

TITLE I

POLITICAL DIALOGUE*Article 3*

1. A regular political dialogue shall be established between the Parties. It shall help build lasting links of solidarity between the partners which will contribute to the prosperity, stability and security of the Mediterranean region and bring about a climate of understanding and tolerance between cultures.

2. Political dialogue and cooperation are intended in particular to:

- (a) facilitate rapprochement between the Parties through the development of better mutual understanding and regular coordination on international issues of common interest;
- (b) enable each Party to consider the position and interests of the other;
- (c) contribute to consolidating security and stability in the Mediterranean region and in the Maghreb in particular;
- (d) help develop joint initiatives.

Article 4

Political dialogue shall cover all issues of common interest to the Parties, in particular the conditions required to ensure peace, security and regional development through support for cooperation, notably within the Maghreb group of countries.

Article 5

Political dialogue shall be established at regular intervals and whenever necessary notably:

- (a) at ministerial level, principally within the Association Council;
- (b) at the level of senior officials representing Morocco, on the one hand, and the Council Presidency and the Commission on the other;
- (c) taking full advantage of all diplomatic channels including regular briefings, consultations on the occasion of international meetings and contacts between diplomatic representatives in third countries;
- (d) where appropriate, by any other means which would make a useful contribution to consolidating dialogue and increasing its effectiveness.

TITLE II

FREE MOVEMENT OF GOODS*Article 6*

The Community and Morocco shall gradually establish a free trade area over a transitional period lasting a maximum of 12 years starting from the date of the entry into force of this Agreement in accordance with the provisions of this Agreement and in conformity with those of the 1994 General Agreement on Tariffs and Trade and the other multilateral agreements on trade in goods annexed to the Agreement establishing the WTO, hereinafter referred to as 'GATT'.

of the products referred to in Annex II to the Treaty establishing the European Community.

Article 8

No new customs duties on imports nor charges having equivalent effect shall be introduced in trade between the Community and Morocco.

Article 9

Products originating in Morocco shall be imported into the Community free of customs duties and charges having equivalent effect.

CHAPTER I

INDUSTRIAL PRODUCTS*Article 7*

The provisions of this chapter shall apply to products originating in the Community and Morocco with the exception

Article 10

1. The provisions of this chapter shall not preclude the retention by the Community of an agricultural component on imports of the goods originating in Morocco listed in Annex 1.

The agricultural component shall reflect differences between the price on the Community market of the agricultural products considered as being used in the production of such goods and the price of imports from third countries where the total cost of the said basic products is higher in the Community. The agricultural component may take the form of a fixed amount or an *ad valorem* duty. Such differences shall be replaced, where appropriate, by specific duties based on tariffication of the agricultural component or by *ad valorem* duties.

The provisions of Chapter II applicable to agricultural products shall apply *mutatis mutandis* to the agricultural component.

2. The provisions of this chapter shall not preclude the separate specification by Morocco of an agricultural component in the import duties in force on the products listed in Annex 2 originating in the Community. The agricultural component may take the form of a fixed amount or an *ad valorem* duty.

The provisions of Chapter II applicable to agricultural products shall apply *mutatis mutandis* to the agricultural component.

3. In the case of the products shown in Annex 2, List 1, originating in the Community, Morocco shall apply upon the entry into force of this Agreement import duties and charges having equivalent effect no greater than those in force on 1 January 1995, within the limits of the tariff quotas shown in that list.

During elimination of the industrial component of the duties pursuant to paragraph 4, the level of the duties to be applied in respect of the products for which the tariff quotas are to be abolished may not be higher than the level of the duties in force on 1 January 1995.

4. In the case of the products in Annex 2, List 2, originating in the Community, Morocco shall eliminate the industrial component of the duties in accordance with the provisions laid down in Article 11(2) of this Agreement in respect of products in Annex 3.

In the case of the products in Annex 2, Lists 1 and 3, originating in the Community, Morocco shall eliminate the industrial component of the duties in accordance with the provisions laid down in Article 11(3) of this Agreement in respect of products in Annex 4.

5. The agricultural components applied pursuant to paragraphs 1 and 2 may be reduced where, in trade between the Community and Morocco, the charge applicable to a basic agricultural product is reduced or where such reductions are the result of mutual concessions relating to processed agricultural products.

6. The reduction referred to in paragraph 5, the list of products concerned and, where appropriate, the tariff quotas within which the reduction applies shall be established by the Association Council.

Article 11

1. Customs duties and charges having equivalent effect applicable on import into Morocco of products originating in the Community other than those listed in Annexes 3, 4, 5 and 6 shall be abolished upon the entry into force of this Agreement.

