

The success of the framework established by the GATT to contribute to the reduction of tariffs from about 40% on average in 1945 to around 4% in

1995, as well as the gradual dismantling of other barriers to trade, have favoured the emergence of a new model of bilateralism and regionalism (Dent, 2006). Within the framework of this model, some countries wanted to go even further in the process of integrating their economies through a greater reduction of tariff and non-tariff barriers under preferential agreements and trade blocks.

The WTO, institutional successor to the GATT, endorsed the regulatory framework authorizing these practices by admitting that, depending on how the FTA are designed and implemented, they can contribute positively to the development of the multilateral system. For example, "The promotion of free trade at a preferential level can help developing economies to implement domestic reforms and open up to the competitive market pressures at a sustained pace, thus facilitating their integration into the world economy. This can also benefit to the multilateral process by having a leverage effect for openness and competitive liberalization in trade relations. "(WTO, 2005: 1). Also "regional trade agreements can serve as laboratories for change and innovation and may provide guidance for the adoption of new trade disciplines at the multilateral level. »(WTO, 2005a: 16)

In general, the rules of the WTO on RTAs are designed to get the most out of the creation and intensification of trade flows and minimize diversion effects of these flows. Inherited from the arsenal of the GATT, these rules are covered by three laws:

- ❖ Article XXIV of FTAs and Customs Union;
- ❖ Article V on economic integration; and
- ❖ The Enabling Clause of 1979 on developing countries and RTAs.

Article XXIV, the most important in this field, lays down the following basic requirements for RTAs:

- ❖ The signatories of the RTAs should not raise trade barriers to non-members (clause 4 and Article 5b);
- ❖ Plans and timelines for the establishment of a RTA must be completed within a reasonable time (5c clause);
- ❖ Member countries should immediately notify the WTO and other

members of the project to create a RTA (clause 7); and

- ❖ Prices (tariffs) on imports and other restrictive regulations and trade rules must be essentially abolished for substantially all trade (SAT) (8b clause). The aim is to prevent countries from protecting industries and activities where trade flows creation opportunities are the most important (Dent, 2006).
- ❖ For its part, Article V of the General Agreement on Trade in Services (GATS) provides for the following key points in the case of a RTA involving the liberalization of trade in services:
 - ❖ The agreement must have substantial sectoral coverage (clause 1a);
 - ❖ Implementation within a reasonable time (1bii clause);
 - ❖ More favorable treatment should be given to developing countries (clause 3b)

The Enabling Clause provides for the granting of the preferential treatment to developing countries by way of derogation from the Most Favoured Nation (MFN). It falls within the framework of the types previously explained of the agreement with limited scope, and non-reciprocal agreement.

PART II - FEATURES AND SPECIFICATIONS OF FREE TRADE AGREEMENTS NEW GENERATION (FTA-NG)

"In short, I support the idea that globalization needs a human face – a staple of popular rhetoric has become a dangerous cliché - is wrong. It raises a false alarm. Globalization has a human face, but we can make it more agreeable. »Jagdish Bhagwati (2004-x)

In this part we shall highlight the main features of the so-called new generation of trade agreements and how they can overcome some of the deficiencies and limitations of the old forms of agreements presented in the first part. To this end, we shall start first by identifying the main limitations and shortcomings of the so-called classical forms before presenting the specificities of the new generation of agreements.

1. Key limitations of classic FTAs

Notwithstanding the Virtues recognized for FTAs, the latter have undergone numerous criticisms from specialists. For example, Dent (2006) notes that although WTO rules require from member countries to FTAs to include substantially all trade in the Agreement (Substantially all trade), in practice, only a few FTAs have managed to eliminate all the duties and restrictions on trade in agricultural products.

For their part, Cheng et al. (2009) point out that the proliferation of FTAs especially since the 90s, has trivialized the overlap of these FTAs. This overlap has many negative implications of which the duplication and complexity of the rules of origin, and the loss of economic efficiency of the FTAs themselves. In addition, the FTAs overlapping phenomenon further complicates the relationship between these agreements and the multilateral trading system.

Jagdish Bhagwati (1995) called for a stricter monitoring of FTAs by the WTO. In particular, he argues that the effects of trade diversion of these FTAs are often underestimated and that the free multilateral or global exchange

provides much better benefits to partner countries. In addition, by excluding the non-signatory countries from the exchanged preferences, these FTAs are, in his opinion, discriminatory and involve at the same time, free trade and protectionism. That is why the author also recommends that these FTAs should be called "Preferential Agreements" rather than Free Trade Agreements.

Supachai Panitchpakdi, himself, during his term as WTO Director General from 2002 to 2005, did not hesitate to scold FTAs because they are “inherently discriminatory. None of them has managed to open markets in sensitive areas such as agriculture (...) [and that these FTAs] add to the complexities of the business by creating a multiplicity of rules and the poor countries are left out in cold”.

A study commissioned by the WTO in 2005 on the assessment of this World organization’s achievements during its first ten years went in the same direction of the Supachai’s criticisms. It stresses in particular that these FTAs create a lot of confusion in the international trading system by creating complex and inconsistent rules of origin, costly administrative rules and situations conducive to corruption (WTO, 2005b). Reports published by the World Bank and the IMF at the same epoch also point in the same direction.

Other limitations are usually referred to with respect to FTAs that we now refer to as classics. These are in particular the following:

- ❖ The levels of import tariffs has been a gradual decline over time and especially for manufactured goods. This resulted in a reduction of the marginal importance but also the impact of conventional FTA signatories (Dent, 2006);
- ❖ Traditional FTAs generally include many exemptions which also limit the importance and the scope. Most of these exemptions relate to sensitive areas such as agriculture;
- ❖ Traditional FTA, which more often concern exports (which are also imports from the other partner countries), ultimately cover only the result of the implementation of all the other national sectoral policies. However, the FTA cannot afford to increase exports and, accordingly,

trade between the partner countries, if the implementation of those sectoral policies do not produce tradable goods and services;

- ❖ Traditional FTAs do not reflect the will of the countries to further integrate their economies in order to take better advantage of synergies;
- ❖ Several economic operators, FTA signatory countries complain of the difficulties in obtaining evidence of the origin of goods traded and, in general, in complying with the provisions of the FTAs.
- ❖ For his part, Dent (2006) recalls that it is in the field of the RTAs that WTO rules are lagging and this is due, he says, to many causes, which he categorizes into two large families: systemic causes and procedural causes. While the first raise the fundamental question of the compatibility of the RTAs with multilateral rules, the latter are related to the timing and content of notifications and the need to develop a more transparent and efficient review process of RTAs. For example, none of the TRAs' examination report has been approved by the Regional Trade Agreements Committee (RTAAC) of the WTO since 1995 and that, in particular because of the lack of consensus in the Committee by relation to compliance with RTAs'rules of the WTO. Dent (2006) summarizes the main points of conflict in the following questions:
 - ❖ Divergent interpretations of what the word "substantially all trade" should cover as stipulated in Article XXIV: 8b;
 - ❖ Other trade regulations relating to preferential rules of origin introduced into the international trading system by the RTAs;
 - ❖ Primacy of the multilateral system and the possible negative effects of the RTAs on third parties;
 - ❖ The "grandfather" or transcendence status of the existing RTAs and the retroactive application of any new rules;
 - ❖ The RTAs and development, especially in relation to the enabling clause of 1979.

2. key features of free trade agreements called new generation (FTAs -NG)

The FTAs-NG are not limited to trade in industrial products, but also cover areas such as agriculture, NTBs, services trade, government procurement, investment, intellectual property and competition policy . They may also have dispute resolution mechanisms. These agreements are normally part of what is commonly called mixed agreements.

"The EU has focused its commercial strategy on growth and competitiveness and strongly calls for FTAs-NG. These agreements combine an ambitious agenda "WTO plus" with normative provisions such as clauses on human rights, the social dimension and sustainable development ».

The New generation of FTAs goes beyond trade in goods and covers the so-called issues or topics of Singapore (Singapore issues) or "WTO-plus issues". The strategy for trade in European Union known as the "Global Europe" emphasizes that FTAs can be based on international standards and exceed them to "go further and faster in promoting openness and the integration by addressing the problems and topics not yet ready for multilateral discussion "such as investment, government procurement, competition or the enforcement of intellectual property rights.

PART III - CASE STUDY OF SOME TRADE AGREEMENTS OF THE NEW GENERATION WHICH GAVE POSITIVE RESULTS

1. New European context of the FTAs-NG created by the Lisbon Treaty

As the European Union has gone further towards FTAs-NG, it is appropriate to tackle first this experience. Currently, there are more than 30 FTAs in force or in the process of ratification involving the EU in addition to nearly fifteen being negotiated agreements. The foreign trade policy of the EU is traditionally characterized by its aim of strengthening liberalization. This trend is maintained in the Lisbon Treaty, which states in Article 206 that "the Union contributes, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and FDI, and to reduce all barriers including tariff barriers».

Article 207: 1 places explicitly for the first time the trade policy of the Union City under the auspices of the EU's external action. Thus, this trade policy will now be guided by broader goals than simply progressive abolition of restrictions on trade and investment. The EU is increasingly combining the economic, political values and other standards in its external relations. In simpler terms, this new vision, the EU's non-trade objectives will be pursued through trade.

"The EU is the champion of preferential trade agreements. There is currently only eight members of the WTO that deal with the EU on the basis of the clause of the most favored nation. "This number has even decreased with the entry into force of the free trade agreements with Canada and Singapore. The downward trend will certainly continue with the agreements launched in 2013 with the United States and Japan.

This strengthening of trade agreements is part of a renewed context of the Lisbon strategy for growth and jobs in the European Union and especially, non-completion of the Doha Round multilateral negotiations. This context has favored the emergence of a new vision in Europe calling for an end to the

doctrine of Lamy 1999 to observe a moratorium on bilateral agreements in favor of multilateral negotiations.

The new EU strategy in this regard is to strengthen the competitiveness of its members through the facilitation of market access, especially in emerging countries through free trade agreements.

In this new strategy, key economic criteria that potential partner countries must meet are: the market potential measured both by its size and dynamism, the level of protection against EU exports, as well as trade negotiations with main competitor countries of the EU. Thus, the major countries and regions covered by the new strategy are South Korea, India, the ASEAN countries, those of MERCOSUR, Russia, the Gulf Cooperation Council and China.

The Lisbon Treaty is one of names of the treaty meant to replace the Treaty establishing a Constitution for Europe. His real name is the "Reform Treaty". It was signed on 13th December 2007 in Lisbon, hence its name, and entered into force on 1st December 2009 after ratification by 27 countries of the Union.

It is also called "simplified treaty" following a campaign promise of Nicolas Sarkozy: which consists of replacing the text rejected by the French and the Dutch in 2005 by a simplified text that would not require going through a referendum.

The Treaty is a series of amendments to existing EU texts which it aims to modernize the operation. "If the Lisbon Treaty does not contain a key measure that advances the construction of Europe as the euro, it still fits in depth treaty rules so that the Union can respond to the new challenges of the 21st century. Thus the treaty renovates the architecture of institutions, softens decision making and enhances the external representation of the Union».

The entry into force of the treaty has brought profound changes to the European policy of free trade agreements. Thus, on the one hand, trade is placed in the broader perspective of the foreign policy of the EU and

decision-making and skills are redefined involving among other consequences, strengthening the powers of parliament European on the other hand.

The crisis background in which the new treaty came into force, added to European requirements for foreign trade. Thus, the "Europe 2020" strategy explicitly calls for supporting sectors and regions with a potential for growth and inclusion and initiates a strategic dialogue with key partners to this end. In this perspective, the European Commission emphasized in 2010 in its Communication "Trade, Growth and World Affairs" on the fact that "For an open trade policy in Europe to succeed politically, others, including our developed and emerging partners must match our efforts in a spirit of reciprocity and mutual benefit". He added in another passage that specific trade instruments such as the FTAs should be used to "encourage partners to promote respect for human rights, labor standards, environment and good governance including tax matters».

