Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Morocco

Final Inception Report

Client: European Commission - DG TRADE

Rotterdam, 26 April 2013
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This report was commissioned and financed by the European Commission. The views expressed herein are those of the Contractor, and do not represent an official view of the Commission.
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Preface

The European Commission (DG Trade) awarded a contract to ECORYS, signed in December 2012, to conduct a trade sustainability impact assessment (Trade SIA) relating to the negotiations of a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and the Republic of Tunisia and to the negotiations of a DCFTA between the EU and Morocco. This is the final Inception report for the Trade SIA of the EU-Morocco DCFTA. A separate report is available for Trade SIA of the EU-Tunisia DCFTA.

ECORYS is aware of the important role of this study in providing input into the negotiation process. The planning and scope of the study are discussed with the EC to ensure optimal input in the negotiations on the basis of this study.

This inception report is based on the Terms of Reference, the ECORYS proposal that was submitted to DG Trade and the subsequent discussions with the Steering Committee, the EC Delegation in Morocco and Civil Society as well as progressing insights.

This inception report does not aim to copy our proposal into the inception report, since all that is written in there is still valid and available. Rather, this report summarises the most important methodological components and focuses on the main issues that warrant further attention and focus in order to bring this study to a successful end. These issues centre around the following points: methodology, including a stakeholder consultation plan, and organisation and planning.

The Ecorys Team
25 April 2013

This report was commissioned and financed by the European Commission. The views expressed herein are those of the Contractor, and do not represent an official view of the Commission.
Executive Summary

This is the Inception Report for the Trade SIA in support of negotiations of a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Morocco. It is part of a large study that also includes a Trade SIA of the DCFTA between the EU and Tunisia. The objective of the study is to “assess how the trade and trade-related provisions under negotiation could affect economic, social, and environmental issues in the EU and Morocco (by also taking into account the regional integration process and its potential impact), as well as in other relevant countries. Furthermore, it should propose measures (trade or non-trade – the so-called ‘beyond the border’ dimension/issues) to maximise the benefits of the DCFTAs and prevent or minimise potential negative impacts. It should also include a reference to the existing regional agreement such as the Agadir agreement of which [Morocco is a] Member and other relevant regional integration agreements or arrangements.” This report sets out how we will achieve this objective. More specifically, it presents our approach and conceptual framework, the methodology, a consultation plan, relevant sources (literature, tools, references) and a first preliminary screening of issues important for this study.

Approach and conceptual framework

The overall approach to the entire Trade SIA can be divided in three linked phases:
1. Overall analysis of the sustainability impacts arising from the negotiations of a DCFTA between the EU and Morocco;
2. Sectoral Trade SIA analysis for the DCFTA between the EU and Morocco;
3. Proposals for policy recommendations and accompanying measures.

Our approach is based on the two methodological elements of a Trade SIA described in the ToR and the Trade SIA handbook1: 1) economic, environmental and social assessments as such; and 2) stakeholder consultations. The three phases are characterised by both quantitative and qualitative analyses and throughout the three phases, we will engage in continuous feedback and consultation with key stakeholders to collect their input and to verify the results.

Methodology: main quantitative and qualitative elements

Our quantitative approach consists of three elements. First, we will use a computable general equilibrium model (CGE model) to determine general equilibrium effects of the potential DCFTA with Morocco. Second, in addition to the CGE model, via complementary social quantitative impact analysis, we can strengthen the social quantitative outcomes in this study. Third, additional quantitative analysis is carried out to have more insights into the overall environmental impact of the DCFTA. Additional qualitative analysis is crucial to assess the impact of the DCFTA, as not all impacts can be assessed quantitatively. Below we briefly present a short description of these elements.

Computable General Equilibrium model
The CGE model is a multi-sector multi-country dynamic CGE model. For the specific details we refer to Chapter 2, but some elements are worth mentioning as they are key to our approach. First, we single out 9 countries or country groupings, including the EU28 (including Croatia), Tunisia, Morocco, Egypt, Turkey, Rest of North Africa (Algeria, Libya), Middle East (excl. Gulf States and Iran), Rest of Africa and Rest Of World (ROW). Second, in order to single out the effects of the agreement between the EU and Morocco on further liberalisation of trade in agricultural, processed agricultural and fisheries products, which entered into force in October 20122 (hereinafter "the October 2012 agreement"), two baseline scenarios are developed. The first baseline is established based on the base year in the GTAP 8.0 database (2007 raw data brought forward to 2011). The second baseline scenario (October 2012 baseline) includes the realised liberalisations in the October 2012 agreement and forms the basis for the DCFTA liberalisation scenario that is based on anticipated changes in tariff lines, services related regulatory approximation and other types of regulatory approximation. Third, we calculate a short-run (static) set of results and a long-run (including dynamic investment effects) set of results.

Social quantitative analyses
The impact of a DCFTA on the social situation of the various groups of the population may differ, thus leading to changes in the distribution of welfare among households. Literature identified that the most important transmission channels between trade and welfare are the consumption effect (related to prices of consumer goods) and the labour income effect. We will look at these two effects by combining the results of the CGE model and the analysis of household level data. Our focus will be on the consumption structure of different households, which determines the DCFTA impact on their welfare and resulting distributional effects.

Environmental quantitative analyses
In assessing the environmental effect of the DCFTA, we will focus on airborne pollutants and greenhouse gases. To assess these effects on pollution, according to data availability, we will compile emission data per economic sector in Morocco and link them with predicted values of sector-level output provided by the CGE model. We will then calculate the external costs associated with airborne pollutants and climate change impact, based on default damage factors.

Qualitative analysis
Lastly, the CGE model results will be complemented by qualitative analyses on environmental, social and human rights issues. In the social component of the study we will pay particular attention to the interaction between the DCFTA and social equality issues, the effective implementation of the ILO core labour standards, and the promotion of the ILO Decent Work Agenda. The environmental analysis will address the situation of the natural environment beyond air pollution – e.g. water pollution, waste generation and treatment, use of land and land degradation, biodiversity, etc. as well as the implementation of multilateral environmental agreements. In addition, it will address fundamental rights issues in Morocco.

The main elements of the approach to this qualitative analysis are:
1. Literature review;
2. Analysis of official reporting schemes inscribed on respective international conventions;
3. Interviews with key informants and stakeholders;
4. Interpretation of quantitative results especially at the sectoral level.

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The human rights analysis is part of the social analysis. In carrying out the Human Rights (HR) impact assessment of the DCFTA with Morocco, we base ourselves on our experience in conducting other sustainability pillars of FTAs in previous studies (notably the HR impact assessment in the Trade SIA on the DCFTA between the EU and Armenia) and the HRIA approach developed methodologically by Walker (2009). Our HRIA approach consists of three steps that are closely aligned with the Trade SIA approach of the DG Trade Handbook (2006). First, we briefly describe the current overall and DCFTA related status of Human Rights in Morocco (i.e. the human rights baseline). Second, we screen for main (overall) potential HR impacts that could occur when this DCFTA would come into effect. Third, we look at the importance of these effects. Effects that are expected to be significant could be studied in more detail also in the second phase of the study under social impacts.

In-depth analysis of detailed issues

The quantitative approach (CGE and social/environmental modelling) provides the starting point for a more detailed analysis of specific issues and aspects related to the DCFTA, as it indicates where significant impacts are likely to occur. An in-depth analysis of some of these issues provides the opportunity to take into account certain specificities of the Moroccan /EU economy, or certain sector specificities that cannot be captured by the quantitative methodologies used in the first phase of the project. We will employ a screening/scoping analysis based on five criteria and in consultation with the Steering Committee to select up to four sectors or horizontal issues for in-depth analysis. These selection criteria are the following:

<table>
<thead>
<tr>
<th>Number</th>
<th>Criterion</th>
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<tbody>
<tr>
<td>Criterion 1</td>
<td>Initial importance for economy (GDP, employment, trade shares)</td>
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<tr>
<td>Criterion 2</td>
<td>Economic impact from DCFTA</td>
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<tr>
<td>Criterion 3</td>
<td>Social / environmental importance / impact</td>
</tr>
<tr>
<td>Criterion 4</td>
<td>Stakeholder issues of special importance</td>
</tr>
<tr>
<td>Criterion 5</td>
<td>Strategic importance of sector in the negotiations</td>
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</tbody>
</table>

The in-depth analysis complements the findings of the overall analysis with causal chain analysis, literature review, interviews and inputs from sector experts. Ultimately, the in-depth analysis aims to present more detailed insights into economic, social and environmental impacts resulting from the DCFTA.

Consultation plan

We present a consultation plan and lists of relevant stakeholders as well as an overview of upcoming events that may be relevant for this study and/or the DCFTA process in general. We have identified a preliminary list of the main relevant stakeholders both in the EU and in Morocco, with the help of our local experts, the Steering Committee, the EU Delegation and own research (presented in Annex A).

Mapping the civil society landscape in Morocco has shown that although civil society suffers from some weaknesses (e.g. financing and coordination), the civil society in Morocco is relatively active. Moreover, the approximately 80,000 civil society organisations enjoy credibility with the government and are characterised by a high autonomy with respect to the government.
However, from our experience with other Trade SIA studies, the engagement of civil society to the DCFTA could be a risk for the consultation plan. We have developed various measures to mitigate this risk, for example using social media tools like Facebook and have more consultation activities in French, to facilitate communication. Our main consultation activities will consist of electronic consultation and documentation (website, discussion forum, electronic newsletter, social media, etc.), two public meetings in the EU for EU civil society, a Trade SIA Workshop in Morocco, personal interviews, and attendance of other relevant conferences, workshops, meetings, etc. in the EU and Morocco relevant to this study.
1 Approach and conceptual framework

This first chapter serves as a general overview of our proposed approach to the study, including a presentation of the conceptual framework of the sustainability assessment analysis as specified in the Terms of Reference (ToR).

The chapter is structured as follows:
- 1.1 General approach, in which the outline, phases and deliverables of the study are presented;
- 1.2 Methodology, in which we introduce our approach to the six main pillars of this Trade SIA;
- 1.3 Reporting, in which we outline the type of information included in the remaining reports to be produced for this study.

1.1 General approach

The overall approach to the entire Trade SIA can be divided in three linked phases:
1. Overall analysis of the sustainability impacts arising from the implementation of a future DCFTA between the EU and Morocco;
2. Sectoral Trade SIA for the DCFTA with Morocco;
3. Proposals for policy recommendations and accompanying measures.

The current phase (inception, phase 0) provides the basis for the remaining three study phases.

Our approach is based on the two methodological elements of a Trade SIA described in the ToR and the Trade SIA handbook\(^3\): 1) economic, environmental and social assessments as such; and 2) stakeholder consultations. The three phases are characterised by both quantitative and qualitative analyses and throughout the three phases, we will engage in continuous feedback and consultation with key stakeholders to collect their input and to verify the results and complement the analysis with their feedback.

Schematically this approach is presented in Figure 1.1. It follows closely the overall methodology as outlined in the Trade SIA handbook, but includes some important additions and aspects that we have come to appreciate and seen as valuable over time (for example with respect to the consultation process). This methodology has been used and tested repeatedly in several previous Trade SIAs, notably for the FTAs between EU-Central America, EU-India, EU-ASEAN, EU-Ukraine, EU-Andean, EU-Libya, EU-Georgia and Moldova and most recently of the DCFTA between the EU and Armenia.

The different phases in the study result in two intermediate reports and one final report. The following table (Table 1.1) presents the phases and their respective deliverables.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Deliverable</th>
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<tbody>
<tr>
<td>Phase 0: Inception</td>
<td>Inception report</td>
</tr>
<tr>
<td>Phase 1: Overall analysis</td>
<td>Interim report</td>
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<tr>
<td>Phase 2: Sectoral analysis</td>
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<tr>
<td>Phase 3: Recommendations on policies and measures</td>
<td>Final report</td>
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</tbody>
</table>

1.2 Methodology: key elements

We will apply a methodology based on six main pillars developed on the basis of the Terms of Reference and the Trade SIA handbook as well as our own experience from previous Trade SIAs on what works well. These six pillars are:

1. Screening and scoping analysis;
2. Scenario analysis and CGE modelling;
3. Additional quantitative and qualitative analysis;
4. Sectoral Analysis;
5. Causal Chain Analysis (CCA); and
6. Dissemination and consultations with key stakeholders, including civil society.

This section briefly summarises what will be done under each of these six pillars. Table 1.2 specifies in which study phases the different methodologies are used for the analysis.
Table 1.2 Use of pillars in different phases of the study

<table>
<thead>
<tr>
<th>Phase</th>
<th>Pillar 1 Screening/scoping</th>
<th>Pillar 2 Scenario/CGE</th>
<th>Pillar 3 Additional analysis</th>
<th>Pillar 4 Sectoral analysis</th>
<th>Pillar 5 CCA</th>
<th>Pillar 6 Consultation &amp; Dissemination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 0: Inception</td>
<td>X</td>
<td></td>
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<td>X</td>
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</tr>
<tr>
<td>Phase 1: Overall analysis</td>
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<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Phase 2: Sectoral analysis</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase 3: Policy recommendations and fleeting measures</td>
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</tr>
</tbody>
</table>

In the following sections, each of these methodological pillars is briefly discussed.