2. Customs duties and charges having equivalent effect applicable on import into Morocco of the products originating in the Community listed in Annex 3 shall be progressively abolished in accordance with the following timetable:

on the date of entry into force of this Agreement each duty and charge shall be reduced to 75 % of the basic duty;

one year after the date of entry into force of this Agreement each duty and charge shall be reduced to 50 % of the basic duty;

two years after the date of entry into force of this Agreement each duty and charge shall be reduced to 25 % of the basic duty;

three years after the date of entry into force of this Agreement the remaining duties shall be abolished.

3. Customs duties and charges having equivalent effect applicable on import into Morocco of the products originating in the Community listed in Annex 4 shall be progressively abolished in accordance with the following timetables:

three years after the date of entry into force of this Agreement each duty and charge shall be reduced to 90 % of the basic duty;

four years after the date of entry into force of this Agreement each duty and charge shall be reduced to 80 % of the basic duty;

five years after the date of entry into force of this Agreement each duty and charge shall be reduced to 70 % of the basic duty;

six years after the date of entry into force of this Agreement each duty and charge shall be reduced to 60 % of the basic duty;

seven years after the date of entry into force of this Agreement each duty and charge shall be reduced to 50 % of the basic duty;

eight years after the date of entry into force of this Agreement each duty and charge shall be reduced to 40 % of the basic duty;

nine years after the date of entry into force of this Agreement each duty and charge shall be reduced to 30 % of the basic duty;

10 years after the date of entry into force of this Agreement each duty and charge shall be reduced to 20 % of the basic duty;

11 years after the date of entry into force of this Agreement each duty and charge shall be reduced to 10% of the basic duty;

12 years after the date of entry into force of this Agreement the remaining duties shall be abolished.

4. In the event of serious difficulties for a given product, the timetable for the list in Annex 4 may be reviewed by the Association Committee by common accord on the understanding that the schedule for which the review has been requested may not be extended in respect of the product concerned beyond the maximum transitional period of 12 years. If the Association Committee has not taken a decision within 30 days of its application to review the timetable, Morocco may suspend the timetable provisionally for a period which may not exceed one year.

5. For each product the basic duty to which the successive reductions laid down in paragraphs 2 and 3 are to be applied shall be that actually applied vis-à-vis the Community on 1 January 1995.

6. If, after 1 January 1995, any tariff reduction is applied on an *erga omnes* basis, the reduced duties shall replace the basic duties referred to in paragraph 5 as from the date when such reductions are applied.

7. Morocco shall communicate its basic duties to the Community.

Article 12

1. Morocco hereby undertakes to eliminate the reference prices applied on 1 July 1995 to the products listed in Annex 5 at the latest three years after this Agreement enters into force.

In cases in which such reference prices are applied to textiles and clothing, those prices shall be progressively eliminated over a period of three years dating from the entry into force of this Agreement. The pace at which elimination of the reference prices takes place shall ensure that products originating in the Community retain a margin of preference of at least 25% over the reference prices which Morocco applies on an *erga omnes* basis. If that margin of preference cannot be maintained, Morocco shall apply a tariff reduction to products originating in the Community. That tariff reduction must not be lower than 5% of the customs duties and charges having equivalent effect in force on the date on which that reduction is due to be made.

If Morocco's commitments under the GATT provide for a shorter period for the elimination of import reference prices, that shorter period shall be applicable.

2. The provisions of Article 11 shall not apply to the products appearing in Annex 6, Lists 1 and 2, without prejudice to the following:

(a) in the case of the products on List 1, the provisions of Article 19(2) shall apply only after the transitional period has elapsed. However, they may be made to apply sooner by a decision of the Association Council;

(b) the arrangements applying to the products on Lists 1 and 2 shall be re-examined by the Association Council three years after this Agreement's entry into force.

At the time of that re-examination, the Association Council shall establish a tariff-dismantling timetable for the products appearing in Annex 6, apart from those of subheading 6309 00.

Article 13

The provisions concerning the abolition of customs duties on imports shall also apply to customs duties of a fiscal nature.

Article 14

1. Exceptional measures of limited duration which derogate from the provisions of Article 11 may be taken by Morocco in the form of an increase or reintroduction of customs duties.

These measures may only concern infant industries, or certain sectors undergoing restructuring or facing serious difficulties, particularly where these difficulties produce major social problems.

Customs duties on imports applicable in Morocco to products originating in the Community introduced by these measures may not exceed 25% *ad valorem* and shall maintain an element of preference for products originating in the Community. The total value of imports of the products which are subject to these measures may not exceed 15% of total imports of industrial products from the Community during the last year for which statistics are available.

These measures shall be applied for a period not exceeding five years unless a longer duration is authorised by the Association Committee. They shall cease to apply at the latest on the expiry of the maximum transitional period of 12 years.

No such measures may be introduced in respect of a product if more than three years have elapsed since the elimination of all duties and quantitative restrictions or charges or measures having equivalent effect concerning that product.