With the new generation of FTAs, the EU aims to emphasize the adoption of international standards in areas of greater integration to ensure that the rules adopted in major markets are consistent with European standards.

According to Gstöhl and Hanf (2014), the new strategy FTAs-NG EU also has constitutional implications on at least three levels:

- ❖ First, it aims at exporting the core values of the EU in partner countries, Europeans can contribute to improving the constitutional rights of citizens of those countries;
- ❖ Second, by establishing these standards as pre-requisites for more ambitious trade liberalization, the EU also seeks to protect the rights of its own citizens;
- ❖ Finally, this new approach must be set within the broader perspective of the Lisbon Treaty, which has subordinated the EU's trade policy to a broader range of objectives and significantly altered the conclusion of rules of trade agreements with countries outside the EU.
- ❖ In general, the new FTA-NG concluded by the EU or are being negotiated, seek to integrate, in addition to economic and business

conditions, clauses relating in particular to the following three main aspects: human Rights, working conditions and the social dimension, and finally Sustainable Development

2. Case of the FTAs between the EU and Canada (CETA)

After many years of tough negotiations, Canada and the EU could finally sign the Comprehensive Economic and Trade Agreement called CETA (Canadian-EU Comprehensive Economic and Trade Agreement) on September 26, 2014. The signing of the agreement was preceded by an agreement in principle signed on 18th October, 2013 in which the main points of agreement were recorded.

According to Fan (2014), Canadian authorities welcomed the agreement, which in their opinion is broader, deeper and more comprehensive than the NAFTA agreement signed in 1992 with the United States and Mexico. They predict a rise in bilateral trade with the EU by 20% and \$US 12 billion increase in Canadian GDP as a result of this agreement.

The text of the FTA-CETA covers a wide range of issues and areas related to trade and Innovation.

3. Cases of the FTA between the EU and South Korea

The FTA signed between the EU and South Korea within the framework of the new European vision, which consists in pursuing a trade policy reconciling economic growth, social development and environmental protection in accordance with Article 9 of the Lisbon Treaty.

South Korea was designated a priority partner for the EU in the Communication "Global Europe" of the European Commission in October 2006. This announcement was the prelude to the definition of a business strategy based on negotiation of a FTA-NG favoring countries with high export potential for European companies including South Korea.

In the FTA with South Korea and in addition to the goal of elimination of tariffs, emphasis was also placed on the liberalization of trade in services, investment as well as the search for new ways to overcome the technical barriers to trade and non-tariff barriers. Similarly, the FTA has set itself the goal of improving the conditions for sustainable development. EU negotiations with South Korea began in May 2007 and ended in March 2009 after eight rounds of discussion. However, it was only on 15th October 2009 that the FTA was officially signed by both parties.

This FTA will liberalize trade between the two partners on the basis of the WTO-Plus. It also covers issues such as industrial subsidies, intellectual property, geographical indications, NTBs, sustainable development, environmental protection, the fight against protectionism, etc.

4. Case of the FTA between the European Free Trade Association (EFTA) and Ukraine

The Free Trade Agreement between the EFTA comprises Iceland, Liechtenstein, Norway and Switzerland, on the one hand and Ukraine on the other, it entered into force on 1st June 2012. The agreement signed in 2010, regulates trade in goods and services between the signatory countries. Its nature as the New Generation Agreement results from the fact that it also covers the market competition, government procurement, investment and protection of intellectual property rights.

According to the text of the agreement, the parties shall abolish all customs duties on the import of a wide range of products. In addition, the text of the document stresses that "no customs duty on imports should be introduced." The agreement also provides for the gradual abolition of export duties and contains anti-dumping provisions.

The FTA EFTA-Ukraine provides for a list of objectives that the parties intend to achieve in the future and, in particular, the liberalization of trade in goods and services, elimination of TBTs, increased investment opportunities, promotion of competition in their economies, and the liberalization of public procurement.

On trade in services, the Parties have undertaken to ensure that all measures of general application affecting these exchanges shall be "reasonably administered", objective and impartial." As for investments, the new document ensures that signatory countries avoid imposing restrictions to protect the balance of payments.

In 2011, bilateral commodity trade between Ukraine and the members of EFTA countries totaled US \$ 1.2 billion, according to the official website of EFTA. During the last decade, the annual growth of this indicator amounted to 19%. In addition, Ukraine is listed as the second largest destination for exports from the EFTA traders in Europe, outside the European Union. Ukraine's exports to EFTA countries mainly consist of inorganic chemicals, while the main export of EFTA countries to Ukraine are fish and pharmaceuticals.

Regarding the impact of this agreement, Martin Zbinden, Head of Free Trade Agreements Sector of the State Secretariat for Economic Affairs, said in February 2012 that the volume of trade between the signatory parties could double with the new agreement. "It is important to inform entrepreneurs about the new export opportunities [engendered by the free trade agreement]," he said, commenting on the upcoming launch of the Free Trade Agreement between Ukraine and the EFTA States - Iceland, Liechtenstein, Norway and Switzerland.

Before EFTA, Ukraine had signed free trade agreements with Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Macedonia, Moldova, Russia, Tajikistan, Turkmenistan and Uzbekistan.

PART IV - PRESENTATION OF SOME NEW GENERATION TRADE AGREEMENTS INVOLVING THE OIC COUNTRIES

In addition to the presentation of these agreements, this part includes an assessment of their preliminary impact on trade in those countries to the extent of available data,

1. Case of Morocco

Among the most fruitful experiences in the OIC countries in the field of FTAs, those of Morocco are very interesting to study.

1.1 Assessment of the free trade agreements signed by Morocco

Morocco was among the Arab and African precursors towards the liberalization of its economy and its trade since the early 80's. This opening, which represents an irrevocable strategic choice, was highly reflected by Morocco's active participation in the multilateral trading system under the WTO. The proliferation of free trade agreements it has concluded, in particular with key players in the global economy (especially with the European Union and the United States) and with emerging or developing countries with strong potential (Turkey , member countries of the Agadir Agreement, UAE, EFTA, etc.) is shown.

The conclusion of these agreements is justified by the need to adapt to the new demands of world trade and the need for diversification of products and export markets. Through these agreements, Morocco aims to create additional relays for economic growth through the expansion and diversification of its exports, and to enhance its attractiveness to foreign direct investment (FDI).

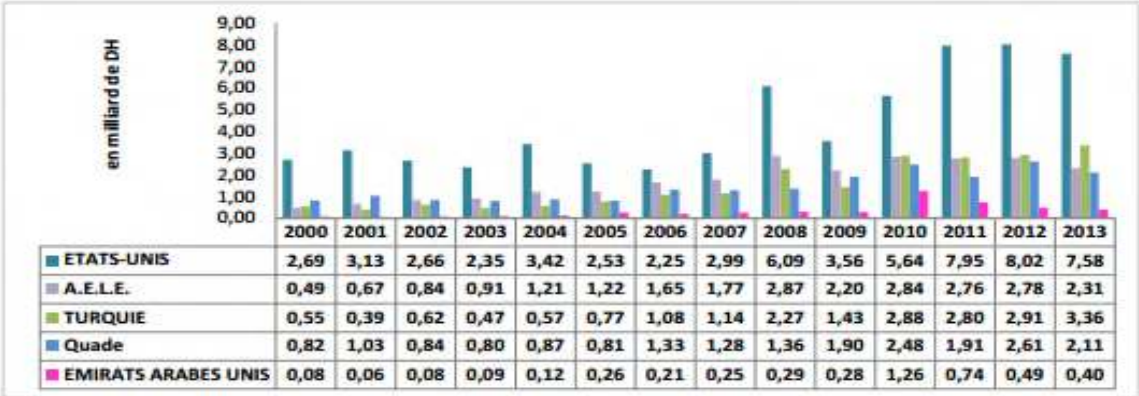
	Share in trade in goods (%)
With FTA signatories	65
With other countries	35

Source : Foreign Exchange Office

The progress made by Morocco on trade liberalization are clear, to the point that today more than half the country's foreign trade is carried out within the framework of these free trade agreements (Table 4.1).

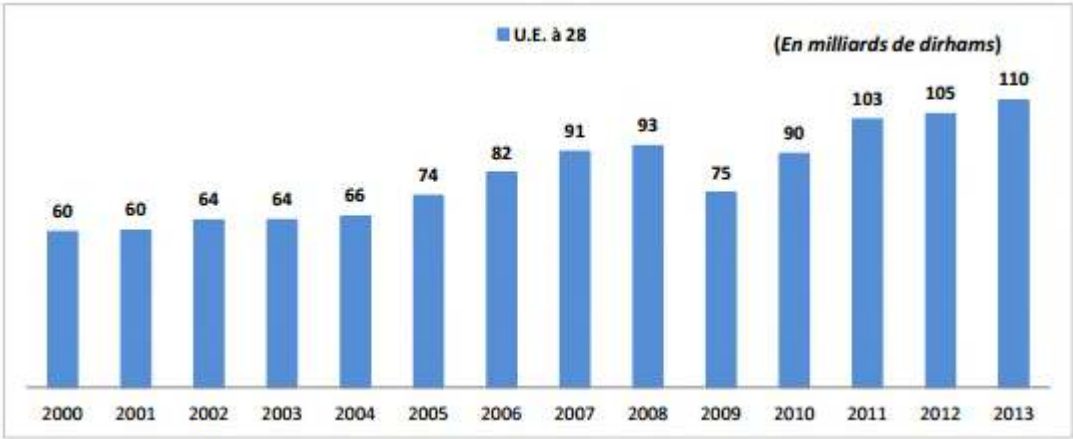
Improving the accessibility of national supply to partner country markets has fostered a significant increase in exports and diversification at sectoral and geographical levels (Figure 4.1 to 4.3).

Table 4.1: Percentage of Moroccan trade in goods under the FTAs signed by the country



Source: Foreign Exchange Office

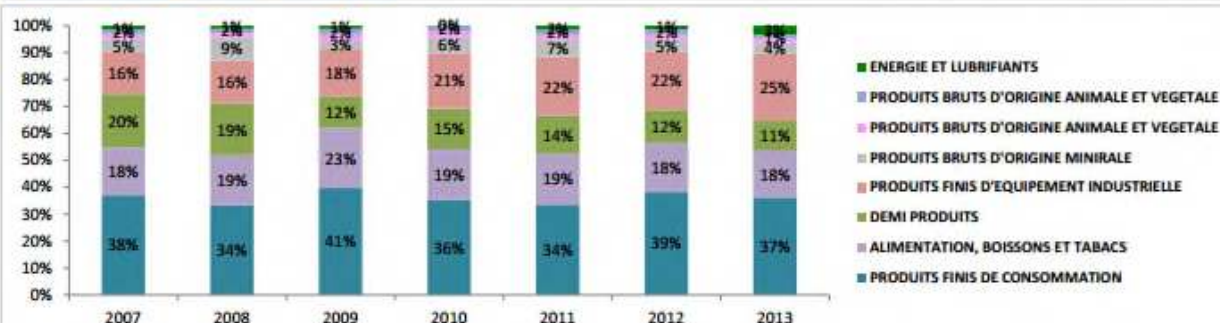
Figure 4.1: Export trends with FTA signatories