**Pillar 1: Screening and scoping analysis**

The screening and scoping analysis is executed in order to identify the sectors and issues that are important for a successful conclusion of the DCFTA and that therefore should receive more detailed consideration in the analysis. This exercise consists of a preliminary screening in the inception phase (see Chapter 5) and a more comprehensive analysis after the first phase of the study, based on the outcomes of the overall analysis and on inputs from stakeholders.

At the end of Phase 1, we will select up to four sectors or horizontal issues that are most relevant for further analysis in Phase 2. This selection will be done in close consultation with the Steering Committee, and based on the following criteria:

- Criterion 1: Initial importance of a sector / issues for the economy;
- Criterion 2: Impact as a result of the DCFTA;
- Criterion 3: Social / environmental importance or impact;
- Criterion 4: Stakeholder issues of special importance.
- Criterion 5: Strategic importance of sector in the negotiations

**Pillar 2: Scenario analysis and CGE modelling**

Pillar 2 of the analysis covers the development of scenarios that most accurately and realistically reflects the reality of the negotiations. The developed scenarios in turn serve as inputs for the model that aims to reflect the most relevant representation of the reality of the negotiations so as to ensure that the model outcomes accurately reflect the real measures that will be taken as part of the DCFTA. Scenarios have been developed based on the assumptions regarding the likely outcomes of the negotiations. These will be compared to the baseline scenario of a continuation of recent trends in Morocco (i.e. a business as usual scenario). The model thus compares the situation with and to the situation without the DCFTA.

The model used to quantitatively assess the potential effects of the DCFTA is a Computable General Equilibrium (CGE) model. This is a dynamic and non-linear CGE model. Data used in this model are based on the most recent version 8.0 of the GTAP dataset, which contains data benchmarked to 2007, but which are projected to 2011 using actual macro-economic data. The agreed assumptions and result indicators of the CGE model are presented in Chapter 2.

In order to get a better understanding of what CGE modelling involves and for which elements of the analysis its outcomes are relevant, below we present a schematic illustration (Figure 1.2) of the CGE methodology.
Pillar 3: Additional social and environmental quantitative and qualitative analysis

In order to complement the results of the CGE model with relevant information that is potentially not included in the CGE model, additional quantitative and qualitative social (incl. human rights) and environmental analyses will complement the outcomes of the CGE model.

Social quantitative analysis

The social impact of the DCFTA depends on the structural characteristics of the economies involved, of its population and the specific trade reform put into place. Literature identified that the most important transmission channels between trade and welfare are the consumption effect (related to prices of consumer goods) and the labour income effect. For a quantitative simulation of these social impacts of the DCFTA, we would need to combine the results of the CGE model and the analysis of household level data. As we do not have access to household level expenditure and income data for Morocco, quantitative analysis of social impacts is not possible at the level of detail required to offer added value to our impact assessment. Hence, we will analyse social impacts in qualitative terms.

Environmental quantitative analysis

In assessing the environmental effect of the DCFTA, we will focus on airborne pollutants and greenhouse gases. The inputs for the environmental analysis will be the CGE results, which include predictions of CO2 emissions and sector output, and data on air pollution from EMEP and EDGAR data sources. We will then calculate the external costs associated with airborne pollutants and climate change impact, based on default damage factors as derived by the ExternE method, and impact pathway approach in particular. The decomposition analysis of the emissions and, where
possible, related external costs include specifically the scale and composition factors. Technological change is not included since the CGE model does not incorporate this.

**Qualitative analysis**

Lastly, the CGE model results will be complemented by qualitative analyses on environmental, social and human rights issues. In the social component of the study we will pay particular attention to the interaction between the DCFTA and social equality issues, the effective implementation of the ILO core labour standards, and the promotion of the ILO Decent Work Agenda. The environmental analysis will address the situation of the natural environment beyond air pollution – e.g. water pollution, waste generation and treatment, use of land and land degradation, biodiversity, etc. as well as the implementation of multilateral environmental agreements. In addition, it will address fundamental rights issues in Morocco.

The main elements of the approach to this qualitative analysis are:

1. Literature review;
2. Analysis of official reporting schemes inscribed on respective international conventions;
3. Interviews with key informants and stakeholders;
4. Interpretation of quantitative results especially at the sectoral level.

The human rights analysis is part of the social analysis. In carrying out the Human Rights (HR) impact assessment of the DCFTA with Morocco, we base ourselves on our experience in conducting other sustainability pillars of FTAs in previous studies (notably the HR impact assessment in the Trade SIA on the DCFTA between the EU and Armenia) and the HRIA approach developed methodologically by Walker (2009). Our HRIA approach consists of four steps that are closely aligned with the Trade SIA approach of the DG Trade Handbook (2006). First, we provide an overview of the HR picture in Morocco. Secondly, we analyse which HR aspects are relevant to the DCFTA. Then we turn to the impact of the DCFTA, where we first look how the DCFTA could in general affect the HR landscape, and then make an assessment of the effects of the DCFTA on HR aspects, based on the economic modelling results and additional analyses.

**Pillar 4: In-depth analysis of sectors and horizontal issues**

The aim of the sectoral and/or horizontal issues analysis is to provide deeper insights into the effects of a potential DCFTA for sectors or issues that are important for a successful conclusion of the DCFTA. Up to four sectors or horizontal issues will be selected for further study, based on the screening and scoping exercise (pillar 1) and in consultation with the Steering Committee.

For selected sectors, a more in-depth analysis will be conducted taking as a starting point the quantitative effects resulting from the CGE analysis and the additional environmental and social analyses (pillars 2 and 3). The sectoral analysis aims to complement these findings through causal chain analysis, literature review, interviews, inputs from sector experts and possibly partial equilibrium (PE) modelling. Ultimately, the in-depth analysis aims to present more detailed insights into economic (including impact on Small and Medium Enterprises (SMEs)), social (such as employment and wage effects in the sector), and environmental (including the effect of an increase in transportation services) impacts resulting from the DCFTA at sector level and in relation to specific horizontal issues.

In case a horizontal issue is selected, we could look at important elements that affect a potential DCFTA across multiple sectors. This analysis also starts with the CGE outcomes and compares them across sectors. An example of an important horizontal issue could be SPS measures or TBT measures.
**Pillar 5: Causal chain analysis**
Causal chain analysis (CCA) is a conceptual tool used to identify the relevant cause-effect links between the trade measures proposed and the economic, social and environmental impact this trade measure may have. It is imperative for a realistic impact assessment that the CCA is applied to significant links between trade negotiations and their impacts.

Figure 1.3 shows how we view the way CCA should be applied within the Trade SIA framework. This is a slightly adapted version of chart 3 of the Trade SIA Handbook. The effects of the DCFTA on sustainable development run through the dark blue arrows, while the light blue arrows show how policy measures taken can influence the various cause-effects. Thus the figure illustrates how and at what stages flanking policy measures may increase the positive and mitigate the negative impacts of the DCFTA between the EU and Morocco.

**Figure 1.3 Causal Chain analysis: from trade measure to impact on sustainable development**

Source: Trade SIA Handbook, chart 3 (adapted from Indufor, 2004).

**Pillar 6: Dissemination and consultation**
Consultation is a key element of the study since the inputs of all stakeholders to the negotiation process (businesses, administration, civil society, industry etc.) are needed to identify the main issues in relation to the sustainable development effects of the DCFTA. Hence, we aim to involve
these stakeholders as actively as possible in the entire course of the study. Based on extensive experience with stakeholder consultation, we have developed a tested consultation plan, which is more elaborately presented in chapter 3. The dissemination of the results will be done by means of a dedicated website, which is also presented in chapter 3.

1.3 Outline of interim technical and final reports

After this inception report, two more reports will be delivered: an interim technical report and a final report. Here we outline the main elements of each of these reports.

1.3.1 Outline of the interim technical report

- A short executive summary in which the preliminary results are presented;
- The CGE model and its results, including the underlying assumptions of the model and their implications for the results;
- The additional quantitative analyses and their results at the overall level, with a focus on social and environmental impact;
- The additional qualitative analyses and their results at the overall level, with a focus on the interaction between the DCFTA and the effective implementation of the ILO core labour standards, multilateral environmental agreements, the promotion of the ILO Decent Work Agenda, and fundamental rights issues;
- An overview of the activities related to consultation and dissemination and their results, in particular:
  - The development and implementation of the stakeholder consultation plan;
  - Consultations and dialogue with external experts from civil society;
  - Social partners and other targeted consultation: summary of comments and suggestions received (via e-mail, website comment function, ordinary mail, meetings etc.) and how these were taken up by the study team;
  - Development of the network of Trade SIA experts: contacts made, information provided / disseminated and comments received;
- Overview of the Trade SIA website use / visits.
- A final screening and scoping exercise to define the sectors and horizontal issues to be analysed in-depth in the final phase;
- A progress briefing, summarising the main activities undertaken so far.
- A roadmap for the work necessary to complete the final report.

The report will be maximum 200 pages long, excluding annexes.

1.3.2 Outline of the final report

- A short executive summary in which the final results of the study are presented;
- A description of the Trade SIA methodology used;
- Outcomes and results of the Trade SIA assessment, of both the overall analysis and sectoral analysis;
- Proposals of flanking measures and policy recommendations;
- An overview of the activities related to consultation and dissemination and their results, in particular:
  - Outline of contacts with stakeholders (including social partners and other targeted consultation) in the EU;
- Outline of contacts with stakeholders (including social partners and other targeted consultation) in Morocco (as well as in other countries if relevant);
- Minutes of the local workshop in Morocco outlining key stakeholder positions and points of views, the programmes and list of participants.

- Conclusions
- References and key resources.

The final report will have a maximum of 200 pages, excluding annexes.

As requested in the Terms of Reference, the final report will be accompanied by a Briefing document (2 pages maximum), which will include:

- The objectives, scope and purpose of the Trade SIA;
- The main trade measures identified for impact analysis;
- The liberalisation scenarios considered;
- Other key assumptions and hypotheses;
- The most significant economic, social, environmental and human rights impacts identified;
- The most important complementary policy measures recommended in order to minimise negative impacts and maximise positive impacts of the trade measures proposed;
- The sources of evidence, and the qualitative and quantitative evidence gathering techniques used;
- Details of the consultation process undertaken for the Trade SIA;
- Limitations in the design or the execution of the Trade SIA in meeting the project aims and objectives;
- Suggestions (where relevant) of issues or aspects for further investigation, including *ex post* analysis of the impacts of any agreement reached at the conclusion of negotiations.
2 Methodological developments

The second chapter contains an overview of additional information over and above the general introduction given in the first chapter regarding quantitative and qualitative analysis in phase 1, based upon initial research and the first discussions with the Steering Committee. It also includes an identification and definition of indicators that we apply in this study. We aim to generate the indicators presented in the DG Trade Handbook for Trade SIAs as much as possible. For those variables in the Handbook that the quantitative methods described in this chapter do not provide, we will add qualitative analyses (e.g. poverty, decent work, human rights).

This sections provides more details on the following methodological topics discussed in Chapter 1:
- **CGE Model.** The first section discusses the specifications applied in the CGE model and discusses the outputs and limitations of the model;
- **Social and environmental quantitative analyses** in section 2.3 and section 2.4;
- **Human rights effects.** As part of the third section, our approach to measuring human rights effects are presented.

Please note that this does not include anything on the stakeholder consultation process, as this is separately discussed in the next chapter (Chapter 3).

2.1 CGE modelling specifications

The CGE modelling approach has been discussed with the Steering Committee during the inception phase to allow for timely modelling. This section presents the specifications of the final version of the methodological note. For a more detailed explanation of the assumptions and figures used in this section, we also refer to the final methodological note in Annex D. The discussion regarding the modelling specifications has been as follows:
- A first discussion on the modelling approach during the inception meeting on 23/01/2013;
- A first draft methodology note sent to the Steering Committee on 01/02/2013, upon which the first feedback from the EC was received on 26/02/2013;
- Ecorys processed these comments and requested clarification via email on 01/03/2013, after which Ecorys produced a final version of the methodological note as detailed below. Ecorys sent the final version of the note for approval by the Steering Committee on 13/03/2013, along with the draft inception report.

The next subsections present in detail the modelling specifications.