Morocco shall inform the Association Committee of any exceptional measures it intends to take and, at the request of the Community, consultations shall be held on such measures and the sectors to which they apply before they are implemented. When taking such measures Morocco shall provide the Committee with a timetable for the elimination of the customs duties introduced under this Article. This timetable shall provide for a phasing-out of these duties in equal annual instalments starting at the latest two years after their introduction. The Association Committee may decide on a different timetable.

2. By way of derogation from the fourth subparagraph of paragraph 1, the Association Committee may exceptionally, in order to take account of the difficulties involved in setting up

a new industry, authorise Morocco to maintain the measures already taken pursuant to paragraph 1 for a maximum period of three years beyond the 12 year transitional period.

CHAPTER II

AGRICULTURAL AND FISHERY PRODUCTS

Article 15

The provisions of this chapter shall apply to the products originating in the Community and Morocco listed in Annex II to the Treaty establishing the European Community.

Article 16

The Community and Morocco shall gradually implement greater liberalisation of their reciprocal trade in agricultural and fishery products.

Article 17

1. Agricultural and fishery products originating in Morocco shall benefit on import into the Community from the provisions set out in Protocols 1 and 2 respectively.

2. Agricultural products originating in the Community shall benefit on import into Morocco from the provisions set out in Protocol 3.

Article 18

1. From 1 January 2000, the Community and Morocco shall assess the situation with a view to determining the liberalisation measures to be applied by the Community and Morocco with effect from 1 January 2001 in accordance with the objective set out in Article 16.

2. Without prejudice to the provisions of paragraph 1 and taking account of the patterns of trade in agricultural products between the Parties and the particular sensitivity of such products, the Community and Morocco will examine on a regular basis in the Association Council, product by product and on a reciprocal basis, the possibilities of granting each other further concessions.

CHAPTER III

COMMON PROVISIONS

Article 19

1. No new quantitative restriction on imports or measure having equivalent effect shall be introduced in trade between the Community and Morocco.

2. Quantitative restrictions on imports and measures having equivalent effect in trade between Morocco and the Community shall be abolished upon the entry into force of this Agreement.

3. The Community and Morocco shall apply to the other's exports neither customs duties nor charges having equivalent effect nor quantitative restrictions or measures of equivalent effect.

Article 20

1. Should specific rules be introduced as a result of implementation of their agricultural policies or modification of their existing rules, or should the provisions on the implementation of their agricultural policies be modified or developed, the Community and Morocco may modify the arrangements laid down in this Agreement in respect of the products concerned.

The Party carrying out such modification shall inform the Association Committee thereof. At the request of the other Party, the Association Committee shall meet to take appropriate account of that Party's interests.

2. If the Community or Morocco, in applying paragraph 1, modifies the arrangements made by this Agreement for agricultural products, they shall accord imports originating in the other Party an advantage comparable to that provided for in this Agreement.

3. Any modification of the arrangements made by this Agreement shall be the subject, at the request of the other Contracting Party, of consultations within the Association Council.

Article 21

Products originating in Morocco shall not enjoy more favourable treatment when imported into the Community than that applied by Member States among themselves.

The provisions of this Agreement shall apply without prejudice to the provisions of Council Regulation (EEC) No 1911/91 of 26 June 1991 on the application of the provisions of Community law to the Canary Islands.

Article 22

1. The two Parties shall refrain from any measures or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products of one Party and like products originating in the territory of the other Party.

2. Products exported to the territory of one of the Parties may not benefit from repayment of indirect internal taxation

in excess of the amount of indirect taxation imposed on them directly or indirectly.

Article 23

1. This Agreement shall not preclude the maintenance or establishment of customs unions, free trade areas or arrangements for frontier trade in so far as they do not have the effect of altering the trade arrangements provided for in this Agreement.

2. Consultations between the Parties shall take place within the Association Committee concerning agreements establishing customs unions or free trade areas and, where appropriate, on other major issues related to their respective trade policies with third countries. In particular in the event of a third country acceding to the Community, such consultations shall take place so as to ensure that account is taken of the mutual interests of the Community and Morocco stated in this Agreement.

Article 24

If one of the Parties finds that dumping is taking place in trade with the other Party within the meaning of Article VI of the General Agreement on Tariffs and Trade, it may take appropriate measures against this practice in accordance with the Agreement relating to the application of Article VI of the General Agreement on Tariffs and Trade, related internal legislation and the conditions and procedures laid down in Article 27 of this Agreement.

Article 25

Where any product is being imported in such increased quantities and under such conditions as to cause or threaten to cause:

- serious injury to domestic producers of like or directly competitive products in the territory of one of the Contracting Parties, or
- serious disturbances in any sector of the economy or difficulties which could bring about serious deterioration in the economic situation of a region,

the Community or Morocco may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 27.