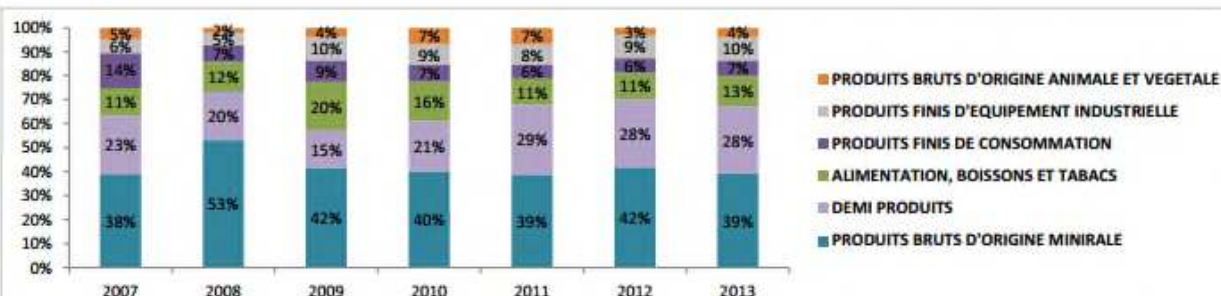
Source: Foreign Exchange Office

Figure 4.2: Evolution the export structure with FTA signatories

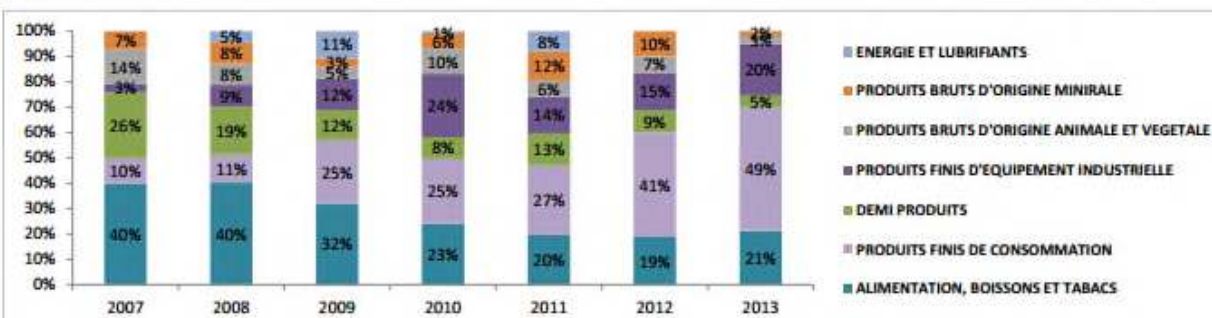
UE: Produits Finis de Consommation 37%, Alimentations Boissons et Tabac 18%, Produits finis d'Equipe- ment Industrielle 25% , Demi Produits 11%



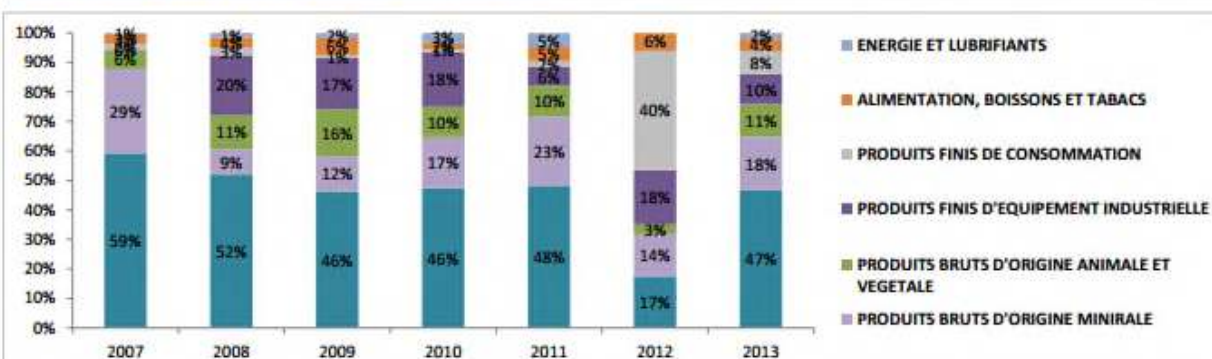
USA: Produits Brute d'Origine Minérale 39%, Demi Produits 28%, Alimentations Boissons et Tabacs 13%, Produits Finis d'Equipe- ment Industrielle 10%

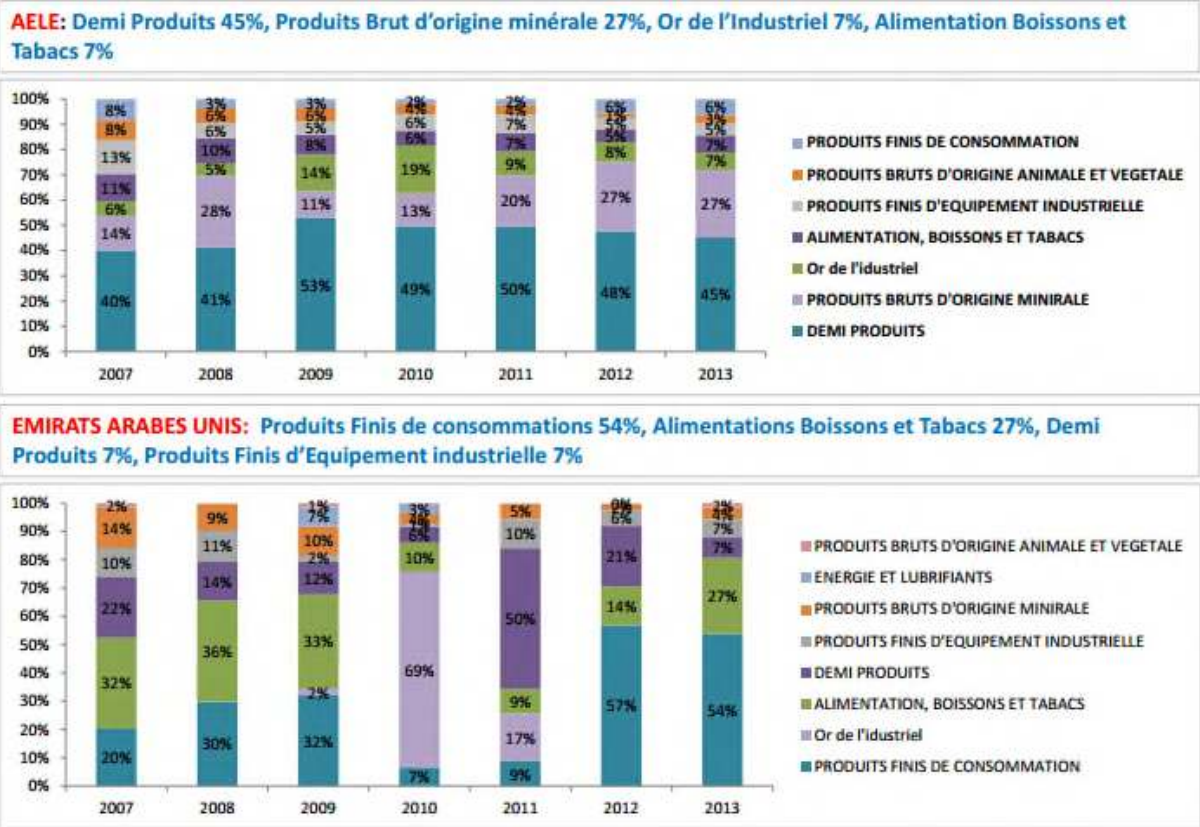


Pays de la Quade: Produits Finis de Consommation 49%, Alimentation Boissons et Tabacs 21%, Produits Finis d'Equipe- ment Industrielle 20%



Turquie: Demi Produits 47%, Produits Bruts d'origine Minérale 18%, Produits Brut d'Origine Animale et Végétale 11%, Produits Finis d'Equipe- ment Industrielle 10%

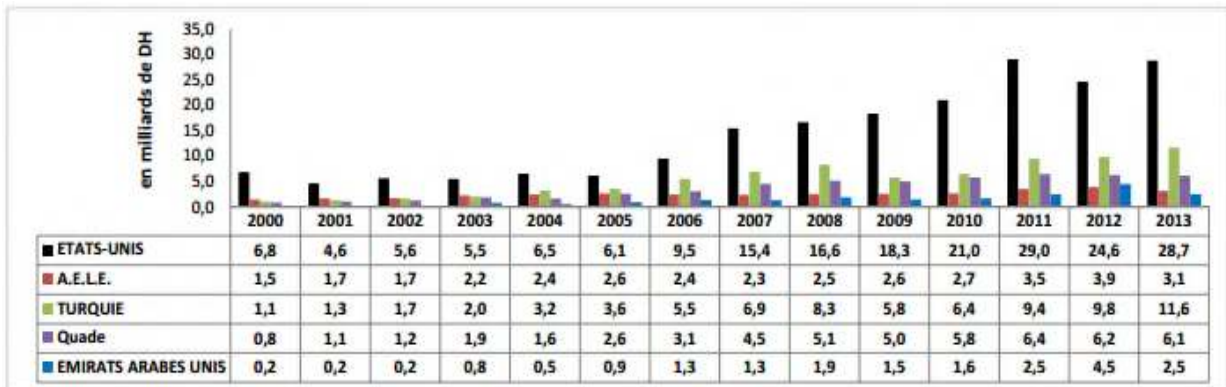




Source: Foreign Exchange Office

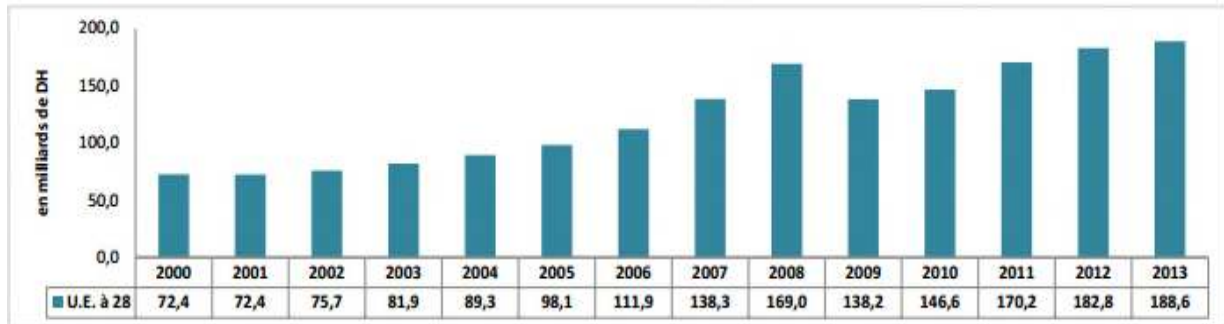
Figure 4.3: Sectoral and geographical breakdown of Moroccan trade

However, we must recognize that the Moroccan imports from the signatory countries grew much faster than exports to these countries as shown in the following figures (Figures 4.4 to 4.6):



Source: Foreign Exchange Office

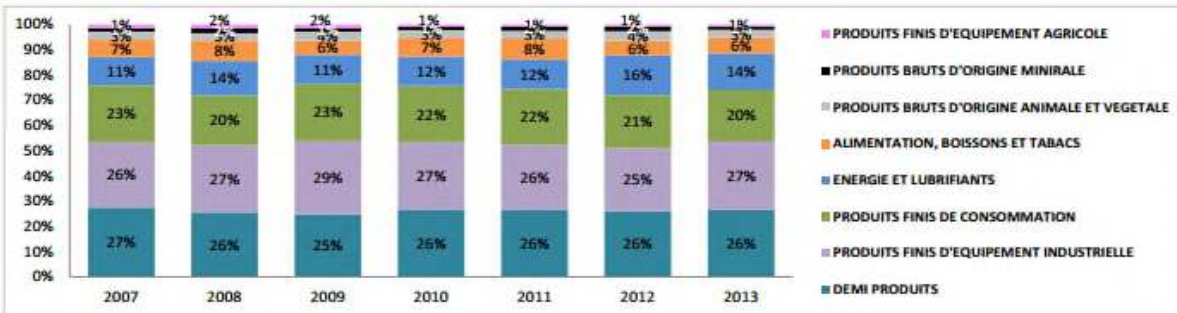
Figure 4.4: Evolution of imports with FTA signatories