2.1.1 Country specifications

The CGE model is a general equilibrium model, which implies that all countries from the world are included and are taken into account for the generation of the results. However, in order to show the specific effects of the DCFTA between the EU and Morocco and other countries to the study’s interest, a few countries can be split out in the model. In total nine countries will be separated from the general equilibrium analysis to allow reporting on country level. The nine countries we will specify in the CGE model are going to be:

- EU-28 (including Croatia);
- Morocco;
• Tunisia;
• Egypt;
• Rest of North Africa (Algeria, Libya);
• Turkey;
• Middle East excl. Gulf States and Iran (Iraq, Jordan, Lebanon, Palestine, Syria, Yemen, Israel)
• Rest of Africa;
• Rest Of World (ROW).

2.1.2 Sector specifications

Table 2.1 below presents the 37 sectors that are selected for the CGE modelling in the Trade SIA EU – Morocco. Based on the preferences of the Steering Committee, the 57 original GTAP sectors have been aggregated into 37 economic sectors that will be used in the reporting for this study. The table shows the 37 sectors selected in this study on the right hand side and the GTAP sectors that are included in this aggregation on the left hand side of the table. As explained in the methodological note, we still propose to keep the ‘other transport’ sectors separated, because the sectors differ in nature (one is manufacturing and the other is services) and we feel that ports could possible require further analysis (if they have bottlenecks the trade flow increases may be affected).

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Abbrev.</th>
<th>Sector content (57 sectors)</th>
<th>Nr.</th>
<th>Abbrev.</th>
<th>Sector description (Trade SIA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PDR</td>
<td>Paddy rice</td>
<td>1</td>
<td>GRN</td>
<td>Grains and crops</td>
</tr>
<tr>
<td>2</td>
<td>WHT</td>
<td>Wheat</td>
<td>2</td>
<td>VOS</td>
<td>Veg, fruit &amp; nuts</td>
</tr>
<tr>
<td>3</td>
<td>GRO</td>
<td>Cereal grains nec</td>
<td>3</td>
<td>OCP</td>
<td>Other crops</td>
</tr>
<tr>
<td>4</td>
<td>V_F</td>
<td>Vegetables, fruit, nuts</td>
<td>5</td>
<td>OSD</td>
<td>Oil seeds</td>
</tr>
<tr>
<td>6</td>
<td>C_B</td>
<td>Sugar cane, sugar beet</td>
<td>7</td>
<td>PFB</td>
<td>Plant-based fibers</td>
</tr>
<tr>
<td>8</td>
<td>OCR</td>
<td>Crops nec</td>
<td>9</td>
<td>CTL</td>
<td>Bovine cattle, sheep and goats, horses</td>
</tr>
<tr>
<td>10</td>
<td>OAP</td>
<td>Animal products nec</td>
<td>11</td>
<td>RMK</td>
<td>Raw milk</td>
</tr>
<tr>
<td>12</td>
<td>WOL</td>
<td>Wool, silk-worm cocoons</td>
<td>13</td>
<td>FRS</td>
<td>Forestry products</td>
</tr>
<tr>
<td>14</td>
<td>FSH</td>
<td>Fishing</td>
<td>15</td>
<td>COA</td>
<td>Coal</td>
</tr>
<tr>
<td>16</td>
<td>OIL</td>
<td>Oil</td>
<td>17</td>
<td>GAS</td>
<td>Gas</td>
</tr>
<tr>
<td>18</td>
<td>OMN</td>
<td>Minerals nec</td>
<td>19</td>
<td>CMT</td>
<td>Bovine meat products</td>
</tr>
<tr>
<td>20</td>
<td>OMT</td>
<td>Meat products nec</td>
<td>21</td>
<td>VOL</td>
<td>Vegetable oils and fats</td>
</tr>
<tr>
<td>22</td>
<td>MIL</td>
<td>Dairy products</td>
<td>23</td>
<td>PCR</td>
<td>Processed rice</td>
</tr>
<tr>
<td>24</td>
<td>SGR</td>
<td>Sugar</td>
<td>25</td>
<td>OFD</td>
<td>Food products nec</td>
</tr>
<tr>
<td>26</td>
<td>B_T</td>
<td>Beverages and tobacco</td>
<td>27</td>
<td>TEX</td>
<td>Textiles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nr.</td>
<td>Abbrev.</td>
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<td>Nr.</td>
<td>Abbrev.</td>
<td>Sector description (Trade SIA)</td>
</tr>
<tr>
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<td>--------</td>
<td>-----------------------------</td>
<td>-----</td>
<td>--------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>28</td>
<td>WAP</td>
<td>Wearing apparel</td>
<td>14</td>
<td>WAP</td>
<td>Wearing apparel</td>
</tr>
<tr>
<td>29</td>
<td>LEA</td>
<td>Leather products</td>
<td>15</td>
<td>LEA</td>
<td>Leather products</td>
</tr>
<tr>
<td>30</td>
<td>LUM</td>
<td>Wood products</td>
<td>16</td>
<td>LUP</td>
<td>Wood, paper, publishing</td>
</tr>
<tr>
<td>31</td>
<td>PPP</td>
<td>Paper products, publishing</td>
<td>17</td>
<td>P_C</td>
<td>Petrochemicals</td>
</tr>
<tr>
<td>32</td>
<td>CRP</td>
<td>Chemical, rubber, plastic</td>
<td>18</td>
<td>CRP</td>
<td>Chemical, rubber, plastic</td>
</tr>
<tr>
<td>34</td>
<td>NMM</td>
<td>Mineral products nec</td>
<td>19</td>
<td>NMM</td>
<td>Ceramics, cement, etc</td>
</tr>
<tr>
<td>35</td>
<td>IS</td>
<td>Ferrous metals</td>
<td>20</td>
<td>MET</td>
<td>Primary metals</td>
</tr>
<tr>
<td>36</td>
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<td>Metals nec</td>
<td>21</td>
<td>FMP</td>
<td>Fabricated metals</td>
</tr>
<tr>
<td>37</td>
<td>FMP</td>
<td>Metal products</td>
<td>22</td>
<td>MVH</td>
<td>Motor vehicles</td>
</tr>
<tr>
<td>39</td>
<td>OTN</td>
<td>Transport equipment nec</td>
<td>23</td>
<td>OTN</td>
<td>Other transport (equipment)</td>
</tr>
<tr>
<td>40</td>
<td>ELE</td>
<td>Electronic equipment</td>
<td>24</td>
<td>ELE</td>
<td>Electronics, computers</td>
</tr>
<tr>
<td>41</td>
<td>OME</td>
<td>Machinery and equipment nec</td>
<td>25</td>
<td>OME</td>
<td>Other machinery and equipment</td>
</tr>
<tr>
<td>42</td>
<td>OMF</td>
<td>Manufactures nec</td>
<td>26</td>
<td>OMF</td>
<td>Other manufacturing</td>
</tr>
<tr>
<td>43</td>
<td>FLY</td>
<td>Electricity</td>
<td>27</td>
<td>UTI</td>
<td>Utilities</td>
</tr>
<tr>
<td>44</td>
<td>GDT</td>
<td>Gas manufacture, distribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>WTR</td>
<td>Water</td>
<td>28</td>
<td>CNS</td>
<td>Construction</td>
</tr>
<tr>
<td>46</td>
<td>CNS</td>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>TRD</td>
<td>Trade</td>
<td>29</td>
<td>TRD</td>
<td>Trade</td>
</tr>
<tr>
<td>48</td>
<td>OTP</td>
<td>Transport nec</td>
<td>30</td>
<td>OTP</td>
<td>Other transport</td>
</tr>
<tr>
<td>49</td>
<td>WTP</td>
<td>Water transport</td>
<td>31</td>
<td>WTP</td>
<td>Water transport</td>
</tr>
<tr>
<td>50</td>
<td>ATP</td>
<td>Air transport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51</td>
<td>CMN</td>
<td>Communication</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>52</td>
<td>OFI</td>
<td>Financial services nec</td>
<td>34</td>
<td>FIS</td>
<td>Finance and insurance</td>
</tr>
<tr>
<td>53</td>
<td>ISR</td>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54</td>
<td>OBS</td>
<td>Business services nec</td>
<td>35</td>
<td>OBS</td>
<td>Business and ICT</td>
</tr>
<tr>
<td>55</td>
<td>ROS</td>
<td>Personal and recreational services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>OSG</td>
<td>Public Administration, Defense, Education, Health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>57</td>
<td>DWE</td>
<td>Dwellings</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2.1.3 Base year

The CGE model will be based on the GTAP 8 dataset, which includes figures until 2007. However, the base year will be brought forward using actual IMF figures on trade and growth (i.e. it is not a linear projection, but an adjusted actual projection). The latest complete data for all country groupings and sectors are available for 2011, which will be the base year in the CGE analysis. The 2011 projection includes the effect of the global economic crisis and includes the most reliable and accurate globally consistent data available to date.

### 2.1.4 Scenarios

As outlined in the Trade SIA Handbook, scenarios should be developed in order to adequately distinguish between the economic developments without a DCFTA and with a DCFTA. In the case

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4 We will refer to this sector as financial services throughout this report, and this sector thus includes insurance services.
of Morocco, in order to adequately distinguish between the ‘pure’ DCFTA effects, we will model the effects of a DCFTA with respect to the **October 2012 agreement** (on agriculture) and the pure effects of the October 2012 agreement. By separating out the October 2012 agreement, the effects of a DCFTA are much better visible since in the case of not separating this agreement, potential economic effects might be due to the October 2012 agreement and not the DCFTA. In the following, we outline the details of the used baseline and DCFTA scenarios.

**1. Baseline scenario**
The following details will constitute the baseline scenario for the DCFTA EU – Morocco:

- For the EU – Morocco scenario, a DCFTA between the EU – Tunisia will be included in the baseline since the effect of a DCFTA on Morocco cannot be viewed in isolation of the DCFTA with Tunisia (negotiated simultaneously).
- For the EU – Morocco DCFTA, two different baseline scenarios will be modelled, and from both baselines, one liberalisation scenario will be modelled:
  a. **2011 baseline**, depicting the situation before implementation of the **October 2012 agricultural agreement**. This scenario includes the negotiated Association Agreement (ratified in 2000) between the EU and Morocco
  b. **Post-October 2012 baseline**, which forms the baseline for modelling the DCFTA effects. This baseline includes the liberalisation measures negotiated in the 2012 agreement, so that the pure DCFTA effects can be measured.
- The **2011 baseline** forms the basis for measuring the impacts of the October 2012 agreement and the **October 2012 baseline** forms the basis of measuring the ‘pure’ DCFTA effects.
- The reason for splitting the baseline scenarios based on the October 2012 agreement is to clearly distinguish between the sole effects of the DCFTA and the effects of the signing of the October 2012 agreement – especially important for the agricultural sectors. Taking only the baseline before the October 2012 agreement would not clearly show the true effects of a DCFTA with Morocco since the October 2012 agreement would be responsible for parts of the impacts. This approach is in line with email correspondence with the SC on this matter.
- The Doha Development Agenda (DDA) will not be included in either of both baselines.

There will be no separate reporting of any of these inputs for the baseline or the baseline itself, but the focus will be on reporting the effects of the DCFTA.

**2. Liberalisation scenario**
The liberalisation scenario will model as realistically as possible the effects of a DCFTA between the EU and Morocco. Specifically, it will model liberalisations in:

1. Tariffs;
2. Services non-tariff measures;
3. Other non-tariff measures.

Since for Morocco we *de facto* consider two liberalisation scenarios, namely the liberalisation towards the October 2012 agreement (with respect to the 2011 baseline) and the DCFTA liberalisation scenario, the scenarios for Morocco are explained separately below.

**Morocco – October 2012 liberalisation scenario**
The liberalisation modelled for the October 2012 scenario *only* models the tariff liberalisations that have been agreed in the agreement. This allows us to define a new – Oct-2012 inclusive – baseline which forms the starting point for the DCFTA modelling. Thus this liberalisation scenario consists of:
(i) Tariffs
100% tariff reductions for all agricultural products and processed agricultural products, fish and fishery products, except for the items defined in articles 2 and 5 of the October 2012 Agreement\(^5\), which will be modelled according to defined scenarios in the Agreement. The definitions of agricultural products and processed agricultural products, fish and fishery products are according to the Combined Nomenclature definition (chapters 1-24).

This means that we will reduce all tariffs in these sectors to zero for each separate sector. Calculating the exact tariffs left depends on the chosen sector aggregation (see Table 2.1 above) and will be done as part of the beginning of the modelling phase. In the remaining economic sectors there will be no tariff reductions modelled.

(ii) Services liberalisation
No services liberalisation is modelled.

(iii) Other NTMs
No other NTMs liberalisation is modelled.

**Morocco – DCFTA liberalisation scenario**
The liberalisation modelled for the DCFTA scenario consists of tariff, services NTM and other NTM liberalisations compared to a baseline that includes the October 2012 liberalisation scenario explained above. Hence, this liberalisation scenario takes the October 2012 liberalisation results as baseline and focuses on the differences (i.e. the pure DCFTA effects) compared to that baseline.