Article 26

Where compliance with the provisions of Article 19(3) leads to:

- (i) re-export to a third country of a product against which the exporting Party maintains quantitative export restrictions,

export duties or measures or charges having equivalent effect; or

- (ii) a serious shortage, or threat thereof, of a product essential to the exporting Party;

and where the situations referred to above give rise, or are likely to give rise, to major difficulties for the exporting Party, that Party may take appropriate measures under the conditions and in accordance with the procedures laid down in Article 27. The measures shall be non-discriminatory and shall be eliminated when conditions no longer justify their maintenance.

Article 27

1. In the event of the Community or Morocco subjecting imports of products liable to give rise to the difficulties referred to in Article 25 to an administrative procedure having as its purpose the rapid supply of information on trade flow trends, it shall inform the other Party.

2. In the cases specified in Articles 24, 25 and 26, before taking the measures provided for therein or, in cases to which paragraph 3(d) of this Article applies, as soon as possible, the Community or Morocco, as the case may be, shall supply the Association Committee with all relevant information with a view to seeking a solution acceptable to the two Parties.

In the selection of measures, priority shall be given to those which least disturb the functioning of this Agreement.

The safeguard measures shall be immediately notified to the Association Committee by the Party concerned and shall be the subject of periodic consultations, particularly with a view to their abolition as soon as circumstances permit.

3. For the implementation of paragraph 2, the following provisions shall apply:

- (a) as regards Article 24, the exporting Party shall be informed of the dumping case as soon as the authorities of the importing Party have initiated an investigation. When no end has been put to the dumping within the meaning of Article VI of the General Agreement on Tariffs and Trade or no other satisfactory solution has been reached within 30 days of the matter being referred, the importing Party may adopt the appropriate measures;
- (b) as regards Article 25, the difficulties arising from the situation referred to in that Article shall be referred for examination to the Association Committee, which may take any decision needed to put an end to such difficulties.

If the Association Committee or the exporting Party has not taken a decision putting an end to the difficulties or no other satisfactory solution has been reached within 30 days of the matter being referred, the importing Party may adopt the appropriate measures to remedy the problem. These measures shall not exceed the scope of what is necessary to remedy the difficulties which have arisen;

- (c) as regards Article 26, the difficulties arising from the situations referred to in that Article shall be referred for examination to the Association Committee.

The Association Committee may take any decision needed to put an end to the difficulties. If it has not taken such a decision within 30 days of the matter being referred to it, the exporting Party may apply appropriate measures to exports of the product concerned;

- (d) where exceptional circumstances requiring immediate action make prior information or examination, as the case may be, impossible, the Community or Morocco, whichever is concerned, may, in the situations specified in Articles 24, 25 and 26, apply forthwith the precautionary measures strictly necessary to deal with the situation and shall inform the other Party immediately thereof.

Article 28

This Agreement shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of

public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures of artistic, historic or archaeological value or the protection of intellectual, industrial and commercial property or rules relating to gold and silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between the Parties.

Article 29

The concept of 'originating products' for the purposes of implementing this title and the methods of administrative cooperation relating thereto are laid down in Protocol 4.

Article 30

The Combined Nomenclature of goods shall be applied to the classification of goods in trade between the two Parties.

TITLE III

RIGHT OF ESTABLISHMENT AND SERVICES

Article 31

1. The Parties agree to widen the scope of this Agreement to cover the right of establishment of one Party's firms on the territory of the other and liberalisation of the provision of services by one Party's firms to consumers of services in the other.

2. The Association Council will make recommendations for achieving the objective described in paragraph 1.

In making such recommendations, the Association Council will take account of past experience of implementation of reciprocal most-favoured-nation treatment and of the respective obligations of each Party under the General Agreement on Trade in Services annexed to the Agreement establishing the WTO, hereinafter referred to as the 'GATS', particularly those in Article V of the latter.

3. The Association Council will make a first assessment of the achievement of this objective no later than five years after this Agreement enters into force.

4. Without prejudice to the provisions of paragraph 3, the Association Council shall, once this Agreement is in force,

examine the international maritime transport sector with a view to making appropriate recommendations for liberalisation measures. The Association Council shall take account of the results of GATS negotiations on this matter subsequent to the end of the Uruguay Round.

Article 32

1. At the outset, each of the Parties shall reaffirm its obligations under the GATS, particularly the obligation to grant reciprocal most-favoured-nation treatment in the service sectors covered by that obligation.

2. In accordance with the GATS, such treatment shall not apply to:

- (a) advantages granted by either Party under the terms of an agreement of the type defined in Article V of the GATS or to measures taken on the basis of such an agreement;

- (b) other advantages granted in accordance with the list of exemptions from most-favoured-nation treatment annexed by either Party to the GATS.