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Assessment of the bilateral agreements with the ACP States, the Balkans, the Least Developed Countries, the Mediterranean countries, Mercosur and Chile, Mexico, South Africa, the United States

UPDREX/012/01 - 03/04/01

Assessment of the main bilateral agreements concluded and in negotiation

ACP COUNTRIES	<p>Partnership agreement</p> <p>Object: new partnership agreement, signed on 23/06/00 at Cotonou (Benin), designed to replace the 4th Lomé Convention.</p> <p>Calendar and stages of application of the agreement:</p> <ul style="list-style-type: none"> • Entry into effect is scheduled for 2002, at the close of the ratification procedures. • The agreement is concluded for 20 years, with a clause providing for revision every 5 years. • Transitional measures permitted early implementation of the trade provisions as of 01/03/00 (Decision n°1/2000 of the EU-ACP Council, OJ L 217). • The agreement provides for the establishment of a new framework of economic and commercial co-operation in 2008. New trade agreements, compatible with the WTO rules, will enter into force on 01/01/08 at the latest, with a transitional period of at least 12 years. The negotiations must begin before September 2002 (6 years are provided for the talks). • The current regime, in particular the non-reciprocal trade preferences given under the protocols relating to beef and sugar, will be maintained until 2008.
BALKANS	<p>Trade measures</p> <p>Object :</p> <ul style="list-style-type: none"> • Exceptional, autonomous and unilateral trade measures aimed at an asymmetrical trade liberalisation, including for agricultural products, in favour of the countries of the Western Balkans are in effect (Council Regulation 2007/00 of 18/09/00 modified by R. 2563/00 of 20/11/00). • The Council of Lisbon, on 23-24/03/00, had concluded that the stabilisation and association agreements (SAA) with the Balkans should be preceded, while awaiting their entries into force, by an asymmetrical trade liberalisation. The SAA provides for the progressive establishment of a free trade area (FTA) by the end of a transitional period of at most 10 years.

*: document available on request

⇒: important current items

☉: possible CIAA action to be considered

BALKANS

(continued)

Situation per country and prospects:

- **Albania, Bosnia and Herzegovina, the FRY:** the negotiations with a view to concluding an SAA are not yet opened.
- **Croatia:** The SAA is in negotiation (the negotiating mandate was approved on 20/11/00). The SAA could be signed under the Belgian presidency (2nd half of 2001).
- **Macedonia (COM(2001) 146 final):** The SAA was approved by the Council and initialled on 24/11/00 in Zagreb. It was signed on 10/04/01. While awaiting ratification of the SAA by all of the national parliaments, an interim agreement relating to the trade provisions was approved by the Council and will be put into application on 01/06/01. This agreement provides for a liberalisation of trade, including agricultural products, over a transitional period of 10 years. Moreover, it is specified that the unilateral trade measures foreseen in R. 2007/00 will apply in addition to the contractual trade concessions offered by the EU in this interim agreement.

LEAST DEVELOPED COUNTRIES (LDC)

«Everything But Arms » Initiative

Object: The Council adopted a regulation extending free access to the Community market, exempt from rights and quotas, to all products originating from the LDC's, with the exception of arms. This regulation n° 416/01 of 28/02/01, which modifies the system of generalised preferences, has been in application since 5/03/01.

Context:

At the Ministerial Conference of Seattle in November 1999, the EU undertook to facilitate the integration of the LDC's (48 countries, of which 39 are ACP countries) into the world economy by opening the Community market more widely to products originating from these countries.

Trade liberalisation measures:

Trade in agricultural products is completely liberalised; only the three most sensitive products (bananas, rice and sugar) constitute exceptions to this rule :

- A progressive tariff reduction is planned over a series of transitional periods, at the end of which the import duties will have been reduced to zero (banana: annual 20 % reductions each year from 2002 to 2006; rice and sugar: progressive tariff reduction from 2006 to 2009).
- For sugar and rice, these tariff reductions will be preceded by the opening of zero-duty tariff quotas as of 2001. The initial quantity foreseen in the quota, based on the best export levels in recent years, will increase by 15% per year.

Prospects:

- The Commission will set forth the detailed rules for putting the tariff quotas into place prior to the start of the campaigns for the products concerned (July and September 2001) ;
- The benefits of this initiative must go solely to the LDC's, which is why the Commission is currently working on proposals to supplement the existing rules of origin.
- In 2005, the Commission will submit to the Council a report, supplemented by appropriate measures if necessary, examining to what extent the objectives of the liberalisation in favour of the LDC's have been achieved and whether the provisions with regard to rules of origin and combating fraud are adequate.