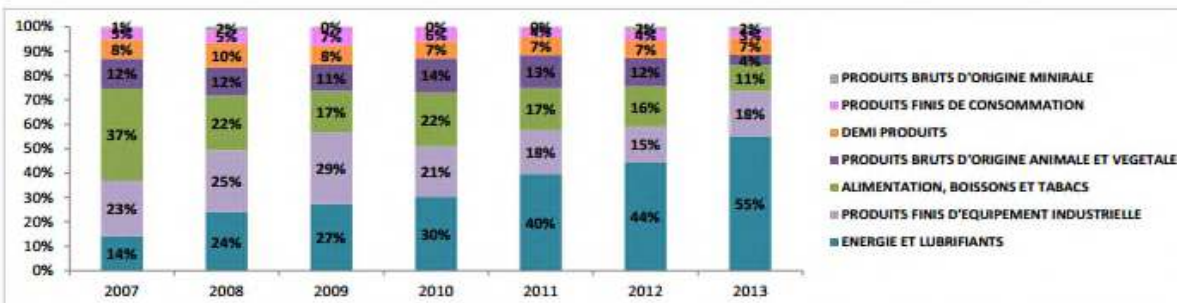
Source: Foreign Exchange Office

Figure 4.5: Evolution of imports structure with FTA signatories

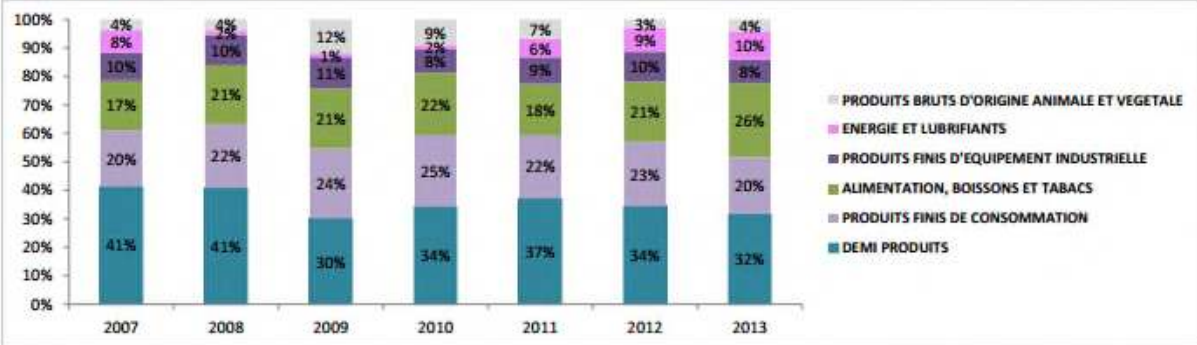
UE: Produits finis d'équipement industrielle 27% , Demi Produits 26%, Produits finis de consommation 20%, Energie et Lubrifiant 14%



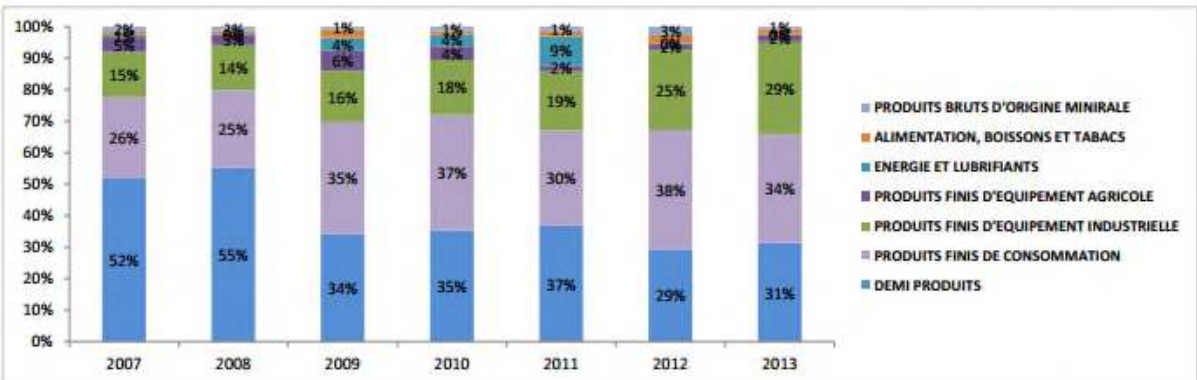
USA: Energie et Lubrifiants 55% , Produits finis d'Équipement industrielle 18%, alimentation boisson et tabac 11%



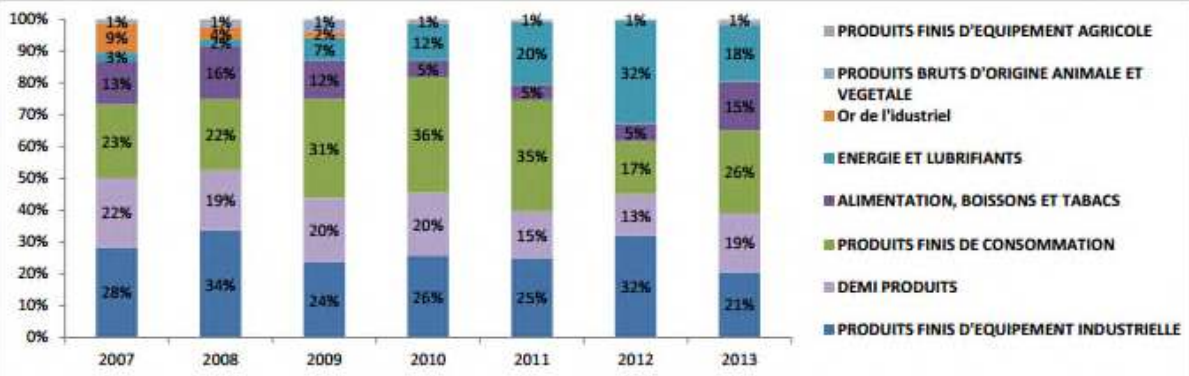
Pays de la Quad: Demi produits 32%, Produits finis de consommation 20%, Alimentation Boisson et Tabac 26%, Energie et Lubrifiants 10%



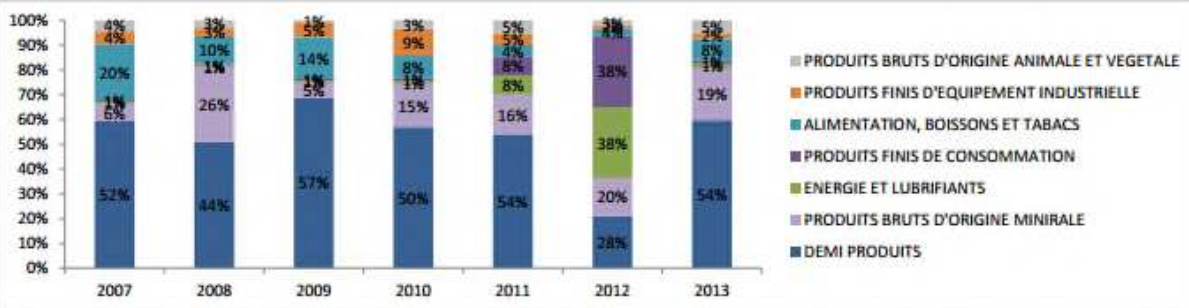
Turquie: Produits finis de Consommation 34%, Demi Produits 31%, Produits Finis d'Équipement Industrielle 29%



AELE: Produits Finis d'Equipeement Industrielle 21%, Produits Finis de Consommation 26%, Demi Produits 19%, Energie et Lubrifiants 18%



EMIRATS ARABES UNIS: Demi Produits 54%, Produits Bruts d'Origine Minérale 19%, Alimentations Boissons et Tabac 8%



Source: Foreign Exchange Office

Figure 4.6: Breakdown of trade

This situation has generated a chronic deficit in the trade balance of Morocco. With the exception of Jordan with which it has a surplus, Morocco has a trade deficit with all its partners to which it is linked by free trade agreements (Table 4).

Table 4.2: Morocco's trade development under FTAs

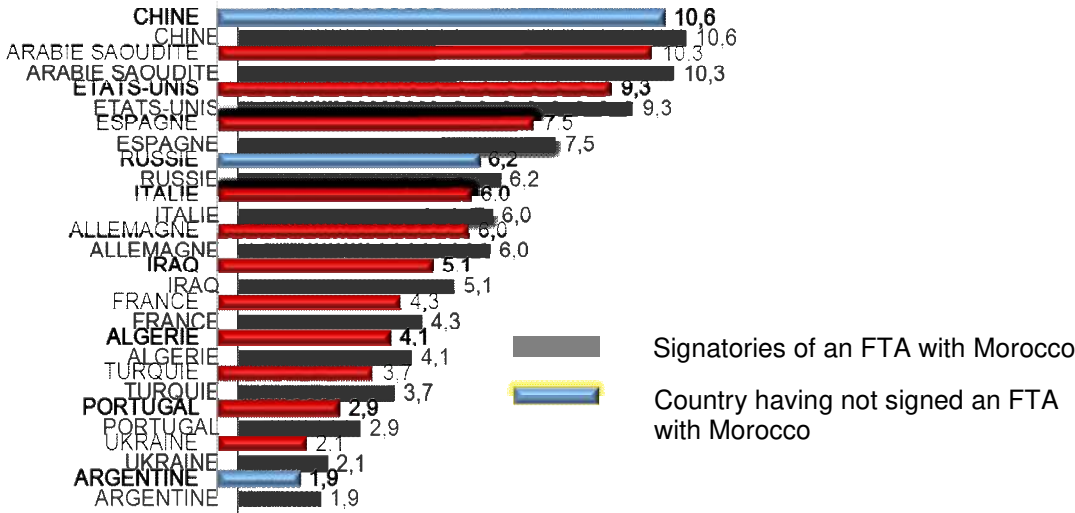
FTA/ Billion DHS		2000	2007	2013	Jan-Sept 2013	Jan-Sept 2014
EU	Exports	59.7	90.5	112.6	83.1	93.9
	Imports	72.4	138.3	191.5	144.8	147.2
	Global Volume	132.2	228.76	304.2	228.0	241.1
	trade balance	-12.7	-47.7	-78.9	-61.7	-53.2
	Cover rate	83%	65%	59%	57%	64%
FTA	Exports	0.5	1.8	2.4	1.9	1.5
	Imports	1.5	2.3	3.2	2.4	2.2
	Global Volume	2.0	4.1	5.6	4.3	3.7
	Trade Balance	-1.0	-0.6	-0.8	-0.5	-0.7
	Cover rate	33%	76%	75%	80%	68%
TURKEY	Exports	0.6	-47.7	3.6	2.6	3.0
	Imports	1.1	65%	11.7	8.9	11.1
	Global Volume	1.6	8.07	15.2	11.5	14.2
	Trade balance	-0.5	-47.7	-8.1	-6.3	-8.1
	Cover rate	52%	65%	30%	30%	27%
Agadir Agreement	Exports	0.8	1.3	2.4	1.6	1.6
	Imports	0.8	4.5	6.1	4.9	5.0
	Global Volume	1.7	5.8	8.5	6.5	6.6
	Trade balance	0.0	-3.2	-3.8	-3.3	-3.4
	Cover rate	98%	28%	38%	32%	31%

FTA/ Billion Dhs		2000	2007	2013	Jan-Sept 2013	Jan-Sept 2014
USA	Exports	2.7	3.0	7.2	5.6	5.9
	Imports	6.8	15.4	28.6	21.5	22.8
	Global Volume	9.5	18.44	35.8	27.1	28.7
	Trade Balane	-4.1	-12.4	-21.4	-16.0	-16.9
	Cover rate	39%	19%	25%	26%	26%
UAE	Exports	0.1	0.3	0.4	0.2	0.4
	Imports	0.2	1.3	2.6	1.9	2.6
	Global Volume	0.3	1.5	3.0	2.2	3.0
	Trade Balance	-0.1	-1.0	-2.2	-1.7	-2.2
	Cover rate	40%	20%	16%	13%	16%
GAFTA	Exports	2.6	4.0	7.4	5.2	5.6
	Imports	15.2	29.0	56.8	40.5	39.9
	Global Volume	17.8	33.0	64.2	45.7	45.5
	Trade Balance	-12.6	-25.1	-49.4	-35.3	-34.3
	Cover rate	17%	14%	13%	13%	14%

Source : Foreign Exchange Office

In 2013, a significant portion (80%) of Morocco's trade deficit was due to trade carried out with 14 countries, including Europe, China, Saudi Arabia and the United States, as shown in the chart below (Figure 4.7):

Figure 4.7: Geographical breakdown of the sources of Morocco's trade deficit in percentage



However, and although the trade carried out with the signatories of an FTA represents 65% of total trade in goods, their contribution to the balance of trade deficit of Morocco does not exceed 57% (Table 4.3).