**Tariffs**
The Steering Committee has indicated that the focus of the DCFTAs is on regulatory approximation and not on tariff reduction since the October 2012 agreement eliminated most actionable tariffs. Hence, no tariff liberalisations will be modelled:

- **Tariff reduction EU into Morocco**: 0% liberalisation for all sectors;
- **Tariff reduction Morocco into the EU**: 0% liberalisation for all sectors.

Please bear in mind that these 0% liberalisations are with respect to the October 2012 baseline, which already includes far going tariff liberalisation of the October 2012 agreement. Thus, we will not model any further tariff liberalisations, not for agricultural, nor for manufacturing sectors.

Also the focus of the negotiations is on regulatory approximation, rather than tariff liberalisation. Calculating the exact tariffs left depends on the chosen sector aggregation (see table on the previous page) and will be done as part of the beginning of the modelling phase. They will be supplied in a separate Excel file to the Commission.

**Services liberalisation**
The modelling of service level NTMs for the DCFTA EU – Morocco is based on the methodology developed for previous TSIAs conducted by Ecorys, notably for the TSIA of the DCFTAs between the EU and Georgia/Moldova and EU – Armenia. Liberalisation in the services sector is based on a percentage reduction in Trade Cost Equivalents (TCEs) for a particular sector. A TCE is in essence the calculation of a non-tariff barrier into a tariff (number) equivalent.

For the DCFTA between the EU and Morocco, Ecorys will model a 3% reduction in TCEs for the services sectors 26 until 36 (as described in the sector aggregation table) on the EU-side and a

\(^5\) See specific agreement (footnote 2).
13% reduction in TCEs on the Morocco side. These values have been agreed by the Steering Committee. For more details on the derivation of the liberalisation figures, please see Annex D.

Other NTMs
For the modelling of liberalisation of other NTMs, we take into account the following assumptions:

- The EU is focusing primarily on SPS and TBT approximation (based on information KoM for Morocco/Tunisia);
- The standards of Morocco need to approximate those of the EU because the EU is not going to lower its standards in the fields of SPS and TBT – at least not to an average somewhere in between.

Based on the assumptions outlined below, we propose to model a sector specific reduction in NTMs – but an asymmetric reduction (For Morocco twice the level of EU reductions). EU reductions are, however, not zero because regulatory approximation also means further access for EU firms, even if EU standards are higher from the outset (with NTMs it is differences in standards that matter, not level of standards).

The level of other NTM reductions for the economic sectors in Morocco and the EU are based on similar base figures as for the EU – Tunisia DCFTA, but adjusted for any specific sensitive issues in the negotiations and the presence of SPS and TBT issues in Moroccan economic sectors. The liberalisation figures are presented below.

**Baseline values for Other NTMs**
As mentioned above, SPS and TBT are the focus in “other NTMs” alignment. Based on the Ecorys (2009) NTMs in EU – US Trade and Investment general equilibrium model and gravity modelling, baseline values for other NTMs in the sectors have been derived. The gravity results are recalculated into Trade Cost Equivalents, so these reflect the initial height of NTMs per sector. The baseline values can be found in Table 4.2 of the book publication.

**Sector liberalisation figures for other NTMs**
In order to link the data to the reality of the Moroccan negotiations, these baseline NTM values per sector are subjected to different liberalisation percentages. Using the extensive Ecorys (2009) database of NTMs (business survey with 5500 responses across the world), the importance of SPS and TBT issues in the overall NTMs is determined. The respondents of the business survey were asked for NTMs in their sector:

1. What weight they attach to the NTM in the sector (from no weight 1, to heavy weight 5);
2. What the actionability (likelihood of removal) of the NTM is.

Since the focus of ‘other NTMs’ in the TSIA is on SPS/TBT, the number of times that “SPS” was mentioned out of the total of NTMs in the relevant sector is calculated as a percentage of the total. This percentage is then weighed with the ‘importance’ criteria (i) and (ii) in order to obtain a weighed percentage of how important SPS/TBT NTMs are with respect to the total amount of NTMs in the sector.

In a next step, for every economic sector in Morocco (except for the services sectors, in which no Other NTM reductions are modelled) is determined whether they are heavily (high), lightly (low) or not at all (no) influenced by SPS or TBT issues. The reality of the negotiations, i.e. whether SPS/TBT issues are actually actionable, acts as a ‘downgrade’ of the level of liberalisation possible in sectors affected by SPS/TBT issues. In case many SPS/TBT issues are identified in a certain sector, but the negotiators expect the likelihood of approximation to be low, then only a limited

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degree of liberalisation is realistic. According to the Kick off Meeting, the negotiators still need to indicate the sensitive sectors. The Steering Committee has been asked to indicate the actionability of SPS/TBT issues in the selected sectors from an EU perspective, whereas the EU Delegation in Morocco has been asked to indicate the actionability from the Moroccan perspective. The table below summarises these assumptions:

<table>
<thead>
<tr>
<th>Actionability</th>
<th>Presence</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
<td>Ambitious liberalisation</td>
<td>Limited liberalisation</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
<td>Limited liberalisation</td>
<td>No liberalisation</td>
</tr>
<tr>
<td>Low</td>
<td>No</td>
<td>No liberalisation</td>
<td>No liberalisation</td>
</tr>
</tbody>
</table>

This estimation technique leads to the following liberalisation figures for EU and Morocco -side liberalisation:

Other NTMs from EU to Morocco:
- 4% point reduction in TCE for the ambitious liberalisation scenario;
- 2% point reduction in TCE for the limited liberalisation scenario;
- 0% point reduction in TCE when there is no liberalisation foreseen;
- 2% point reduction in TCE for all agriculture & manufacturing sectors due to trade facilitation.\(^8\)

Other NTMs from Morocco to the EU:\(^9\)
- 16% point reduction in TCE for the ambitious liberalisation scenario – but 50% is taken off to compensate for higher production costs to meet the higher standard = \textit{de facto} 8% point reduction;
- 8% point reduction in TCE for the limited liberalisation scenario – but 50% is taken off to compensate for higher production costs to meet the higher standard = \textit{de facto} 4% point reduction;
- 0% reduction in TCE when there is no liberalisation foreseen;
- 2% point reduction in TCE for all agriculture & manufacturing sectors due to trade facilitation.\(^10\)

For other nations towards Morocco (exports and imports) we also model MFN spill-overs worth 25% of the liberalisation level with the EU.

Next to the Ecorys (2009) NTM data that has been used to estimate the above liberalisation percentages, the values have also been cross checked with a range of studies that the project team has done in the past on FTA modelling and barriers in trade and investment, including Professor Joseph Francois academic work on this topic.

2.1.5 Outputs from the CGE model

The CGE model results in the following output indicators (see Table 2.2 below).

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\(^7\) Based on literature used in the Ecorys (2009) study and expertise gathered in previous TSIAIs.

\(^8\) The two percent point trade reduction figure has been agreed with and proposed by the Commission during the inception phase of the EU – Georgia/Moldova TSIAIs. It is considered a conservative estimate for NTMs and has been used in many past TSIAIs reports conducted by Ecorys. Most importantly, the TSIAIs EU – Georgia/Moldova, but also EU – India and EU – ASEAN.

\(^9\) For the EU, we sector experts will not be asked to rank SPS/TBT issues since the effects on EU sectors are expected to be small.

\(^10\) See footnote 5.
Table 2.2 Indicators generated by the CGE model

<table>
<thead>
<tr>
<th>Theme</th>
<th>Indicator</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Aggregate results</td>
<td>a. Wages (skilled and unskilled);</td>
<td>a. Percent change;</td>
</tr>
<tr>
<td></td>
<td>b. GDP;</td>
<td>b. Percent change;</td>
</tr>
<tr>
<td></td>
<td>c. Total exports;</td>
<td>c. Percent change;</td>
</tr>
<tr>
<td></td>
<td>d. Total imports;</td>
<td>d. Percent change;</td>
</tr>
<tr>
<td></td>
<td>e. National income;</td>
<td>e. Billions of dollars;</td>
</tr>
<tr>
<td></td>
<td>f. Terms of trade.</td>
<td>f. Percent change.</td>
</tr>
<tr>
<td>2. Sector results</td>
<td>a. Bilateral exports;</td>
<td>a. Percent change;</td>
</tr>
<tr>
<td></td>
<td>b. Output;</td>
<td>b. Percent change;</td>
</tr>
<tr>
<td></td>
<td>c. Value added;</td>
<td>c. Percent change;</td>
</tr>
<tr>
<td></td>
<td>d. Employment - (un)skilled</td>
<td>d. Percent change;</td>
</tr>
<tr>
<td></td>
<td>b. Agricultural;</td>
<td>b. 1. Percent change in output;</td>
</tr>
<tr>
<td></td>
<td>c. Fisheries.</td>
<td>2. Percent change in land use;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Percent change in fish catch</td>
</tr>
<tr>
<td>4. Social variables</td>
<td>a. Unskilled wage changes;</td>
<td>a. Percent change in household income;</td>
</tr>
<tr>
<td></td>
<td>b. Labour displacement;</td>
<td>b. Percent of workers required to</td>
</tr>
<tr>
<td></td>
<td>c. Measure of inequality.</td>
<td>move jobs;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Change in share of unskilled</td>
</tr>
<tr>
<td></td>
<td></td>
<td>workers in total income.</td>
</tr>
</tbody>
</table>

* If necessary also base values are provided to understand the impact of percentage changes.

2.1.6 Limitations

The CGE model gives rise to two limitations that should be taken into account while evaluating the results:

Limitation 1: If trade flows at present are zero because of some regulatory barrier that is totally prohibitive, CGE cannot model anything because it does not have a base to start from – this will have to be added qualitatively (e.g. based on shares in similar markets) after the CGE modelling.

Limitation 2: It is impossible to make cost adjustments for approximation – in terms of domestic cost levels. We have used very conservative NTM liberalisation effects (e.g. 8% instead of 16% for ambitious liberalisation; 4% instead of 8% for limited liberalisation) to take this cost increase effect into account to some extent.

2.2 Social analysis

2.2.1 Social quantitative analysis

The impact of a free trade agreement on the social situation of the various groups of the population may differ, thus leading to changes in the distribution of welfare among households.

The literature on poverty and income inequality addresses the consumption effect and the labour income effect as key social effects of trade policy. The consumption effect arises as a result of changes in relative prices of the basket of goods and services purchased by households. For instance, higher food prices will – other things being equal – affect more negatively (in relative
lower income groups in the population that tend to spend a higher proportion of their total income on food. Income effects arise when relative wages and/or prices of goods produced and sold by households (e.g. agricultural products) change. Poor households tend to rely more on subsistence farming. Hence poor households can compensate the negative consequences of food price increase by applying such coping strategy as subsistence farming.

Quantitative analysis of the social impacts of a free trade agreement focuses on estimating the impact of relative price changes and wage changes due to a DCFTA on indicators of income inequality and on indicators of poverty across society and for specific vulnerable groups. The methodology followed previously in the Trade SIA of the DCFTAs with Moldova and Georgia\(^{11}\) is based on work of Chen and Ravallion (2003)\(^{12}\). The analysis takes the CGE model outcomes for relative price changes following from the DCFTA as input to simulate impacts on disposable income.

Comprehensive social quantitative analysis relies on recent household-level data on expenditure shares among economic sectors and particular product groups and on the distribution of household income. For Morocco, the most recent household survey of income and living standards, including expenditure data, was conducted in 2006-2007. It provides an extension compared to earlier household surveys such as the survey of 2000/2001 by providing information on level and sources of income as well. We have contacted the national statistical office for access to these data. Currently, we have received only reports using aggregated data focusing on household expenditures, not covering level and sources of incomes.

Based on aggregated household expenditure data, only limited quantification of the social effects of the DCFTA is feasible. Notably, only limited analysis of the impact on income inequality is possible based on average expenditure levels and -shares by income group. Given the data that we can now foresee, the analysis would need to focus on the consumption effect. Aggregate data lack the amount of detail needed to provide more in-depth analysis of the impact on households’ and individuals’ disposable income and welfare. This detail can only be achieved with access to the individual- and household-level data from the survey.

Analysis of poverty indicators across society and for vulnerable groups is not possible using aggregated data. Such analysis is based on poverty concepts based on headcounts and relies completely on data at the micro-level. This implies that a substantial part of the added value of social quantitative analysis would be lost.

Given the above considerations, we judge that the results of such partial and limited quantitative analysis would not provide sufficient added value compared to more qualitative analysis of social impacts. We therefore propose to address the social impacts of the EU-Morocco DCFTA mostly qualitatively. Currently, a request to the national statistical office for access to the full micro-level household survey data is pending. If we get access to these household- and individual-level data before the results of CGE modelling are available, we may be able to assess in time the feasibility of quantitative analysis based on the household survey data. As this involves substantial data processing and preparation, this option is only feasible if sufficient time is available for such assessment.