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**MEDITERRA
-NEAN
COUNTRIES**

Euro-Mediterranean Agreements

- These agreements replace the co-operation agreements concluded with these countries in the 1970's.
- The Barcelona process, defined on 27-28/11/95, must lead to the creation of a FTA between the EU and each of the Mediterranean countries between now and 2010, with a view to the creation of a single large Euro-Mediterranean FTA. To this end, bilateral free trade agreements must be applied with the EU and between the Mediterranean countries; moreover, rules of origin must be harmonised throughout the zone.
- However, given the current difficulties of the peace process, it looks like it will be virtually impossible to achieve the objectives of the Barcelona process by 2010. Indeed, free movement of goods and services within the Mediterranean zone, which must lie at the basis of a Euro-Mediterranean FTA, is far from being a reality.

Algeria :

- The co-operation agreement which entered into effect on 01/07/76 governs the bilateral relations between the EU and Algeria (OJ L 263 of 27/09/78).
- Negotiations with a view to concluding a Euro-Mediterranean association agreement began in June 1997, but for political reasons they have been suspended for three years now. Three meetings with a view to relaunching the negotiations were held in 2000. After having advanced on the political dialogue and economic co-operation, the negotiators will now address the more difficult aspects, such as free movement of persons and the commercial strand. The pace of the negotiations has now accelerated.

Egypt:

- After 4 years of talks, the negotiations to conclude a Euro-Mediterranean association agreement culminated in the initialling of the agreement in January 2001. It should be signed during the first half of 2001. A clause provides for possible revision of the agreement after 3 years of application.
- The bilateral relations are currently based on the co-operation agreement, which has been in effect since 01/07/77 (OJ L 266 of 27/09/78).

Israel:

- The Euro-Mediterranean association agreement entered into force on 01/06/00 (OJ L 147 of 21/06/00).
- Negotiations with a view to revising the agricultural protocol of the association agreement are in progress and should be completed in mid-2001 (reciprocal improvement of concessions). Israel has specific demands notably with regard to market access for orange juice and flowers.

Jordan:

- The bilateral relations are governed by the co-operation agreement in effect since 01/07/77 (OJ L 268 of 27/09/78).
- It will be replaced by the Euro-Mediterranean association agreement signed on 24/11/97. It is foreseen that this agreement will enter into application between now and the end of 2001, after completion of the ratification procedures by the parliaments of the Member States.

Lebanon :

- The bilateral relations are governed by the co-operation agreement in effect since 01/07/77 (OJ L 267 of 27/09/78).

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(continued)

- Negotiations for concluding a Euro-Mediterranean association agreement have been going on since 1996. The 6th round of negotiations, which was held on 28/03, should make in-depth discussions possible, especially on services and the right of establishment.

Morocco:

- The Euro-Mediterranean association agreement entered into force on 01/03/00 (OJ L 70 of 18/03/00).
- Negotiations with a view to revising the agricultural protocol of the association agreement will be held in 2001 (reciprocal improvement of the concessions). Morocco has specific demands with regard to market access for tomatoes. This product forms the object of a specific concession given by the EU, but the two parties have differences of opinion concerning the use of the Community quota. In addition, Morocco expressed fears regarding the possibility that the multifunctional character of Moroccan agriculture would be put into question following these negotiations.

Palestinian Authority :

- The interim Euro-Mediterranean Association Agreement entered into force on 01/07/97 (OJ L 187 of 16/07/97). Its effective application has been made difficult by the dependence of the Palestinian export structures on those of Israel.

Tunisia:

- The Euro-Mediterranean association agreement entered into force on 01/03/98 (OJ L 97 of 30/03/98).
- Negotiations for revising the agricultural protocol of the association agreement were completed at the end of 2000 and the additional reciprocal concessions entered into application on 01/01/01. The concessions in favour of Tunisian exports concern in particular table olives, olive oil and tomato purée. For its part, the EU obtained concessions notably for rice and wheat (see Decision of the Council EC/822/2000 of 22/12/00, OJ L 336).
A new rendez-vous clause is provided for 2005 for agricultural products.

Syria:

- The bilateral relations are governed by the co-operation agreement which has been in effect since 01/07/77 (OJ L 269 of 27/09/78).
- Negotiations with a view to concluding a Euro-Mediterranean association agreement commenced in 1998.

**MERCOSUR
and
CHILE**

Draft free-trade agreement

Context:

- The inter-regional framework co-operation agreement, signed in 1995, provided for intensification of trade relations between the EU and Mercosur (analogous agreement signed with Chile in June 1996).
- With this objective, the General Affairs Council of 13/09/99 adopted the negotiating directives of the Commission: according to this mandate, the discussions on the non-tariff aspects were to begin immediately, while those on the tariff aspects and services would only begin on 01/07/01, and could only be concluded at the close of the WTO negotiations.

Progress of the negotiations:

The negotiations began in November 1999. They are currently focused on methodological, organisational and calendar issues. The 3rd round of negotiations, in November 2000, was

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**MERCOSUR
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CHILE**
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an information session to prepare future works during which the parties agreed on a general framework, with commitments to exchange adequate instruments, notably in the areas of tariffs and statistics.