Therefore, trade carried out with non-signatory countries of these agreements is the source of 43% of the total deficit of the balance of goods, although it represents only 35% of total trade in goods. China tops the list of these partners with about 10.6% of the total deficit.

	Share in trade in Goods (%)	Share in trade deficit of Goods (%)
Signatories of FTAs	65	57
non Signatories of FTAs	35	43

Source : Foreign Exchange Office

Table 4.3: Distribution of trade deficit in percentage

Therefore, despite the entry into force of these agreements and the benefits they offer, a share exchange is performed outside the preferential framework,

which explains that FTAs are not the main determinant of the trade deficit, which remains structural in the case of Morocco.

In fact, the objectives of the FTAs signed by Morocco are mainly as follows:

- ❖ The dynamics of growth of the Moroccan economy driven by domestic demand;
- ❖ The effects of the global economy;
- ❖ The economic gap between the growth dynamics of the Moroccan economy and that of its main foreign partners;
- ❖ The ability of operators to meet the international standards requirements and quality standards; Etc.

In fact, if these FTAs are confronting the Moroccan economy to severe trials, they also bring opportunities. They are able in particular, to allow Morocco to control its macroeconomic balance, accelerate social and economic reforms aimed at upgrading the economy and increasing foreign direct investment.

FTAs also promote the allocation of resources for new competitive activities with high added value. These include new information technology, automotive components, electronic and aerospace components, and food products that meet international quality standards including biotechnology products.

However, for the moment, the expected objectives have not been fully achieved (growth, macroeconomic stability, human development). This situation can be explained by the low coherence between production and trade policies (sectoral strategies with respect to free trade agreements).

It is noteworthy that Morocco's FTAs were sometimes concluded without prior recourse to impact studies to determine not only the level of tariff and non-tariff concessions to accept, the progressive implementation in order to take into account the resilience of different sectors of activities, but also to consider corrective measures in case of unsustainable trade imbalance.

In addition, in order to ensure the success of the geographical and sectoral diversification of exports from Morocco within the framework of these FTA, a quick upgrading of the national economy (adaptation of the productive base, upgrading its logistics, etc.) has often been envisaged only a posteriori, which does not allow to realize very quickly the positive effects of these agreements.

1.2. Deep and Comprehensive Free Trade Agreement between Morocco and the European Union (EU-Morocco CAFTA)

During the last decade, the legal framework governing trade relations between Morocco and the EU was consolidated with the entry into force of the Association Agreement in 2000 and the adoption of the plan Action in July 2005 as an integral part of the European Neighbourhood Policy. The advanced status granted to Morocco in 2008 resulted in a new, more ambitious and wide association phase. A new commercial dispute resolution mechanism took effect in 2012. The same year, trade agreements were concluded on agriculture and fishing. In January 2015, Morocco and the EU will initial an agreement on the mutual protection of geographical indications.

The EU is an important trading partner of Morocco, representing about 50% of the total trade of the country. The exchange of goods continued to rise in recent years, their value amounting to over 304 billion dirhams in 2013.

In December 2011, the Commission received a mandate from Brussels to launch exploratory talks on trade liberalization agreements, so-called new generation "Deep and comprehensive free trade agreements (CAFTA)" with the four countries of Agadir Agreement: Egypt, Tunisia, Jordan and Morocco. The launch of these negotiations would depend on the interest of each partner country and its willingness to participate, Thus, Morocco is the first partner in the Southern Mediterranean region with which the EU launches the formal opening of a negotiation process in March 2013.

According to a joint statement during the first round of negotiations in April 2013, it was announced that "The purpose [of these negotiations] is to

upgrade the existing Association Agreement, which has already led many to duty-free trade in products since 2000. The negotiators will meet in Rabat and begin discussions on an agreement to deepen existing business relationships in a number of areas that are not yet covered, such as services and public procurement; the agreement should also allow a better protection of investments and new commitments on competition and intellectual property rights.

To improve the efficiency of the existing free trade arrangements, negotiators also seek to simplify customs procedures and reduce trade barriers related to the heaviness of incompatible or redundant industrial standards or, due to food security requirements A chapter on sustainable development will help to ensure that trade liberalization does not have a negative effect on the environment or social norms. "

Thus, CAFTA goes beyond the traditional concept of trade liberalization and reduction and/or elimination of tariffs, favoring closer economic integration and reducing non-tariff barriers at borders and beyond thereof. Thus, CAFTA will allow to "deepen" integration by reconciling the trade requirements, industry standards, and technical regulations and measures relating to plant and animal health in force in Morocco with the EU legislation; it will cover as such a "global" set of areas that are of fundamental importance in an exchange environment and modern investments, transparent and predictable.

The aim of the process is to achieve ultimately the free movement of goods, persons, services and capital across the Common Economic Space. Nevertheless, it is clear that the success of this new generation of agreement will depend on the political will and especially of Morocco's ability to implement all its provisions. It should be noted in this regard that since obtaining the advanced status in 2008. Morocco has made significant progress on the approximation of Moroccan legislation with the community acquis. Nevertheless, it is imperative now to develop a convergence plan so that this merger is done in a more structured and strategic way.

For its part, the European part is called to base its negotiations on a realistic, balanced and flexible regulatory convergence and to take into account the difference in the level of economic development and regulatory priorities of Morocco.

Furthermore, it should be noted that CAFTA will complete the Morocco-EU Association Agreement and will not be seen as a new agreement apart. Therefore, the aim is not to conclude a new contractual framework but rather to corroborate the existing association agreement by other aspects that have not yet resumed.

1.3 The benefits of CAFTA compared to other trade agreements between Morocco and the EU

The CAFTA should establish a framework for a gradual and sequenced preparation for a thorough integration of the Moroccan economy in the internal market of the EU, through:

- ❖ Easier access for Moroccan products to the European market of 500 million consumers; besides, once Morocco is close to the EU legislation in all areas covered by CAFTA, its products can be easily exported to other third countries;
- ❖ A more fluid participation of the enterprises of both parties in the context of public procurement contract awards;
- ❖ A stronger guarantee of security, better quality and greater choice of products and services for both Moroccan and European consumers;
- ❖ More favorable conditions for investment in the country should attract EU investors and other third countries,

Also noteworthy is the dynamic role that the establishment of CAFTA may have in the process of integration in the Arab Maghreb region and the Mediterranean region in general. Indeed, the EU has negotiated CAFTA also with other partners in the region, which should increase the opportunities of trade between the member countries of the AGADIR Agreement and constitute a favorable leverage for facilitating trade between these countries and improving the business and investment climate.

1.4 The results of the EU-commissioned study on the impact of EU-Morocco CAFTA

At the request of the European Parliament, a sustainable commercial impact study of the EU-Morocco CAFTA was commissioned by the European Commission to external consultants (Ecorys Company). The final report of that study, which was published in November 2013, shows positive macroeconomic effects of CAFTA for Morocco and the EU.

This study has been prepared, among others, on the basis of public consultations with civil society that took place in Rabat and Brussels and presents an analysis of the economic, social and environmental dimensions of the Agreement (Table 4.4).

Table 4.4: Main impact results of the EU-Morocco CAFTA

Variable	EU	Morocc	EU	Morocc
	Short term		Long term	
National Income in millions euro	834	1.145	1.403	1.300
GDP variation in %	0.0	1.3	0.0	1.6
Consumer prices, variation in %	0.0	0.4	0.0	0.4
Wages, less-skilled workers, variation in %	0.0	1.4	0.0	1.5
Wages, more skilled workers, variation in %	0.0	1.6	0.0	1.9
Total imports, variation in %	0.0	8.0	0.0	8.4
Total exports, variation in %	0.0	15.3	0.0	15.3

Source: Executive Summary of the Final Report of the Evaluation of the Sustainable Commercial Impact (TSIA) in support of negotiations for a deep and comprehensive Free Trade Agreement (CAFTA) between the European Union (EU) and Morocco

Overall macroeconomic effects:

In the long term, the expected gains in national income should reach US\$ 1.4 billion for the EU and 1,3 billion Euros for Morocco. Given the size of the two economies, the gains in GDP in relative terms will be close to zero for the EU, but would represent a long-term increase of nearly 1.6% of GDP for Morocco.

For the EU, the impact of CAFTA on trade, wages and the price of consumer goods is expected to be negligible.

Effects on trade:

For Morocco, the impact of CAFTA on trade flows would be important, with an expected 15% increase in exports and 8% of long-term imports, which would be reflected in an improvement in the trade balance in relative terms.

According to the results of this study and about the changes by sector in terms of trade, the most significant increase in Moroccan exports is expected to occur in the other transport equipment sector and should represent an 89% increase in exports in the long-term.

The Exports of all industrial sectors are expected to increase significantly (e.g. sectors, other than machinery and motor vehicles are expected to increase by 71 and 50% respectively). In particular, the other machines sector should primarily benefit the most from this trade liberalization since it should also show the largest increase in exports in absolute terms (3.3 billion of long-term euro). Furthermore, most services sectors are expected to record a decline in exports.

On the other hand, imports are expected to increase from 5 to 15% for all sectors (except for that of the primary energy). The largest percentage increase (+ 34%) is expected in the sector of meat processing. However, this sector represents a relatively small share of Moroccan imports.

Effects on added value:

Despite the overall a priori positive impact of CAFTA on GDP for both parties, the results differ by sector, while some sectors will grow; others are expected to show a downward trend. In Morocco, the most important effect is expected on the other machines sector with an 8.5% increase in the value-added sector in the long term; this is mainly due to the reduction of Non-Tariff Measures (NTMs). The Fruit and Vegetable sector, a relatively important sector in terms of value added and employment, is also expected to increase by 4% in the long term. In the services sector, public services

and other services, already important sectors in Morocco, are expected to grow the most (+ 1% in the long term).

Regarding agriculture, Grains and Other Crops sector should be the biggest loser of the CAFTA (2.7% long-term reduction in production), mainly because of the alignment of the Moroccan NTMs with those of the EU. The leather sector should be the most affected by CAFTA with an estimated output reduction to 3.6% in the long term. Regarding services, ICT and other business services is expected to face a growing competition from European companies and could lose about 1.7% of its long-term production. Within this overall area, offshoring industry is unlikely to be adversely affected by CAFTA because of a currently liberalized trading environment and high expectations of the liberalization of trade in services under this specific CAFTA.

EFFECTS ON THE ENVIRONMENT AND ON SOCIAL AND HUMAN RIGHTS:

Regarding the environmental indicators, CAFTA should provide a combination of positive and negative effects on the environment and the overall effect is difficult to predict with certainty.

In terms of air pollution, quantitative analyzes show that emissions of all pollutants in the short and long term will decline after the implementation of CAFTA. This overall positive effect is largely due to the transformation of the economic activity of primary energy, textile, leather, chemicals and transport to areas that emit less pollution in the air such as fruits and vegetables, utilities and other services, In monetary terms, the long-term positive effect on air pollution should lead to a reduction of external costs of 24 million Euros, CO₂ emissions are expected to decline from 600 metric tons in the long term and CAFTA should have a small but positive effect on climate change. Regarding all other kinds of environmental indicators, such as waste, biodiversity and the green economy, CAFTA should have a shared and even weak effect.

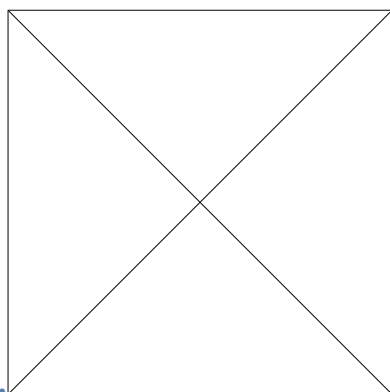
Significant positive effects would be expected in terms of wages for Morocco, with a potential increase in the long term between 1.6 and 1.9%. Although the price of consumer goods is expected to increase by about 0.4% due to

increased income and demand that would follow, rising wages should improve the purchasing power of the average Moroccan citizens.