2.2.2 Social qualitative analysis

We plan extensive qualitative analysis of social effects. This work will triangulate results from:

- The CGE model providing inter alia results on changes in relative share of unskilled workers in total income;
- Quantitative analysis merging the CGE results with household survey data allowing for assessment of poverty trends and welfare inequality (including by groups defined by gender, age, geographic region, employment sector, etc.);
- Extensive stakeholder consultation (discussed in more detail in chapter 3); and
- Review of literature including recent studies / assessments on social situation in Morocco.

All the above should allow for identification of the probability of, expected scale and character of potential DCFTA effects on equality (broadly defined and notably including gender equality and non-discrimination) as well as feed into the analysis of impact on various dimensions of the decent work. In the latter we plan to adopt a broad perspective taking the ILO's Decent Work Agenda as an underlying framework. We will follow the ILO's approach distinguishing the four dimensions that matter for the agenda as a whole:

- Creating jobs;
- Guaranteeing rights at work;
- Extending social protection;
- Promoting social dialogue.

Wherever possible the analysis will attempt to quantify potential impacts (using several decent work indicators).

The analysis of job creation and -destruction effects at the aggregate level will be based (indirectly) on CGE results, specifically estimated effects non total output in the economy, as well as a review of other studies on this topic, international experience and opinions of stakeholders, especially from the business side. The analysis of job creation and -destruction effects at the sectoral levels will be primarily based on the CGE modelling exercise and consultations with stakeholders, especially business representatives.

The effects on legal framework and effective implementation of rights at work (including those in disadvantage position) will be studied, also in light of Morocco’s adjustments during the negotiation of the DCFTA. Key sources of information in this area will include interviews with major informants and stakeholders (researchers, policy analysts, policy makers, business associations, employers’ organisations, trade unions, NGOs active in the relevant fields, etc.), literature review and analysis of official reporting schemes inscribed in respective international conventions (mainly ILO core conventions). The analysis will cover workers in unregistered employment sector(s), and other vulnerable groups.

The analysis of potential effects on extending social protection to promote both inclusion and productivity will be studied primarily using inputs from stakeholder consultations. The potential heterogeneity of impact on the situation of various population groups will be explicitly taken into account.

The analysis of potential impact on social dialogue in Morocco will be mainly based on literature review and stakeholder consultations, especially with social partners, i.e. employers and trade

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13 The CGE model assumes fixed overall labour hence it is not possible to calculate overall employment effects in the DCFTA scenario.
unions, but also with public authorities and key experts. The analysis will study the recently established social dialogue in Morocco (see section 3.2) and specifically focus on the potential interactions between social dialogue and the DCFTA stemming from the fact that the EU encourages the government of the partner country to involve social partners (i.e. trade unions and employers’ organisations) into a dialogue on the overall reform process, impacts resulting from the negotiated agreements and on the adjustments needed (e.g. implementation of new standards) in different sectors.

2.2.3 Type of human rights effects

Our approach to the human rights impact assessment (HRIA) is based on the EC Communication ‘Operational Guidance on Fundamental Rights in Commission Impact Assessments’, human rights impact assessment work done by Simon Walker, and experience in the analysis of human rights impacts in previous TSIAs, notably the TSIA for the EU-Armenia DCFTA 14. Our HRIA approach for this report consists of four steps that are closely aligned with the TSIA approach of the DG Trade Handbook (2006), as follows:

- **Step 1:** Provide a concise overview of the HR landscape in Morocco;
- **Step 2:** Pre-analyse how the DCFTA could in general affect the HR landscape;
- **Step 3:** Based on the policy (modelling) scenarios and additional analysis, look at the likely impacts from the DCFTA for the HR aspects.

In line with the EU’s Impact Assessment guidelines, Step 1 constitutes the baseline for human rights, while Steps 2 and 3 compare the potential DCFTA outcomes for human rights to this baseline.

The information sources we use for this exercise are the following:

- Literature, focusing on the current HR landscape for Morocco – HR treaties that Morocco has or has not signed, status of implementation, and specific HR issues relevant for Morocco. Sources that will be used will include (but not be limited to) information from international organisations like the Office of the High Commissioner for Human Rights (who recently published its Human Rights Indicators report), International NGOs like Amnesty International, Human Rights Watch, Fédération internationale des Droits de l'Homme (FIDH), the Euro-Mediterranean Human Rights Network, and the Arabic Network for Human Rights Information and national organisations;
- The outcomes of the Computable General Equilibrium (CGE) model that provide information on the main macro-economic changes that stem from the EU-Morocco DCFTA and the results from the social analysis. These predicted changes serve as the basis for potential HR effects;
- Discussions with local HR public institutions, experts and HR-related NGOs in Morocco on specific issues.

2.3 Environmental analysis

2.3.1 Quantitative environmental analysis

Our quantitative environmental analysis will focus on the effect of DCFTAs on airborne pollutants and greenhouse gases. We will use the methodology that our team has applied in the Trade SIA of DCFTAs between the EU and respectively Georgia, Moldova and Armenia, which was introduced in

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14 See the HR analysis in the ITR report for this study, available at: http://tsia.ecorys.com/images/Armenia/draft%20itr%20tsia%20armenia.pdf
one of the first environmental impact assessments performed for the Trade SIA of an FTA between the EU and Russia. In a nutshell this approach carefully combines:

- results of the CGE modelling;
- an index-based statistical decomposition analysis; and
- external costs assessment based on the impact pathway approach.

We plan to examine the scale and composition effects in the analysis of DCFTA-induced changes in emission of several airborne pollutants and CO₂, and to derive the total external costs attributable to these emissions. To assess these effects on pollution, according to data availability, we will compile emission data per economic sector in Morocco included in the CGE model and link them with predicted values of sector-level output provided by the CGE model. This requires a matching of sectors between the CGE model structure and the sources of emission data – EMEP model data from the Centre on Emission Inventories and Projections and the Emissions Database for Global Atmospheric Research (EDGAR). Such a matching will result in lower sector detail compared to the CGE model structure, due to limited comparability of the sector structures across these databases.

External costs per unit of pollutant for the EU are taken from the database of default damage values created within the FP6 funded projects NEEDS and CASES; the latest version of this database also contains damage factors for Morocco (Preiss et al., 2008). Further information on external costs per unit of pollutant are provided by the study on social and economic benefits of enhanced environmental protection in European Neighbourhood Policy Countries and the Russian Federation, guiding document and the country report for Morocco. Damage due to climate change will be based on social cost of carbon reviewed in the literature, including latest reviews.

The integrated approach of environmental quantitative analysis described above has several advantages of which two are particularly worth stressing here. First, it allows considering the environmental effect through several pressure indicators simultaneously by expressing them in terms of corresponding damage. Secondly, expressing the impacts in monetary terms allows us to directly compare welfare impacts of changes in environmental quality induced by the DCFTA (non-market changes) with other welfare changes due to market changes, stemming from CGE modelling results.

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We foresee the following outcomes of this analysis:

- Predictions on the effect of the DCFTA on emissions of air pollutants such as SO$_2$, NO$_x$ and particulate matters in Morocco for scenario(s) analysed from the economic perspective in the CGE model;
- Computed values of the external costs (welfare changes due to effects on human health) associated with changes in air emissions of SO$_2$, NO$_x$ and particulate matters, and values of total external costs of CO$_2$ emission (climate change damage), released in Morocco and in the EU.

Table 2.6 provides specific indicators that we currently foresee to calculate as part of this analysis.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Indicator</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Environmental variables</td>
<td>a. Emissions of CO$_2$, SO$_2$, NO$_x$ and particulate matter.</td>
<td>a. Percent change;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change in tonnes.</td>
</tr>
<tr>
<td></td>
<td>b. Environmental costs or benefits (external costs attributable to emissions$^{21}$)</td>
<td>b. Percent change;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Million euro.</td>
</tr>
<tr>
<td>2. Environmental and social variables</td>
<td>c. Health effect (mortality and morbidity) due to change in emissions.</td>
<td>c. Million euro.</td>
</tr>
</tbody>
</table>

Note table: the external costs per tonne of pollutant for Morocco provided by NEEDS only considers human health as impact factor. Crops, materials and biodiversity impact factors are not included.

2.3.2 Qualitative environmental analysis

The analysis on the quantification of air emissions will be complemented by a qualitative analysis covering issues such as potential DCFTA impact on biodiversity, resource efficiency, land and water pollution, etc. Given the potential linkages between the DCFTA (and more broadly the Association Agreement) and ratification and implementation of multilateral environmental agreements (MEAs) in Morocco this issue will also be analysed.

We will carry out the qualitative environmental analysis by performing the following activities:

- Critical interpretation of CGE results at the sectoral level;
- Selective analysis of official reporting schemes and commitments under international environmental agreements;
- Extensive literature review focusing on issues that are directly applicable to the Moroccan situation;
- Consultations with all interested stakeholders (through on-line tools, workshop in Rabat and other means) and specifically also interviews with key informants and stakeholders.

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3 Consultation plan and stakeholders

This section outlines the stakeholder consultation plan developed in line with ToR requirements. The structure of our approach to involving civil society and stakeholders to the study is divided into four main elements:

a. identification of the relevant stakeholders to the DCFTA process;
b. analysis of the nature of the civil society landscape and its recent developments;
c. risk analysis of the stakeholder engagement plan and how we propose to mitigate these risks; and
d. main activities that we will carry out to involve the civil society in the consultation process, including SMEs

Each of these phases is described in more detail in the sections below. We consider, however, the consultation plan as a “living and dynamic document” that may be further adjusted and enriched during the course of the project, depending on the feedback from CSOs, new insights or unexpected developments.

3.1 Relevant stakeholders

During this inception phase, we have identified a diversified range of potential civil society organisations and representatives to ensure that all views on the DCFTA could be voiced. Main organisations from several categories (e.g. private sector representatives, business association, environmentalists, human rights non-governmental organisations (NGOs), employer’s groups, trade unions, policy think tanks, etc.) for both the EU and Morocco have been identified. The list of organisations is included in the Annex A to this report.

We identified potential stakeholders in Morocco and the EU through a number of channels:

a. The Steering Committee who suggested a number of relevant stakeholders in Morocco after the kick-off meeting;
b. The EU Delegation to Morocco who provided further suggestions;
c. Fidunion, our local partner in Morocco identified a large number of civil society players;
d. The Ecorys consortium identified relevant EU stakeholders based on its past experience in TSIA consultation processes, and identified a number of additional stakeholders that are especially relevant for Morocco;
e. Contacts are planned to be established with relevant other organisations such as the Economic and Social Committee (ESSC) and EBRD for potential further contacts. We will follow up with these organisations immediately after the publication of the inception report.

Worth noting is that the final selection of the most important stakeholders that will be involved in the consultation process in Morocco will be done after our first awareness and dissemination activities (e.g. launching of the website, sending out newsletter, etc.), the civil society meeting in Brussels, and further discussions with the EU Delegation to Morocco and with our local experts. In that way, we will be able to identify the most important and relevant institutions for the Trade SIA, the most interested and active in the DCFTA debate. The extent to which certain organisations will be involved will also depend on the outcome of the first phase of the project, i.e. on the specific sector or social, environmental or human rights issues that come out as being affected by the DCFTA.
3.2 Nature of the civil society landscape

3.2.1 The development of the civil society in Morocco

The Moroccan civil society landscape is by far the richest and the most diversified among the Maghreb countries and dates back to the French Protectorate when political parties and socio-cultural groups rose up against the colonial power. Yet, following the country’s independence in 1952, regional associations were created and named “non-governmental” (as opposed to civil society which was associated with potential opposition force at that time), chaired by personalities close to the government or former ministers. However, since the 1990s, following greater political openness, the sector has seen more positive and independent developments and several associations have emerged on the public scene in Morocco.

The adoption of a more favourable regulatory framework and a rising concern calling for a radical change in models of political governance, democracy and economic development (Movement of 20 February 2011) in the 2000’s led the sector to flourish. As noted in the EBRD country assessment report for Morocco (2012), there has been a noticeable improvement from the 1976 Communal Charter that offered no legal framework for local and/or international associations. In 2002, the King approved the Decree on the Right to Establish Associations which effectively resulted in significant growth in the NGOs sector, while in 2004, the authorities passed the Decree on Public Benefit Status for Associations which set out the procedures and requirements for qualifying as “public benefit”. The 2011 Constitution foresees an improved overall environment for civil society organisations (CSOs), however implementation remains a major challenge.