Commission's trade facilitation initiative :

- On 7/03/01, the Commission unveiled an initiative for facilitating trade with Mercosur and Chile in order to develop the dialogue on obstacles to trade between the two regions. This initiative was officially presented during the 4th round.
- The Commission proposes examining such issues as customs procedures, standards, electronic commerce, the SPS and competition. For Mercosur's part, even if the initial reaction is rather positive, the authorities are demanding that the agricultural issues be included.

4th EU-Chile negotiating session (12-14/03):

- The negotiations on the non-tariff aspects have progressed. The two parties agreed on common texts relating to political dialogue, and notably to technical co-operation.
- With respect to trade, the exchange of information and respective positions of the parties was pursued and will continue during the first half of 2001 in the run-up to the 5th round of negotiations. The work focused in particular on rules of origin, standards, trade defense instruments, intellectual property rights, etc.
- The next meeting, scheduled for 9/07 in Santiago, should permit the opening of market access negotiations on tariffs.

4th EU-Mercosur negotiating session (19-22/03) :

- The negotiations with Mercosur appear to be more difficult. However, the negotiators agreed on some sections of a text relating to political dialogue.
- The parties will continue to exchange information and clarify their respective positions concerning the trade aspects.
- The 5th round of negotiations, during which the talks on tariff aspects should begin, is scheduled for July 2001 in Montevideo.

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MEXICO

Agreement in effect

Global agreement :

- The « Economic Partnership, Political Co-ordination and Cooperation Agreement » between the EU and Mexico was signed on 08/12/97;
- The agreement entered into force on 01/10/00 (OJ L 276 of 28/10/00);
- Global agreement forming the basis of the relations between the EU and Mexico, in particular concerning trade liberalisation.

Free trade in goods :

- Agreement liberalising trade in goods, including agricultural products (Decision 2/2000 of the EU-Mexico Joint Council, OJ L 157 of 30/06/00 and OJ L 245 of 29/09/00).
- The agreement entered into force on 01/07/00. It provides for the progressive establishment of an FTA at the end of 10 years of application, in conformity with article XXIV of the GATT agreement (agreement notified to the WTO on 25/07/00, but not yet examined). It includes a clause on revising the concessions after 3 years of application (following a product-by-product review of the situation).
- In 2007, 96% of all exchanges will be liberalised. For agricultural products, the EU benefits from preferential access for its exports, notably of beers, fruit juices, olive oil and spirits. In exchange, the EU opened its markets for a number of products, such as coffee, fruit juices and honey.

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<p>MEXICO (continued)</p>	<p>Free trade in services:</p> <ul style="list-style-type: none"> • Agreement liberalising trade in services, investments and related payments between the EU and Mexico; preferential provisions on intellectual property rights and public procurement were also adopted. • The agreement entered into force on 01/03/01 (Decision of the Joint Council 2/2001, L 70 of 12/03/01).
<p>SOUTH AFRICA</p>	<p>Free-trade agreement</p> <p>Global agreement</p> <ul style="list-style-type: none"> • Approval of « the agreement on trade, development and co-operation between the EU and South Africa» in Berlin in March 1999. • Entry into force of the commercial strand of the agreement on goods, on a provisional basis, as of 01/01/00, while awaiting its ratification by the national parliaments (OJ L 311 of 04/12/99). • Agreement notified to the WTO on 02/11/00 (not yet examined). • First trade agreement signed with a non-member country taking into account the requirements of the WTO (liberalisation of trade, including the agricultural sector, within 10 years for the EU and 12 years for South Africa). Only several so-called "sensitive" products, such as sugar, remain excluded from the liberalisation. The exclusion lists will be re-examined periodically. • This agreement permits liberalisation of 90% of the trade between the EU and South Africa (estimated at 16 million euros per year). <p>« Wines and spirits » agreements :</p> <ul style="list-style-type: none"> • Compromise at a technical level, on 09/06/00, on conclusion of two agreements on wines and spirits which should have entered into effect on 01/09/00. This compromise bears especially on protection of the labels of origin Porto and Sherry, recognition of the oenological practices, import certificates, co-operation between the inspection authorities. • Because of differences of opinion on the draft agreements prepared by the Commission, the calendar could not be respected. It is foreseen that discussions will resume in 2001 in order to arrive at the conclusion of the two agreements.
<p>UNITED STATES</p>	<p>« New Transatlantic Agenda »</p> <p>Object: adoption by the Commission of a Communication to the Council, on 20/03, with a view to strengthening transatlantic relations.</p> <p>Communication of the Commission: While the « New Transatlantic Agenda » (NTA) was established 1995 as a result of the US-EU Madrid Summit, the arrival of the new American administration offers an opportunity to review how transatlantic relations are being conducted. The Commission emphasises the necessity of setting priorities so that the NTA is more effective in its concrete results. It has advanced some strategic themes, such as the multilateral trade system and globalisation, consumer protection, which could form the object of a transatlantic agreement. The Council is now invited to comment on this Communication.</p>