Regarding the situation of human rights, the effect of the agreement would be positive and indirect through advanced economic and social rights (such as improving the rights to an adequate standard of living and a better access to food) rather than through the evolution of cultural, civil or political rights

1.5 A financial support of the EU to the implementation of the EU-

Morocco CAFTA.



This legislative approximation process envisaged in the CAFTA negotiations has already received a financial support from the EU. Indeed, the EU is implementing a range of projects that affect certain sectors of the CAFTA and plans to complement these interventions in the future. Thus, the last five years, EU funding allowed the implementation of many twinning projects between Moroccan and European administrations.

These projects have involved themes related to the fields of CAFTA as the normative framework of the political quality of industrial products, the introduction of a policy of competition and consumer protection policy, the application of the requirements of sanitary and phytosanitary standards and marketing of fishery products and strengthening the protection of industrial property. The TAIEX (Technical Assistance Information Exchange instrument), which is a very important tool in providing support, training or studies to administrations, has been used many times in the areas affected by CAFTA.

1.6 The progress of CAFTA Morocco-EU negotiations: four rounds of negotiations

Negotiations on the Deep and Comprehensive Free Trade Agreement (CAFTA) between the EU and Morocco were launched on 1st March 2013. In order to mobilize actors in the public sector to engage in this undertaking aiming at deepening bilateral relations between Morocco and the EU, it was proposed to set up a "task force" comprising representatives of the Ministry of Foreign Trade, the Ministry of Foreign Affairs and Cooperation and the General Secretariat of the Government in a bid to control the work of these negotiations.

So far, four rounds of negotiations took place, the last was held in April 2014. The rounds were an opportunity for both parties to continue the exchange of information and clarifications on various texts of the Agreement and to review the objectives, extent, and the scope of each chapter under negotiation.

The negotiations of the Comprehensive and Deep Free Trade Agreement were conducted within the framework of 11 working groups related to various themes of CAFTA and may be subject to a regulatory approximation. On the occasion of these rounds, Morocco has stressed the need to consider the "development" dimension”.

Trade defense:

The CAFTA's scope regarding trade defense aims to build on existing provisions of the association agreement on safeguard measures, anti-dumping and countervailing measures. The negotiations taking place on this aspect in relation to trade defense instruments may not present a major risk. The consensus between the two partners is possible in so far as the reference in the field remains the WTO multilateral arrangements both for Morocco - which has just adopted a law 15-09 meet international standards - and the EU inspired by similar multilateral arrangements.

Transparency:

The chapter on transparency in CAFTA contains provisions on publication, inquiries and contact points, non-discrimination, etc. The CAFTA, which provides a separate chapter on transparency aims to ensure access to

information in a transparent, fair and non-discriminatory whatsoever on current or future actions. On this issue, it is certain that the two sides will build on multilateral provisions, i.e. Article X of the GATT - for trade in goods - and Article III of the GATS - for trade in services - constituting a reference in this field.

Competition:

The provisions of CAFTA seek to implement a comprehensive competition law covering all economic activities. At this level, we must recognize that Morocco needs to make a major effort to move closer to the EU acquis, but this effort requires real both technical and financial assistance that is targeted with well-defined objectives. A provision of the agreement that draws attention is the one that calls on Morocco to create a body with sufficient powers and means for the implementation of all provisions of the agreement.

Customs and Trade Facilitation:

This part of the agreement covers the horizontal provisions to regulate the procedures of customs procedures and trade facilitation so that they are administered consistently. CAFTA aims a progressive approximation of Moroccan legislation and customs procedures with those of the EU, and negotiations between the two parties should endeavour to find the mode of application of the practices and procedures related to customs procedures and trade facilitation affecting the selective control aspects, including security measures pre-arrival and pre-departure declarations and simplified customs procedures for licensed economic operators.

Renewable energy: the provisions of CAFTA invite Morocco to establish a legislative framework for renewable energy to encourage EU companies to invest in this sector. The expected contribution of CAFTA mainly targets trade in renewable energy knowing that the energy trade is already covered by the provisions of the association agreement.

Technical Barriers to Trade (TBT): the stated objective through CAFTA is to reduce barriers Technical Trade in industrial products and consolidate the process of aligning the Moroccan technical regulations and compliance assessment procedures as far as possible with those of the EU. This is actually the part of the agreement that requires Morocco to provide considerable adjustment effort given the large number of areas covered in this case, the development of infrastructure, the conformity assessment, the system of standardization, accreditation, market surveillance, etc.

Trade and sustainable development: the example of the multilateral negotiations which have integrated the aspect of sustainable development in trade, CAFTA also refers to it as a common objective of both parties which wish to make of trade a stimulus to sustainable development

Intellectual property rights: in this area, Morocco is expected to harmonize its legislation with that of the EU with regard to the protection of intellectual property rights. The protection standards regarding intellectual property rights provided for by these Agreement concern copyright and related rights, trademarks, designs, patents and geographical indications.

SPS Measures: The objective of this component of the agreement is to facilitate trade in goods subject to the requirements of sanitary and phytosanitary (SPS) while maintaining a level of protection for the concerned parties. The main provision that emerges from the CAFTA text is that Morocco must commit itself to approximate its legislation in the SPS area to EU legislation. Obviously, the EU countries took several years to achieve harmonization of their laws. Hence, the need for both technical financial assistance of the EU to succeed in this approximation process.

Services and right of establishment: CAFTA incorporated negotiations on services and right of establishment which have been the subject of prior negotiations of a partial agreement since 2008. Both parties agreed that the services and the right of establishment are negotiated under CAFTA because trade in services faces regulatory obstacles, which only a comprehensive and integrated framework can reconcile the positions. These are the obstacles to mutual recognition and professional qualifications which greatly handicap

the benefit of services provided by non-Community persons (Mode 4). There are also administrative procedures relating to visas which complicate access to the European market even to service providers.

Public procurement: public procurement is among the important part of the negotiations within the framework of CAFTA. The latter aims at ensuring that Morocco is close to European legislation on the subject. In economic terms, the impact of this goal seems difficult in view of the asymmetry in levels of development between the two economies. The question is whether Moroccan operators are economically able to access to European public procurement even if they are provided with information to face the competition of the EU more competitive rivals.

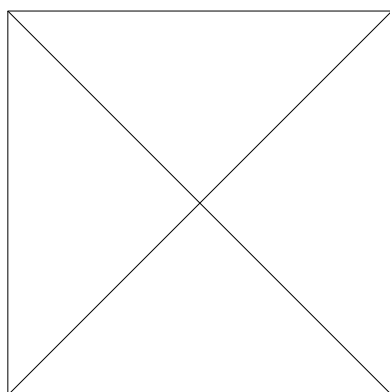
1.7 Morocco launches an impact and supporting study of CAFTA Morocco /EU negotiations

With the aim of enabling Morocco to conduct an impact study and accompanying negotiations, it was agreed with the EU to postpone the holding of the 5th round of negotiations while ensuring the continuation of technical contacts during this period to allow the continuity of the current process. In this context, several videoconferences were held or planned in order to continue the exchange of information and comment. This study, which was launched to provide support for negotiations and whose control has been entrusted to an interdepartmental committee composed of the heads of the various ministries involved in these negotiations, is divided into five lots on key themes including:

1. Trade in Services and Investment
2. Technical Barriers to Trade
3. Sanitary and Phytosanitary Measures
4. Other areas of negotiation:
 - Public procurement;
 - Energy related trade aspects;
 - Trade and Sustainable Development;
 - Trade defense measures;
 - Customs and trade facilitation;
 - Intellectual property;
 - Competition and state aid;
 - Transparency.

The assessment of the overall impact of the Deep and Comprehensive Free Trade Agreement between Morocco and the European Union (CAFTA).

The purpose of the supporting study is to explore the economic, social and environmental impacts of CAFTA on Morocco and to identify ways and means to maximize the impact of this agreement on economic and Social development



1.8. Consultations with the private sector and civil society

In addition and in keeping with the new vision adopted by the Ministry of Foreign Trade on trade negotiations and to institutionalize consultation with civil society and the private sector, several meetings were held:

- ❖ With the private sector to address the concerns, positions, grievances and needs for all the themes covered by the negotiations.
- ❖ With representatives of civil society in March 2014, the objective was to present the state of play of negotiations, the vision of Morocco as to the different themes of the CAFTA and inquire into grievances and orientations of civil society.

In addition, an international seminar was organized in October 2014. The objective was to present the latest methodological innovations in analysis modeling of the impact of free trade agreements.

1.9 Convergence Process: a mid-term review

In its latest report on the "Implementation of the European Neighbourhood Policy in 2014: Progress achieved in 2014 and actions to be implemented." the EU recognized that Morocco has achieved a significant progress in many areas, including consolidating human rights and freedoms.

However, the same report notes the slow pace of reforms on several other areas.

Thus, the authors stress the poor record of the organic laws of the Constitution of 2011. Indeed, four years after the adoption of the final constitution, only eight organic laws out of the nineteen planned were adopted. It is true that several texts are being developed, but some are still stalled, such as the organic law on the formalization of the Amazigh language. The report recommends speeding up the implementation of the new constitution, particularly, through the adoption of all the organic laws stipulated and the establishment of mechanisms and structures thereon.

The report also recommends to the kingdom to deepen and make strategic progress toward a national regulatory convergence plan with the EU. Similarly, although the report welcomes the significant progress made in the reform of justice and especially, the establishment of the Higher Council of the Judiciary Reform of Civil and Criminal procedures, etc. it strongly recommends continuing the same path and even speeding its pace.

Compared to the issue of mobility, particularly, with regard to visas and readmission, the report recommends continuing and even accelerating the negotiations. These have indeed slowed somewhat pending the results of sectoral impact studies and because of the refusal of the Moroccan side to play the role of the policeman of illegal immigration. Concerning the thorny issue of the fight against poverty, the report noted with satisfaction that finances has been put in order thanks to the reform of the compensation fund. They recommend, however, finding, in parallel, a system to address social and gender territorial inequalities,.

Finally, the report encourages the Government to adopt without delay the organic laws and texts for wider participation of civil society in public life.

2 . Case of EU FTAs with Malaysia within the framework of the FTA with ASEAN.

Malaysia is among the top thirty countries in the world in terms of international trade and occupies the twentieth position in the ranking of the World Bank in relation to the size of "Doing Business". The country has experienced a sustained economic and social development in recent decades and has recorded growth rates of GDP among the highest in Asia. Furthermore, Malaysia is the third richest economy of ASEAN and the second main EU trading partner within the regional bloc.

With respect to its relationship with the EU, Malaysia is one of the main beneficiary countries of the GSP. More than 70% of its exports enter the EU market free of customs duties. At the same time, the EU is the third largest provider and 4th of FDI supplier of Malaysia within ASEAN.

Negotiations with Malaysia, which began and were then suspended shortly before have resumed in October 2010. The EU-commissioned impact study shows that the overall effect of the FTA will be positive for Malaysia. The optimistic scenario shows that in the long term, the Domestic Income of Malaysia is expected to increase by 11.7 billion Euros and GDP should increase by 7.42%. The wages shall increase by more than 8.5% and the export value by 8.32%.

According to the study, the sectors that will benefit most from the FTAs are: apparel and shoes and especially the leather sector which will improve by 154%. For cons, the areas of gas, machines and tools, manufactured goods and minerals will decline to some extent.

According to the authors of the study, the automotive industry and the spare parts will experience a growth in their production and exports. Malaysia is the second largest producer of motor vehicles in the ASEAN. However, the national brand "Proton" must improve its compliance with safety and quality in order to increase its export competitiveness.

The financial and insurance sectors will also benefit from the implementation of the FTA. Malaysia is actually one of the five ASEAN countries that have a large financial sector.

Similarly, the country is expected to need more manpower both skilled and unskilled due to the growth of high value-added activities. At the same time, improved salary conditions must be noted in different industries and in particular in those that will benefit most from the implementation of the FTA. By cons. other sectors such as seafood industry will experience stagnation or even a slight decline due to the implementation of the FTA.