The current regulatory framework is based on optional, no-objection basis notification by the associations to the authorities, as opposed to a registration and approval system. There are also no legal limitations on receiving foreign funding. Indeed, the current Government has repeatedly emphasised its “commitment to developing and empowering the Moroccan civil society”, especially within the context of the National Human Development Initiative launched in 2005. The current regulations prohibit the formation of associations that are contrary to “good morals” or “the integrity of the national territory”; obtaining the authorisation for civil associations to constitute legal entities remains subject to the authority of the Ministry of Interior.

According to several sources, there are nowadays more than 50,000 active civil associations operating in both, urban and regional areas, with a relative concentration in two main urban areas: Rabat and Casablanca. Most of these associations are regional and operate at close proximity to the problems of ordinary citizens in some of the more deprived and disadvantaged parts of the country, targeting mainly two priority areas: civil liberties and socio-economic development.

The data analysis stemming from the 2007 National Survey of Non-Profit Institutions (NPIs), published in 2011, shows that the majority of the active associations in 2007 are young structures; eight out of ten having been created between 1997 and 2007 and four out of ten since the launch of the National Initiative for Human Development in 2005. Also, according to this survey, the median age of associations in Morocco was four years old in 2007. Moreover, three quarters of these...
associations have a local radius thus favouring local actions (at the neighbourhood level, urban or rural commune or group of communes).

By its presence and engagement, the sector had attracted more than 100,000 volunteers and employees by 2007 of which one third is female. It should be noted, however, that 57.3% of the organisations run with fewer than 100 members (7.1% of overall total membership in associations) while 6.8% - the most important in terms of membership numbers - concentrate 57.7% of memberships\textsuperscript{27}. When it comes to funding, most CSOs are financed through member’s subscription as well as private donations; public funding remains modest (6.1%).

It should be noted, however, that foreign financing of NGOs has considerably increased over the past decade, though highly concentrated on a limited number of organisations, allowing them to grow. Many associations benefited from training in particular in such areas as advocacy, (i.e. in their ability to present the views of their members to policymakers and to influence government) diagnosis development; and conception and formulation of strategies and action plans. Foreign funding also helped introduce good practice such as formulation of project objectives, follow-up and reporting. Foreign donors were the first to demand financial audits.

Turning to the strengths and weaknesses of civil society, the “2011 CIVISCUS Civil Society Index in Morocco” reports finds that the four main assets CSOs have are (i) proximity and involvement in citizenship; (ii) a track record in social and human development; (iii) credibility, independence and a willingness to engage and; (iv) to a lesser extent counterweight and pressure on the State and power to influence.

As for civil society’s weaknesses, according to that same report, the most mentioned problems facing CSOs are financing (35.3%), opportunistic behaviour (27.0%) and poor communication and coordination (25.1%). To these we can add lack of organisation, expertise and professionalism, lack of skilled human resources, not belonging to a network of associations and most carry out their activities without any partnership\textsuperscript{28}.

3.2.2 Active CSOs and public confidence in CSOs

As noted above, there are around more than 50,000 currently active in Morocco. Studies showed that Moroccan civil society organisations have credibility\textsuperscript{29} and are characterised by a high degree of autonomy vis-à-vis the government. Nowadays, not only do they operate freely in many areas such as health, the environment, the integration of women in economic life, the promotion of small and medium enterprises, rural development, migration issues, consumer protection but there are also NGOs and civil groups, as a social force for positive change, to expose and fight corruption, address the concentration of economic power, promote the interests of specific segments of society (for example Moroccan workers or the owners of Moroccan Enterprises) and specific types of reform (for example judicial reform and reforms in the security services). There has also been very noticeable dynamism amongst university student unions, farmers’ associations, and other groups, etc.\textsuperscript{30}.

The most important NGOs and CSOs are perceived as relatively influential through their role of resistance to political power and by reporting abuses. However, the influence of NGOs that work on the local level or participate in providing access to services (education, water, literacy) generally

\textsuperscript{27} Ibid.
\textsuperscript{28} 2011 CIVISCUS Civil Society Index in Morocco.
\textsuperscript{29} In terms of autonomy vis-à-vis the government and in terms of public trust in civil society.
remains moderate and their impact only local. They remain to a certain extent subject to the authority of governors31.

Consultations have become more open, transparent, better entrenched in institutions and broader in scope and conducted in a regular basis. Private sector associations and professional organisations have widened their membership base. They have a well-developed regional network and have been taking steps to strengthen their policy proposal capacity. Over the last 10 years, there has been significant improvement of the involvement of private sector and other stakeholders from civil society in consultations with the Government in several domains such as trade policy, business development, economic and social dialogue and issues related to human rights which are relevant for the DCFTA. The EU has supported such improvements as it will be further detailed below.

**Trade policy dialogue**

In Morocco, a consultation between the public and private sector on trade issues exists, and is chaired by the Ministry of Trade and Industry. The Government has initiated a dialogue with the private sector with the creation in 1996 of the National Foreign Trade Council32, and the Advisory Committee on imports33. The National Commission for Environmental Affairs34, a newly created instance, reinforces this mechanism. The private sector is mainly represented through professional associations and the General Confederation of Businesses in Morocco (CGEM)35. Actions taken by the Ministry of Trade and Industry in terms of development of law or commercial commitments and / or trade agreements are established in consultation and coordination with the private sector and through public – private joint commissions, particularly the government-CGEM mixed commissions. NGOs are also consulted, but not in a systematic manner. Consumers are represented via two networks: the Confédération des Associations de Consommateurs du Maroc (CAC-Maroc) and the Fédération Nationale des Associations de Consommateurs du Maroc (FNAC-Maroc). Since the Consumer protection law has recently passed (2011) it is assumed that the government will involve them also in the process.

In addition of representatives of the State, the National Foreign Trade Council is composed of private sector representatives, generally represented by the CGEM and the Moroccan Association of Exporters36. It delivers advice on all matters relating to external trade relations and promotes improvements in the competitiveness of Moroccan products and services.

The Consultative Commission on imports37 (was established in 1993 by the Ministry of Trade. It advises the Government on all matters relating to requests for tariff protection and trade measures contingency. CCI is chaired by a representative of the Ministry of Trade and consists of representatives of key ministries including the Ministries of Finance, Economic Affairs and the Interior, as well as representatives of customs and other ministries concerned by a specific request. The Federation of Chambers of Commerce, industry and services, the Federation of Chambers of Agriculture and the Federation of Chambers of art crafts also participate.

The National Commission for the business environment38 is composed of relevant ministers, the Director-General of the Moroccan Agency for Investment Development, the President of the CGEM.
the President of the Professional Association of Banks in Morocco and of the President of the Moroccan Federation of Chambers of trade, industry and services.

As shown above, the structure of consultation offers some potential contribution of the private sector in trade policy, but the choice of industry associations and groups such as the CGEM, ASMEX and chambers of commerce and industry to represent private sector, although quite natural, seems to favour large well-established companies that have an influence in these circles. SMEs are relatively unlikely to take part in these organizations and when this is the case, they tend to have less influence than larger companies. Some sectors are less well represented than others which is also a factor distorting the consultation exercise. Beyond the organisations mentioned, it does not seem that largest consultations are used to investigate the views of the private sector on issues related to trade. Consultation with civil society groups is only sporadic, and with academia or media inexistent.

Business development dialogue
The assessment of the implementation of the Euro-Mediterranean Charter for Enterprise of Morocco reports that there are highly institutionalised consultation systems for SMEs development. In Morocco, the CGEM is often involved in discussions on important government decisions and finance law. The revision of the work code in 2004 and the presentation of the Livre Blanc by the CGEM to the government in January 2008 are examples of the inclusion of the private sector in public decision-making. In addition, the ANPME (the national SME agency) conducts regular consultations with private sector organisations and major stakeholders on a wide range of policy issues. It is however noticed that consultations are relatively centralised, with a preference by governments to work with a selected number of large private sector organisations while SMEs are underrepresented.

In Morocco, the two main groups of private sector organisations are the system of chambers of commerce and industry, and the employers’ or manufacturers’ associations. More details on their influence, role and structure are provided below (See section 1.2.3).

So far, the ESC has established working Commissions and is working on a Social Charter as well as on a contribution to combat the high youth unemployment as affiliated workers are underrepresented.

EU support to the Consultation Initiatives
The EU supports these consultation initiatives. In particular, with respect to trade policies, the European Commission holds regular and structured meetings organized around issues of trade policy to a wider audience. DG Trade aims to promote an active and inclusive civil society in this process. The goal is to achieve an on-going debate, organizing meetings on current topics of concern. The European Commission considers that transparency is essential for understanding and acceptance of the policy in any field. Adherence to standards of transparency level is important for the legitimacy and accountability of any modern administration. The EU Trade Commissioner or DG Trade officials attend meetings of the DSC to inform, listen and exchange views with civil society organizations. Organizations of civil society participants represent a wide variety of institutions and organisations, which include non-governmental organisations working on issues as diverse as consumer protection, the environment or animals, and humanitarian aid, as well as employees ‘unions and employers’ organisations and the European economic and Social Committee.

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40 An action plan which contains suggestions for the development of a vibrant economy and for SME development in Morocco.
3.2.3 Some remarks on specific civil society players relevant to the Trade SIA consultation process

**Business associations**

Companies are important direct beneficiaries of DCFTA. According to the national company register (OMPIC), more than 95% of Moroccan enterprises are SMEs. Those enterprises account for 50% of total employment, 30% of total exports and 40% of total private investment. As mentioned above, SMEs are involved in trade policy negotiations, through their representatives (e.g. Chambers of commerce) but to a lesser extent than larger companies. The consultation plan will ensure a better representation and involvement of the SMEs in the EU-Morocco DCFTA.

The following business associations are among the influential organisations in the field:

**Federation of Moroccan Chambers of Commerce, Industry and Services**

This federation represents the country’s Chambers of Commerce, Industry and Services and their affiliated companies. It plays an active role in all debates concerning the economy and the future of its members and is a member of the board of the Vocation Training Institute.

The Chambers of Commerce and Industry in Morocco are organisations of public interest with a status determined by law and a well-defined institutional role. Membership is obligatory, with membership fees set in relation to company size. Therefore these types of chambers have a very wide membership, including SMEs, handicrafts persons and microenterprises. The chambers of commerce and industry act as a partner to government. Given their widespread membership base among MSMEs and their strong local roots, they are more engaged in dialogue at the national level on issues of trade, retailing, transport, construction, handicrafts, etc.

**General Confederation of Moroccan Entrepreneurs (CGEM)**

Established in 1947, the CGEM groups 23 sectoral federations, and represents companies of all sizes and sectors although 95% of its members are SMEs. It works actively on the international scene to promote the Moroccan economy and to attract foreign investments and is presently in charge of the implementation of the country’s new system of continuing training. It has transparent internal government rules with a president and vice-president elected by all members for a maximum of a two-three-year term. Policy formulation work is conducted through a number of commissions, each one in charge of a specific policy area, including trade, SMEs, labour, taxation, finance law, etc. CGEM is often consulted in discussions of important government decisions.

**Euro-Cham Morocco - Union of European and Moroccan Chambres of Commerce and Industry in Morocco**

Euro-Cham is the leading EU business association in the country which aims to bringing together the interests of more than 6,000 European companies in Morocco, assisting and promoting the development of economic relations and investment between Morocco and the European Union, particularly in the context of the advanced status of Morocco and the Euro-Mediterranean dialogue. This is being achieved in close collaboration with the representatives of various community decision-making structures in Morocco and through regular meetings with the EU Delegation and EU Member States. Euro-Cham is composed of seven EU Chambers: the German Chamber of Commerce and Industry in Morocco, the Belgium-Luxembourg Chamber of Commerce in Morocco, the Spanish Chamber of Commerce, Industry and Navigation in Casablanca, the Spanish Chamber of Commerce and Industry in Tangier, the French Chamber of Commerce and Industry in Morocco,

Fédération des Chambres Marocaines de Commerce, d’Industrie et de Services.
Office de la Formation Professionnelle et de la Promotion du Travail (OPPPT).
the British Chamber of Commerce in Morocco and the Italian Chamber of Commerce in Morocco. The Presidency of EuroCham Morocco is a yearly rotating presidency between the different EU Chambers.

An interesting development over the last few years in Morocco is the establishment of associations of young and women entrepreneurs such as the Association of businesswomen in Morocco (AFEM)\textsuperscript{45}. They are taking a proactive role in the development of their country’s economy; provide resources and services through education, networking, and public advocacy to empower their members to achieve career success and financial security.

These associations should be involved in the consultation process.

Consultative bodies

The Economic and Social Council (ESC)\textsuperscript{46}

The Economic and Social Council is an independent advisory body established in 2011, following the 2008 Euro-Mediterranean Summit of Economic and Social Councils. The Council may be consulted by the Government and the two chambers of Parliament on economic and social issues. The Council also advises on general guidelines of the national economy and sustainable development. The Council is composed, in addition to its Chairman who is appointed by Royal Decree, of 99 members divided into five categories: experts, trade unions, professional organisations and associations, NGOs, representatives of main corporates of the country. So far, the ESC has established six working Commissions and is working on a Social Charter as well as on a contribution to combat the high youth unemployment as affiliated workers are underrepresented.