As this is a new generation of FTAs, its effects have also been analyzed in social terms. Thus, the authors of the impact study found that the said FTA is likely to have a positive impact on reducing poverty in Malaysia, as well as on health and safety through the adoption of the standards specified in international agreements. The FTA will also have positive effects on the creation of jobs particularly in the sectors mentioned above that will benefit most from the FTA, especially the automotive and textile and clothing sectors .

In addition to these direct effects, the FTA should also indirectly favor sectors such as education mainly because of improved salaries and investment conditions.

The FTAs will also have effects, though mixed, on the environment.

3. Case of the FTA of the USA with the Middle East countries

The United States are bound by FTAs with a number of Arab countries. However, it is appropriate to distinguish between two types of agreements: FTA with Jordan on the one hand, and MEFTA agreements on the other.

3.1 Free Trade Agreement of the United States with Jordan

The FTA with Jordan is the second that the United States signed in the region after the one they had signed with Israel in 1985, but the first with an Arab country. However, it was not until the Clinton Administration that a serious dialogue begins with the Jordanians and especially after the signing of a peace agreement with Israel in 1994 and accession to the WTO in early 2000. It is in this context that the US-Jordan FTA was signed in October 2000 after its approval by Fast-track procedure. The implementation of this FTA was carried out by the Administration of George W. Bush and its entry into force occurred on 17th December 2001 at a time when the United States sought allies in the Arab world.

This FTA provides for a 10-year period for the dismantling of tariff and non-tariff barriers on almost all industrial and agricultural products. The adopted rules of origin are almost the same as those agreed with the Israelis several years ago and which retain a percentage of local value added of 35%.

A safeguard clause allows returning to the protective levels before the implementation of the FTA in the case of massive imports of products. Trade in services was liberalized in a positive list approach. Compared to the rules protecting intellectual property, it was agreed to adopt those of the WTO (TRIPs). By cons, investments are not covered by this FTA because of the prior existence of a bilateral agreement related to investment.

The main products exported by Jordan to the United States are mainly textiles and clothing; these products are likely to benefit from the accumulation of origin with third countries. It is not then surprising that the export of these products to the US market increased considerably since the entry into force of the Agreement.

The US-Jordan FTA also includes mutual commitment of the signatories to implement national rules of work and environmental protection, thus making it an agreement that goes beyond the classical form of FTAs to be part of ALE-NG.

3.2 Agreements with other countries within the framework of the MEFTA initiative (Middle-East Free Trade Area)

Folsom (2007: 1) writes that "much more than elsewhere, trade agreements of the United States in the Middle East and North Africa pursue economic objectives in a seething political environment. This environment has led to an approach of " if you're not with us, you are against us " in a region known for its subtleties. »

Thus, it was in May 2003 that the Bush administration announced its MEFTA initiative. This is a "systematic plan with clearly identified prior economic relations between the United States and 14 countries in the Middle East and four North African countries. »(Folsom. 2007: 8).

The date chosen for the complete implementation of MEFTA was 2013. According to the Bush Administration, "MEFTA aims to promote peace, prosperity and democracy in this volatile region [Middle East and North Africa]: the Arab world has a great cultural tradition but lacks significant economic progress. »

The United States has established a set of criteria to be fulfilled by candidate countries to join MEFTA. Thus, they require that the country joins the WTO in order to create conditions for free trade. In this regard, all countries approached were already WTO members except Iran, Iraq, Syria, Yemen, Lebanon, Algeria and Libya. Applicants must also enter into a bilateral trade and investment agreement with the United States. At that time, these agreements were concluded only with Egypt, Jordan, Morocco and Tunisia.

The expected response of most countries to this initiative has been quite positive. Thus, Saudi Arabia has joined the WTO and bilateral trade and investment agreements were signed with Qatar, Iraq, Kuwait, Lebanon, Oman, the United Arab Emirates and Yemen. Besides, Libya, Lebanon and Algeria were negotiating their accession to the WTO.

3.2.1 US - Morocco /USA Free Trade Agreement

The free trade agreement (FTA) between Morocco and the United States (US), signed on 15th June 2004 and enforced on 1st January 2006 can be regarded in many respects as a new generation of FTAs. Indeed, in addition to covering all business sectors of both countries: industrial products, agricultural products, services, government procurement, the agreement also includes aspects related to the protection of intellectual property, the environment, labour, governance. etc. (Abdelmalki et al. 2011).

It should be noted that Morocco responded from the outset to the criteria set up for the negotiation of FTAs under MEFTA. Indeed, the country was signatory of the GATT in 1987, was one of the founding members of the WTO in 1995. In addition, it was tied to the United States by an investment treaty since the early 1990s. Negotiations for the conclusion of an FTA with the United States were already in progress when taking the MEFTA Initiative.

Folsom (2007) notes that in many respects, the FTA between Morocco and the United States opened the way to all other agreements signed under MEFTA. Indeed, "the agreement has a broad perspective and covers goods, services of various types, electronic commerce, intellectual property rights, investment, labor and the environment. (...) The FTA between Morocco and the United States became the " model " for MEFTA. "Folsom (2007: 10).

This very ambitious agreement provides for several different modalities of customs tariff dismantling by the sectors concerned. The study of Abdelmalki et al... 2011) set as objective the evaluation the consequences of this agreement both in terms of well-being and the growth and evolution of the sectoral trade balance of both countries and more generally on possible contribution of this agreement to the emergence of the Moroccan economy. For this purpose, the authors used a partial equilibrium model to identify

activities and "sensitive" issues. This identification is made possible thanks to a very fine level of disaggregation (Specification six-digit level). They also used a general, balanced, calculable model (GTAP) to assess more rigorously, inter-sectoral and intra-sectoral allocative effects of the creation and diversion of trade flows and the impacts in terms of well being.

It must be emphasized that the signing of this agreement took place in a context characterized by the hope that the agreement will allow to revive social, Institutional, administrative, regulatory reforms, etc. likely to promote the economic emergence of the Kingdom. Nevertheless, the context was also marked by many concerns, namely, Morocco is not really able to take advantage of opportunities provided to it under the agreement, due to a too imperfect knowledge of the US market and the existence non-tariff barriers to its penetration in particular with regard to the respect of sanitary and phytosanitary standards. Most of the apprehensions focus logically on Agriculture. The most frequently expressed concern is that the shock of the opening creates destructive effects brutally destabilizing the rural world and weakening the rural social fabric (job destruction. impoverishment of the rural population, questioning of agro pastoral practices. increased food dependency of the country, increased pressure on natural resources, rural exodus. etc.).

There is little doubt that from its entry into force, this agreement has submitted the Moroccan economy to increased competition on price and quality for a number of products. This competitive pressure has logically led to some improvement in the competitiveness of Moroccan firms, according to Abdelmalki et al. (2011), in such circumstances. It is also very probable that duty free access of US exports to the Moroccan market will result in a substantial diversion of trade in the future. While, this agreement allows Moroccan consumers to enjoy lower prices, these gains are likely to be dropped off by the losses by producers in several activities, notably the relative loss of the state tariff revenue and by the purchase of goods from the United States rather than from more efficient sources. This could result in a net loss in the economy as a whole. Furthermore, it is likely that Morocco

will suffer from the deterioration in its terms of trade since the tariff reductions that must allowed are substantially greater than those of the United States, because of the disparity in their Initial levels of effective protection.

However, simulations carried out in this regard by Abdelmalki et al. (2011) show that trade liberalization modalities of the Moroccan economy in the context of this agreement will play a positive role globally. For example, Moroccan exports of several products will increase rather substantially (Table 4.5).

Table 4.5: Impact of total liberalization on the Moroccan exports to the United States for some selected products (in million US dollars and in % of the Moroccan sectoral exports to the USA

Secteurs	Changement en termes de bien-être	%	Cumulative
Céréales	8.07	32.4 %	32.0 %
Matériel électrique	3.20	12.8 %	44.8 %
Plastiques et dérivés	1.79	7.2 %	52.0 %
Papier et dérivés	1.61	6.5 %	58.5 %
Caoutchouc et articles en caoutchouc	1.16	4.6 %	63.1 %
Produits minéraux, pétrole et dérivés	1.13	4.5 %	67.6 %
Véhicules et accessoires	0.85	3.4 %	71.0 %
Tabac et dérivés	0.79	3.2 %	74.2 %
Aéronefs et dérivés	0.75	3.0 %	77.2 %
Industrie énergétique et dérivés	0.66	2.7 %	79.9 %
Acier et fer	0.46	1.8 %	81.7 %
Coton	0.40	1.6 %	83.3 %
Produits en fibres	0.36	1.4 %	84.8 %
Produits chimiques	0.33	1.3 %	86.1 %
Articles en fer et acier	0.32	1.3 %	87.4 %
Produits pharmaceutiques	0.24	1.0 %	88.3 %
Autres	2.8	11.7 %	100.00 %
Total	24.9	100.0 %	

Source: Abdelmalki et al. (2011: 32)

The results show the interest of a gradual and asymmetrical agreement. Furthermore, this agreement should have a significant impact not only on trade between the two countries but also on their commercial relations with third countries. The most important trade diversion will affect the European Union and particularly France and Spain, which are the two Morocco's main trading partners (Table 4.6). Diversion effects also affect some countries in North and sub-Saharan Africa. In short, according to Abdelmalki et al. (2011), the agreement could allow Morocco to diversify its markets and dilute its trade dependence vis-à-vis its traditional partners.

Table 4.6: Impact of full liberalization on Moroccan trade with third countries (in millions of US dollars)

Partenaire	Détournement de commerce total
EU	+ 92.60
UMA	-0.24
Tunisie	-0.20
Algérie	-0.03
Libye	-0.16
Reste de l'Afrique	-3.63
Union européenne	-36.43
France	-17.23
Espagne	-4.77
Reste du monde	-51.28

Source: Abdelmalki et al. (2011: 33)

3.2.2 US - Bahrain FTA

After Morocco, the Kingdom of Bahrain in 2004 became the second partner of the United States under MEFTA. The main products exported by this country to the United States are textiles while its main imports consist of aircraft.

In terms of its coverage, the agreement is much like the one signed with Morocco except that it excludes to take into account investment because it was the subject of a treaty signed in 2001, while in the case of the agreement with Morocco, the already existing investment treaty was repealed and its scope included in the FTA.

3.2.3 US - Oman FTA

Oman has become the third partner under the MEFTA in 2006. Folsom (2007) notes that it is primarily its strategic position in the region fostered the conclusion of an FTA with Oman in 2006.

Unlike Morocco, Jordan and Bahrain, Oman seems to be the only country not to have fulfilled the requirement of having previously signed an investment treaty with the United States as a prerequisite for signing the FTA. This is probably why its agreement comprises a rich chapter 10, which includes the essential of what you can expect from an investment treaty.

3.2.4 US - United Arab Emirates FTA

The United Arab Emirates are members of the WTO since 1996. In 2004, the UAE signed an investment treaty with the United States and the negotiations for an FTA under MEFTA progressed normally until the acquisition by Dubai ports World by a British company that was responsible for managing six US ports in 2005. This event raised the outcry of the press, the Congress and the American public as a whole for several weeks.

PART V - CONCLUSION: PROPOSED ECONOMIC POLICY MEASURES AND RECOMMENDATIONS TO DERIVE THE BEST BENEFIT FROM TRADE AGREEMENTS

1. Free Trade Agreements subjects to two contradictory types of reading

As it has been emphasized, at least implicitly, in the first part of this report, the FTAs in general are likely to be subjected to two forms of reading:

A pessimistic reading that brings out the limits of these agreements and their difficult and sometimes impossible, consistency with multilateral rules. WTO experts also seem to have thrown in the towel on the thorny question of whether the agreements notified to the organization or not they comply with the terms of Article XXIV of GATT and Article V GATS. Likewise, Dent (2006: XV) reports after his study that "rather than contribute positively to building a regional community in Asia Pacific, this study concludes that the intensification of bilateral FTAs is more likely to have the opposite effect. In short, the new trend of bilateral FTAs appears to undermine both the coherence and viability of existing regional organizations, and can potentially increase competition in a significant manner between countries, strengthen power asymmetries and exacerbate differences of the development levels in the region. »

The optimistic reading enhances the value the effects of the FTA on the general welfare of the citizens of member countries and the convergence of objectives with those of the WTO. "According to a very optimistic interpretation, FTAs - through the establishment of common rules, institutions, procedures and forums for dialogue between government officials, parliamentarians and citizens - could in the long run, even develop into building blocks for developing more ambitious common policies". Gstöhl and Hanf (2014: 746).