Employers’ associations

The most influential employer’s associations in Morocco are the General Confederation of Moroccan Enterprises and the Federation of Chambers of Commerce (See their profile above under Business Associations section).

With respect to labour policies, these two associations are partner of the tripartite Economic and Social Council and made recently efforts to develop a new type of labour relations through the promotion of collective agreements, the establishment of a pre-conflict management body together with a joint orientation committee, and the creation of information centres. It should also be noted that CGEM (the Moroccan employers’ association) has designed a new label for business firms which comply with the new Labour Code and has held outreach workshops on the subject\textsuperscript{47}.

Trade unions

There is a multitude of trade unions in Morocco (approx. 20) as the law facilitates their establishment. However the threshold is fixed at 35 per cent of affiliated workers in order to enter into collective bargaining as it is unevenly established. There is little practice with bargaining at company level. Trade union density is below 10\% and is highest in the public sector\textsuperscript{48}. The most influential trade unions are:

\textbf{Moroccan Labour Union (UMT)}\textsuperscript{49}

The Moroccan Labour Union was formed in 1955 in Casablanca. It reportedly had a membership of over 600,000 in the early years of Morocco’s independence, becoming the nation’s largest labour

\textsuperscript{45} Association des Femmes Chefs d'Entreprises du Maroc (AFEM).
\textsuperscript{46} Conseil Economique et Social
\textsuperscript{47} Note Social partners in Morocco, EU Commission.
\textsuperscript{48} Ibid.
\textsuperscript{49} Union Marocaine du Travail.
organisation. It enjoyed a monopoly of Moroccan unionism until the General Union of Moroccan Workers was founded in 1959, which took over 10 per cent of its membership. Although affiliated with the National Union of Popular Forces from 1959 to 1962, the UMT is relatively independent from political parties.

The General Union of Moroccan Workers (UGTM) 50

The General Union of Moroccan Workers was formed in 1960 and has a membership of 695,000. The UGTM has its roots in the agricultural workers of Morocco, although it does have public and private sector workers as well. The UGTM is historically seen as less militant than other federations, but did participate in the demands for reform which occurred in the 1990s.

The Confédération Democratique du Travail (CDT) and La Fédération Democratique du Travail (FDT) are also as influential as the UGTM and UMT. Furthermore, the Union Nationale du Travail au Maroc (UNTM) affiliated to PJD is also part of the social dialogue as considered as the trade unions so called "syndicats représentatifs".

Other

Consumers are also very important stakeholders, as the DCFTA will impact on prices and quality of several goods and services. Consumer issues are among the priority issues of the government thanks to the Government policy as evidenced by its adoption recently of the first consumer protection law in Morocco. The newly adopted law – ensures an active role to the consumer protection associations, and as mentioned above, it is assumed that consumers, represented via two networks la Confédération des associations de consommateurs du Maroc (CAC-Maroc) and la Fédération Nationale des Associations de Consommateurs du Maroc (FNAC-Maroc) will be soon involved in the trade public/private dialogue.

3.2.4 Risks to the stakeholder engagement plan

There are a number of risks for the Trade SIA consultation process, some of which stem from the nature of the civil society landscape in Morocco as described above and some of which are inherent to consultation processes more generally. Table 3.1 below identifies the main risks to the stakeholder consultation process and how they will be dealt with.

<table>
<thead>
<tr>
<th>Risks</th>
<th>Approach to mitigate risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Lack of participation of CSOs in the consultation process, due to unawareness, fear for political sensitivity or other reasons.</td>
<td>The first step to address this risk is to increase awareness of the Trade SIA and the DCFTA negotiations more general. This includes a careful planning of the consultation process and presentation of a clear message on its mandate, objectives, full transparency of the process, etc. Dissemination activities described in the next section (e-mails, website, etc.) will be an important tool for this. If participation remains limited, more targeted activities (personal mailings, telephone calls) may be considered. Early engagement with key stakeholders in the field (e.g. institutions that are already involved in the DCFTA-related debates) should help in persuading other, potentially initially hesitant stakeholders.</td>
</tr>
</tbody>
</table>

---

50 Union Générale des Travailleurs Marocains, UGMT.
<table>
<thead>
<tr>
<th>Risks</th>
<th>Approach to mitigate risks</th>
</tr>
</thead>
</table>
| 2 Lack of capacity of stakeholders to actively engage in debate     | Although the lack of capacity cannot be solved by this study, this problem can at least partly be addressed in the following ways:  
  - we will present the background of our study and preliminary results in a clear and understandable (i.e. non-technical) way, and as much as possible in the local language;  
  - we will send information to relevant stakeholders as early as possible, to give them sufficient time to digest the information and prepare a response;  
  - if needed, we can develop questionnaires for certain stakeholders that will help to develop their position.                                                                                                                                                                                                                   |
| 4 Underrepresentation of certain stakeholders, e.g. due to non-existence of representative organisations | If important stakeholders are underrepresented, we will adopt a mix of talking to independent experts (e.g. academics) and individual stakeholders. As part of our local consultation efforts we will encourage actively engaging such organisations in e.g. smaller events or through local publications via our partners. In addition, the (possible use of) social media will allow us to reach a large number of stakeholders. |
| 5 Limited use of the Trade SIA website                              | We will encourage use of the website through regular news updates via our mailing list and by encouraging our partners and relevant organisations (e.g. stakeholder organisations) to make reference to the website on their respective sites or in other publications. In addition we will explore the use of social media and specialised mailing lists to enhance our message and provide a platform for discussion and/or reach groups that may not be so easily reached via a website. |
| 6 Management of the flow of information                            | Two persons from ECORYS will be fully dedicated to managing the communication process of the civil society engagement.                                                                                                                                                                                                                                                     |

### 3.3 Consultation activities

The main activities that will be used to involve civil society in the consultation process are described in the proposal and are briefly summarised below. The results of each of these activities will be carefully reported in the interim and final report, or separate documents.

1. **Electronic consultation and documentation**

   During the inception phase, a dedicated website has been developed that is linked to the existing TSIA websites of ECORYS that were developed for previous TSIA studies. Links exist between the DG TRADE website and the project websites to facilitate accessibility of information.
A screenshot to the website for the Trade SIA on the EU – Morocco is presented below. The address of the website for the EU – Morocco Trade SIA is:

http://www.trade-sia.com/morocco

The website is presented in both English and French.

Figure 3.1 Screenshot of the TSIA website EU - Morocco

The project websites are an essential part of the consultation process and provide a meeting place for the consultants and all stakeholders and facilitate the dissemination of information. The website contains the following main features:

- A discussion forum;
- Links to the websites of main stakeholders that are involved in the process;
- A section on the background of the study;
- A section containing relevant documentation, including 1) background material on the TSIA methodology, 2) documents that are relevant for the negotiations/our study, and 3) the reports/minutes of meetings/presentations produced for this study;
- A section with news items.
- A section for consultations, which includes information on the consultations activities, links to key stakeholders, and a link to the newly established Facebook page (Trade-sia/morocco). This Facebook page allows for discussions between stakeholders and also facilitates feedback on the study.

Ecorys will encourage and promote the website and Facebook page among its own and its partner’s networks so as to achieve continuous feedback through this website throughout the project. This will facilitate validation of results and improvement of the impact analyses. A mailing list will be developed that includes NGOs, business associations, industry groups and special interest groups. Regular newsletters will be sent to them advising about the project activities and
soliciting their inputs. The list of stakeholders identified in the previous section will be used for this (e.g. launching of the websites, newsletters, etc.).

Lastly, a dedicated email address is made available so that all stakeholders can send their questions or feedback on the study. Questions can be emailed in French or in English. The mail address is: tsiamorocco@ecorys.com

2. Public Meetings
We will – together with the Commission Services – organise two public meetings in Brussels to meet and engage with EU civil society and key stakeholders on the findings, methodologies, assumptions and choices made during the TSIA study. A first meeting took place on 9 April, following submission of the draft inception report and a second will take place following submission of the draft final report. Additional meetings may be set up on an ad hoc basis. At each stage we will present and explain the work completed and ask for constructive criticism on (parts of) our work in order to stimulate in debates regarding the methodology used and outcomes generated.

3. Workshop in Morocco
A workshop will be organised in Rabat (or Casablanca51) after Phase 1 of the study. The workshop is intended to validate the results of the overall analysis and is also important in the screening and scoping exercise for the selection of sectors and horizontal issues for the second phase of the project. We hope to attract some 20 to 40 participants to the workshops. The contents of the workshop and the list of participants will be developed in close consultation with the EC.

4. Attendance of other relevant conferences, workshops, meetings, etc. preferably including a presentation of the results of the study
In order to reach a wider audience and to achieve efficiencies, we will link up to other conferences, workshops or meetings planned, both in the EU but especially in the partner country in Morocco. For example, right after the release of the draft inception report contacts will be established with organisations such as ECOSOC to inform them about our study and to hopefully link up with their activities in the region. Also our local partners started a search for this kind of events.

5. Personal interviews with individual representatives of civil society & key stakeholders
Personal interviews and possibly small surveys will be used in the project, but given the scope of the project, this will only be done selectively. This instrument will thus be applied very targeted, to receive feedback from crucial stakeholders in the TSIA process or on specific issues or topics. We envisage individual meetings to take place especially in the margins of the local TSIA workshop.

3.4 Small and Medium Sized Enterprises
The share of SMEs in the economy of Morocco is high: some 95% according to local sources52. As a result, the stakeholder consultation plan will include a specific focus on SMEs in Morocco. We will make sure that SMEs are sufficiently represented in our general stakeholder consultation process, like the workshop and in online discussions on our website and in the social media activities. In addition, we will collect some data about SMEs in Morocco by using the online survey tool of CheckMarket.53 The contact points for the survey will probably be found through an SME Panel

51 The location will be decided once the list of participants is finalised. Many private private sector representatives are namely based in Casablanca.
52 Information received from the EU Delegation to Morocco
53 http://www.checkmarket.com/
organised by Enterprise Europe Network (having partners not only in the European Union but also in Morocco), local SME initiatives\textsuperscript{54}, and our own local team.

Right after approval of the inception report, we will start with looking for contacts and designing the survey tool, in consultation with the client. As there are SMEs in all sectors, we aim to send the survey to a broad range of sectors.

\textsuperscript{54} For Morocco this is for example the National Agency for SME Promotion (ANPME)
4 Literature, tools and references

As input to the Trade SIA, we have identified several references and relevant literature. A list of literature and websites identified is presented in Annex B. A distinction is made between materials relevant for Morocco in general, and materials or references important for the modelling specifically. The modelling tools (e.g. CGE model) are discussed in Chapter 2 and the tools applied in the consultation process in Chapter 3.
5 Preliminary Screening on Key Sustainability

5.1 Screening and scoping throughout the study

In line with the overall analytical framework of this Trade SIA, an elaborate screening and scoping exercise will be performed as part of the study at the end of Phase 1 (overall analysis). This analysis serves to identify in which areas the DCFTA between the EU and Morocco is expected to have significant impacts. Based on this identification, up to four sectors and related horizontal issues (e.g. SPS, IPR, etc.) of expected significance under the DCFTA can then be selected for more detailed analysis in Phase 2 of the study.

Already at this stage of the study, however, we have conducted a preliminary screening exercise in anticipation of the broader exercise at the end of Phase 1. This is done in order to ensure that attention and resources are focussed on the main issues as early as possible. The preliminary exercise is also used in order to design appropriate modelling specifications for Phase 1. This preliminary analysis is provided in section 5.3.

5.2 Criteria used for screening and scoping

The full fledged screening and scoping exercise will mainly be based on the results of the overall analysis of impacts in Phase 1 from the CGE model, additional analysis and stakeholder inputs. The main criteria used for screening and scoping are listed in the table (Table 5.1) below. These criteria will be directly applied to select up to four sectors and related horizontal issues that will be analysed in more detail in Phase 2. The final selection of sectors and/or horizontal issues that will be studied in depth in Phase 2 of the study will be done in close consultation with the Steering Committee.