In fact, if the classical FTA are not sufficient since they are limited to trade whose levers and causes are certainly outside these agreements; those of the these new-generation have the opposite effect. Indeed, these agreements

cover many different fields and whose interactions and spillover are difficult to define. Speaking about the FTA-NG between the EU and Ukraine, Bruce Pitcairn Jackson (2011: 60) writes talks on a deep and comprehensive agreement (DCFTA) are proving to contain too much for Ukraine to swallow all at once. Thus, in order to access European markets. Ukraine must harmonize its rates and regulations with, virtually all European regulations, which would be a Herculean effort to any post-Soviet economy. And even if it succeeds, the EU insists on withholding access to agriculture, some services, multiple products and labour mobility which neutralizes most of the benefits of free trade for Ukraine. "

In fact, the objectives of the FTAs signed by developing countries including those of the OIC depends on a set of elements and factors including:

- ❖ The dynamic growth of the economy driven by domestic demand;
- ❖ The effects of the global economy;
- ❖ The economic gap between the country's dynamic economic growth and that of its main foreign partners;
- ❖ The ability of operators to comply with international requirements of standards and quality standards;
- ❖ The specific value chains of its main industries;

In general, if these FTAs are confronting the economy to severe trials, they also bring opportunities. They are able in particular to allow the countries concerned to control its macroeconomic balances, accelerate economic and social reforms aimed at upgrading the economy and increasing foreign direct investment.

FTAs also promote the allocation of resources for new competitive activities and high added value and optimize the value chain of priority sectors of the country to meet international quality standards.

However, for the moment, the expected objectives have not been fully achieved for most OIC countries (growth, macroeconomic stability, human development, etc.). This situation can often be explained by the low coherence between production and trade policies (sectoral strategies in relation to free trade agreements).

It should be noted that FTAs were sometimes set up without prior recourse to impact studies to determine not only the level of tariff and non-tariff concessions to accept, the progressive implementation to take account of the capacity resilience of different sectors, but also to consider corrective measures in case of unsustainable trade imbalance.

In addition, to ensure the success of the geographical and sectoral diversification of exports of the OIC countries within the framework of the FTA, quick upgrading of the national economy (adaptation of the productive tool, modernization of logistics. etc.) was often considered only afterwards, which does not allow realizing very quickly the positive effects of these agreements.

2. Some measures and policy recommendations

To facilitate the understanding of the measures and recommendations proposed in this section, we prefer to present them in the following three categories structured according to the chronology of negotiation and implementation process of FTA: before the FTA: during the negotiation FTA, and after the establishment of the FTA.

2.1 Before the FTA

The key question here is to know what governs the decision to start negotiations in order to enter into an FTA with a country or group of countries.

Although, the question seems obvious and even trivial, the answer is not always sufficiently researched and even often ignored. Indeed, in many cases, the decision is purely political. The will to further strengthen political relations with a particular country is often enough to encourage policy makers to propose the conclusion of an FTA. Although, it is true that the excellent political relations are an important ingredient in the success of an FTA, it is far from being neither the only nor the most decisive factor.

As many FTAs are concluded thanks to the excellent political relations between the countries involved, the deterioration of these relations is also

often used to ossify these agreements or even terminate them. **Therefore, we must avoid basing FTAs exclusively on political reasons.**

In Canada and the US for example, it is often the enterprises, directly or through professional organizations, which ask the authorities to initiate negotiations for the conclusion of an FTA with any country in view of the potential trade development. Based on this request or on their own initiative, in case a study considers that it would be relevant to do so, the authorities open public consultations nationwide. The purpose of these consultations is to gather opinions and suggestions of all parties likely to be affected by the possible conclusion of such an FTA. Such initiatives, heavily publicized on the websites of government agencies, allow the competent authorities to make the inventory of all the arguments for and against the agreement. Only when these authorities are convinced of the desirability of concluding such a FTA with the target country they enter in talks to start negotiations.

Usually, a **preliminary impact study** is conducted during this phase to have a first evaluation of both direct and indirect potential effects of the conclusion of such an agreement in various fields. In addition to this assessment based on sophisticated simulation models. The study also allows authorities to identify:

- ❖ Sectors, products and by-products to be favored within the framework of the negotiation of the agreement and for which they will try to request the most possible privileged access to the partner country market;
- ❖ Sectors, risk products and by-products that should be protected from exports from the partner country under the agreement;
- ❖ Other areas unrelated to trade, but whose liberalization and/or development could help to strengthen the competitiveness of national enterprises: intellectual property, public procurement. etc.
- ❖ Other areas unrelated to trade but whose improvement is in line with the dissemination of national standards and values: environmental protection, integration of women in business, restrictions on migration flows. etc.

- ❖ The impact on value chains of major national industries;
- ❖ The impact on the commitments already made by the country under other bilateral, plurilateral or multilateral agreements;
- ❖ The impact on partner third country of the national economy.

Regarding the OIC countries, prior preparation to the initiation of negotiations for the conclusion of new FTAs should go even further. Indeed, it is no longer as in conventional FTA to simply negotiate the removal or reduction of tariffs on a particular product. Under these agreements, all or most of the legislation economy and even the whole society should be moulded in a bid to comply with those of the partner country or region.

The challenge is much more important than mere trade liberalization. The authorities of the concerned country must therefore wonder on their readiness to make such changes and to what extent.

The stakes may be even more important in the case of countries that engage in negotiating several FTAs like these, since it will avoid conducting contradictory reforms based on the commitments made within the framework of agreements. We recommend in this respect to know exactly what can we accept to change, to what limit and what should be not absolutely modified.

- **2.2 During the negotiation of the FTA**

The proper preparation of the previous phase makes quite fluid the negotiations of the concerned country's authorities. Thus, these negotiators come to the negotiating table knowing exactly what they want to get and what another country is able to give them.

However, two important points should be highlighted in this phase

- First, concerned private and public national parties are directly involved in negotiations or at least kept regularly informed of the progress of the latter. So, will they make suggestions, request additions of products or services to those already being discussed? or recommend protecting a particular sector or product;

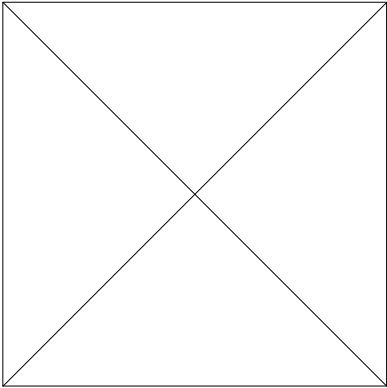
Then, an impact assessment and extensive simulations are conducted concurrently with negotiations and depending on the evolution of the latter. The impact study must not be confined to sectors most directly affected by the implementation of the agreement. It must also cover the areas likely to be impacted indirectly by far by the said implementation. Thus, it said in the executive summary of the impact study carried out during the negotiation of the FTA between the EU-AACC and Canada that: "The impact assessment evaluates the economic, social and Environmental impacts in Canada and EU in three main areas, sixteen subsectors and seven cross-cutting issues. It also assesses the impact of CETA on the United States, Mexico and other countries and regions, including a number of developing countries and overseas territories and the EU's TBTs of Saint Pierre and Miquelon and Greenland". European Commission (2011: 14).

- **2.3 Following the establishment of the FTA**

It is highly recommended not to accept any commitment to negotiations if:

- ❖ The direct and indirect impacts of the commitment on the economy and society are not fully known;
- ❖ Neutralization or mitigation of its adverse effects are not defined and ready to be implemented.

In addition, for some products or sectors, a transitional period is required (phasing out) to comply with the terms of the FTA in order to mitigate possible negative effects consecutive to a sudden change in the situation.



In addition to the above measures, it is strongly recommended to establish the following two types of devices:

- ❖ A monitoring device for the implementation of the provisions of the FTA at national level and its effects according to the simulations of the impact study. This device must also

include deviations correction mechanisms under different scenarios provided in the impact assessment;

- ❖ An implementation monitoring mechanism of the provisions of the FTA at the level of the partner country. Indeed, the success of the negotiated FTA is strongly conditioned by the respect of their respective commitments by members. Any breach at this level must be raised and notified immediately to the partner so that it can address this problem.

The introduction of these devices requires the existence of competent and equipped organizations to conduct this monitoring work and to recommend necessary corrective measures if any.

This monitoring as well as the continuous interaction with all parties concerned, could lead the country's authorities to ask the revision of certain provisions of the agreement or the addition of new areas or sectors of interest to the country.

Bibliography

- Abdelmalki. L. ; Sandretto. R. et Sadni Jallab. M. (2011). « Émergence et intégration commerciale : une illustration à partir de l'accord de libre-échange entre le Maroc et les États-Unis ». *Revue d'Économie Industrielle*. numéro 135. 3^{ème} trimestre 2011. pp. 9-46
- Anonyme (2012). « Ukraine signe un accord de libre-échange avec l'association européenne de libre-échange (AELE) ». PR Newswire Europe (French). Retrieved from <http://serach.proquest.com/docview/1018264813?accountid=11357>
- Bhagwati. J. (1995). "US Trade Policy: The Infatuation with Free Trade Areas". in J. Bhagwati & Krueger. A. (eds). *The Dangerous Drift to Preferential Trade Agreements*. AEI Press. Washington. DC.
- Bhagwati. J. (2004). *In Defense of Globalization*. New York : Oxford University Press
- Cheng. X. ; Wang. Y. & Liu. Y. (2009). "Analysis on the Development and Influence of Overlapping Free Trade Agreement". *Canadian Social Science*. Vol.5 No.1. pp. 44-52
- Chossudovsky. M. (2005). *Mondialisation de la pauvreté et nouvel ordre mondial*. Édition Ecosociété
- Commission Européenne (2011). *A Trade SIA Relating to the Negotiation of a Comprehensive Economic and Trade Agreement (CETA) Between the EU and Canada – Trade 10/B3/B06*.
- Commission Européenne (No daté). "Commission Services Annex on Malaysia to the Position Paper on the Trade Sustainable Impact Assessment of the Free Trade Agreement between the UE and ASEAN". *Commission Services Position Paper*.
- Commission Européenne (2010). "Trade Sustainability Impact Assessment of the Free Trade Agreement between the EU and the Republic of Korea". *Commission Services Position Paper*.
- Dent. C. M. (2006). *New Free Trade Agreements in the Asia-Pacific*. Economic & Social Research Council. Palgrave Macmillan.
- Ecorys (2013). *Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Morocco - Final Report*.
- Fan. N. B. (2014). "A Look at IP Rights under the New Comprehensive Economic and Trade Agreement". *IP Litigator*. pp. 10-14.
- Folsom. R. (2007). "Trading for National Security? United States Free Trade Agreements in the Middle East and North Africa". University of San Diego – School of Law. *Legal Studies Research Paper Series*. Research Paper No. 07-113.
- OMC/WTO (2005a). "The Changing Landscape of Regional Trade Agreements". *WTO Discussion Paper Series*. No. 8. WTO Secretariat. Geneva.

OMC/WTO (2005b). *The Future of the WTO: Addressing Institutional Challenges in the New Millennium*. WTO Secretariat. Geneva.

Pitcairn Jackson. B. (2011). "The European Union Goes East". *Policy Review*. April-May.

Sieglinde Gstöhl. S. & Hanf. D. (2014). "The EU's Post-Lisbon Free Trade Agreements: Commercial Interests in a Changing Constitutional Context". *European Law Journal*. Vol. 20. No. 6. November 2014. pp. 733–748.