Table 5.1 Selection criteria applied in screening and scoping exercise

<table>
<thead>
<tr>
<th>Number</th>
<th>Criterion</th>
<th>Main sources of information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criterion 1</td>
<td>Initial importance for economy (GDP, employment, trade shares)</td>
<td>GTAP data.</td>
</tr>
<tr>
<td>Criterion 2</td>
<td>Economic impact from DCFTA.</td>
<td>CGE modelling, causal chain analysis</td>
</tr>
<tr>
<td>Criterion 3</td>
<td>Social / environmental importance / impact</td>
<td>CGE, additional social / environmental modelling, causal chain analysis</td>
</tr>
<tr>
<td>Criterion 4</td>
<td>Stakeholder issues of special importance.</td>
<td>Stakeholder consultation, additional documentation.</td>
</tr>
<tr>
<td>Criterion 5</td>
<td>Strategic importance of sector/issue in the negotiations</td>
<td>Steering Committee, negotiating teams.</td>
</tr>
</tbody>
</table>

In the following, we shortly elaborate on the rationale for using each of the criteria in the selection process.

**Criterion 1: Initial importance for economy**
The potential impact of a DCFTA on economic sectors differs with regard to the importance and position of this sector in the economy; e.g. a small change for an important sector (in terms of value added or employment) might cause more impact than a large change for a very small sector at national level. The initial importance of sectors for the economies under consideration, in this case
the Moroccan economy, are assessed making use of output, employment and trade share figures (i.e. sector share in total value added, sector share in total employment, sector share in exports). Such figures provide a first filter by indicating the relative importance of sectors – and hence for which areas even small (percentage) impacts from the DCFTA can have significant implications for the country / region. The mirror image and risk of (over)analysing impacts in areas that are only of very small absolute size and hence of limited importance for the economy as a whole, is also avoided through this criterion.

For reasons of consistency, the analysis will be based on the GTAP data used in the CGE model for the same sectors as specified for the modelling (see section 2.1). However, for the CGE modelling exercise the base year figures that will be used are from 2011, whereas the figures in this exercise are based on the raw GTAP that are from 2007.

**Criterion 2: Impact from DCFTA**
This criterion assesses the expected economic impact on sectors or issues as a result of the DCFTA. This is done making direct use of the outcomes of the analysis in Phase 1, mainly from the CGE model and causal chain analysis. The dynamic CGE model results will also ensure that the ‘enabling nature’ of certain catalysing sectors (such as transport) is taken into account. Combined with the first criterion this criterion provides clear insights in where the main (economic) impacts from the DCFTA are likely to occur.

**Criterion 3: Social / environmental impact**
This criterion assesses in which areas and sectors specific direct and indirect effects on social (including human rights) and environmental issues are expected. Such effects can for example be impacts in sectors induced by changes in production structures (e.g. decline of sectors that employ many unskilled workers), or impacts in areas where specific issues are already at play.

The outcomes of the CGE model relating to social and environmental indicators (e.g. wages of unskilled labour, CO2 emission) as well as the additional quantitative and qualitative environmental and social analysis in Phase 1, focussed on airborne pollutants/GHG and poverty/income distribution, respectively, are used for this criterion.

**Criterion 4: Stakeholder issues of special importance**
This criterion aims to flag the issues of specific importance for the various stakeholders involved in the DCFTA process. This can include areas that are considered as important for various reasons by a large part of the stakeholder community and/or in the public opinion. In addition, it can include issues of special political or policy importance or issues of significance for the relations between the EU and Morocco.

Comments and feedback obtained from stakeholders, in particular civil society and experts through the consultation process is an important input for this assessment. An additional literature review (including information from the relevant feasibility studies, fact finding missions, action plans and progress reports) will complement these consultations.

**Criterion 5: Strategic importance of sector in the negotiations**
This criterion aims to identify the reality of the DCFTA negotiations and issues that are of specific importance to the actual negotiations. Suggestions, comments and feedback delivered by the main negotiators on specific issues (e.g. a specific product, sector, horizontal issue) that are of the greatest importance in the negotiation process are a crucial and important input for this assessment.
5.3 Preliminary screening of key issues Morocco

Criterion 1: Initial importance for economy

Table 5.2 and Table 5.3 provide the top 15 export sectors from Morocco to the EU and from the EU to Morocco, respectively. The data are based on GTAP 8.0 and represent 2007 figures, as these are the most recent available trade data at this level of (sector) detail at this moment of the study. During the next phase of the study, extrapolations and estimations will be made towards 2011, the baseline year for this study. In the next phase, the results from this extrapolation will be used in the more detailed screening exercise.

For reasons of consistency, the sector aggregation that is presented in this section is similar to the sector aggregation that will be used in the remainder of the study (and as presented in Table 2.1). This allows for identifying already at an early stage the sectors that are particularly interesting in terms of their importance in the economies.

For Morocco, the Wearing Apparel is by far the most important sector in terms of exports for the country. In 2007, Morocco exported almost 2,800 million Dollars of Wearing Apparel to the EU. Other sectors that are important for Morocco in the bilateral trade relations with the EU are the other machinery and equipment sector (with 10.5% of total exports to the EU) and the vegetables, fruits and nuts sector (with 9.5%). Together with other processed food and Textiles, these three sectors export jointly more than 54% of total bilateral trade with the EU.

For the EU, the sectors that stand out in terms of export performance to Morocco are the other machinery and equipment sector (representing 20.5% of total trade to Morocco) and the chemical, rubber and plastics sector (with 12.3% of total bilateral exports). Noteworthy is that Textiles is the third largest export sector from the EU to Morocco (nearly 10% of total trade), which confirms findings that large wearing apparel companies locate in Morocco to manufacture clothes using imported materials (textiles).

Table 5.2 Top 15 Morocco exports to EU

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Sector</th>
<th>Share in Moroccan exports to EU (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wearing apparel</td>
<td>20.6%</td>
</tr>
<tr>
<td>2</td>
<td>Other machinery and equipment</td>
<td>10.5%</td>
</tr>
<tr>
<td>3</td>
<td>Veg, fruit &amp; nuts</td>
<td>9.5%</td>
</tr>
<tr>
<td>4</td>
<td>Other processed food</td>
<td>8.7%</td>
</tr>
<tr>
<td>5</td>
<td>Textiles</td>
<td>5.1%</td>
</tr>
<tr>
<td>6</td>
<td>Other transport</td>
<td>5.1%</td>
</tr>
<tr>
<td>7</td>
<td>Chemical, rubber, plastic products</td>
<td>5.0%</td>
</tr>
<tr>
<td>8</td>
<td>Public and other services</td>
<td>4.6%</td>
</tr>
<tr>
<td>9</td>
<td>Other minerals</td>
<td>4.3%</td>
</tr>
<tr>
<td>10</td>
<td>Business and ICT</td>
<td>4.3%</td>
</tr>
<tr>
<td>11</td>
<td>Air transport</td>
<td>2.7%</td>
</tr>
<tr>
<td>12</td>
<td>Leather products</td>
<td>2.6%</td>
</tr>
<tr>
<td>13</td>
<td>Primary metals</td>
<td>2.5%</td>
</tr>
<tr>
<td>14</td>
<td>Electronics, computers</td>
<td>2.4%</td>
</tr>
<tr>
<td>15</td>
<td>(Potro) chemicals</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Table 5.3 Top 15 EU exports to Morocco

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Sector</th>
<th>Share in EU exports to Morocco (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Other machinery and equipment</td>
<td>20.5%</td>
</tr>
<tr>
<td>Nr.</td>
<td>Sector</td>
<td>Share in EU exports to Morocco (%)</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>2</td>
<td>Chemical, rubber, plastic products</td>
<td>12.3%</td>
</tr>
<tr>
<td>3</td>
<td>Textiles</td>
<td>9.7%</td>
</tr>
<tr>
<td>4</td>
<td>(Petro) chemicals</td>
<td>7.4%</td>
</tr>
<tr>
<td>5</td>
<td>Motor vehicles</td>
<td>7.4%</td>
</tr>
<tr>
<td>6</td>
<td>Primary metals</td>
<td>5.4%</td>
</tr>
<tr>
<td>7</td>
<td>Electronics, computers</td>
<td>5.2%</td>
</tr>
<tr>
<td>8</td>
<td>Wood, paper, publishing</td>
<td>4.8%</td>
</tr>
<tr>
<td>9</td>
<td>Grains and crops</td>
<td>3.2%</td>
</tr>
<tr>
<td>10</td>
<td>Other transport</td>
<td>3.1%</td>
</tr>
<tr>
<td>11</td>
<td>Business and ICT</td>
<td>2.9%</td>
</tr>
<tr>
<td>12</td>
<td>Fabricated metals</td>
<td>2.7%</td>
</tr>
<tr>
<td>13</td>
<td>Other processed food</td>
<td>2.0%</td>
</tr>
<tr>
<td>14</td>
<td>Utilities</td>
<td>1.6%</td>
</tr>
<tr>
<td>15</td>
<td>Wearing apparel</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Other significant export products from the EU to Morocco are chemicals (7.4%) and motor vehicles (7.4%). Combined, the top-10 of largest export sectors to Morocco make up almost 80% of total exports to Morocco.

Table 5.4 below presents the most important sectors for Morocco in terms of value added (GDP) and skilled / unskilled labour employment, respectively, ranked on the basis of the sector share in the total Moroccan economy. These data are again 2007 figures taken from GTAP 8.0.

As usual in a service oriented economy, public and other services and trade services sectors are the most important sectors for the Moroccan labour force and value added generation. Together, they generate 32% of total value added in Morocco, host 64% of the entire skilled labour force and 26% of the unskilled labour force. Domestically, the agricultural sectors Grains and crops and vegetables, fruits and nuts generate a large share of value added (5.3% and 4.5% respectively) and employ a large share of the unskilled labour force (12.3% together).

It can be noted from these tables that while there is quite some overlap in the rankings for share in GDP and share in employment, this is not necessarily the same for their share in export. For example, other machinery and equipment, the top-two export sector to the EU is not in the top 10 of value added or employment. The wearing apparel sector that performs strongly in terms of exports, however, contributes 2.7% of value added and 3.6% of unskilled labour employment, but 'only' 1.4% of skilled labour. Another important sector in terms of value added and unskilled labour employment is the animal products sector.
Table 5.4 Top 15 sectors Morocco, share of value added, skilled and unskilled employment, 2007

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share in value added (%)</th>
<th>Share in skilled labour (%)</th>
<th>Share in unskilled labour (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Public and other services</td>
<td>23.6%</td>
<td>Public and other services</td>
<td>57.4%</td>
</tr>
<tr>
<td>2 Trade</td>
<td>8.7%</td>
<td>Trade</td>
<td>6.7%</td>
</tr>
<tr>
<td>3 Construction</td>
<td>6.6%</td>
<td>Other transport (services)</td>
<td>4.6%</td>
</tr>
<tr>
<td>4 Other transport (services)</td>
<td>6.2%</td>
<td>Construction</td>
<td>4.1%</td>
</tr>
<tr>
<td>5 Grains and crops</td>
<td>5.3%</td>
<td>Business and ICT</td>
<td>3.7%</td>
</tr>
<tr>
<td>6 Veg, fruit &amp; nuts</td>
<td>4.5%</td>
<td>Finance and insurance</td>
<td>2.1%</td>
</tr>
<tr>
<td>7 Animal products</td>
<td>3.7%</td>
<td>Other processed food</td>
<td>1.9%</td>
</tr>
<tr>
<td>8 Business and ICT</td>
<td>3.4%</td>
<td>Personal and recreational services</td>
<td>1.7%</td>
</tr>
<tr>
<td>9 Other processed food</td>
<td>3.2%</td>
<td>Chemical, rubber, plastic products</td>
<td>1.6%</td>
</tr>
<tr>
<td>10 Other minerals</td>
<td>3.0%</td>
<td>Utilities</td>
<td>1.5%</td>
</tr>
<tr>
<td>11 Chemical, rubber, plastic products</td>
<td>2.9%</td>
<td>Wearing apparel</td>
<td>1.4%</td>
</tr>
<tr>
<td>12 Wearing apparel</td>
<td>2.7%</td>
<td>Communications</td>
<td>1.4%</td>
</tr>
<tr>
<td>13 Livestock and Meat Products</td>
<td>2.6%</td>
<td>Livestock and Meat Products</td>
<td>1.3%</td>
</tr>
<tr>
<td>14 Utilities</td>
<td>2.6%</td>
<td>Leather products</td>
<td>1.3%</td>
</tr>
<tr>
<td>15 Leather products</td>
<td>2.1%</td>
<td>Other machinery and equipment</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

**Criterion 2: Impact from DCFTA**
This criterion will be analysed based on the assessment of effects made in Phase 1 of the study (Interim Technical Report).

**Criterion 3: Social / environmental impact**
This criterion will be analysed based on the assessment of effects made in Phase 1 of the study (Interim Technical Report).

**Criterion 4: Stakeholder issues of special importance**
Based on inputs received from the civil society, our local partners and existing literature and documentation, several issues of specific interest for the DCFTA process have been identified in this preliminary phase. In the course of Phase 1, this information will be complemented and fine-tuned based on inputs from stakeholders, civil society and experts during the Public Meeting, the Workshop and based on other consultation activities as well as additional literature:

- Issues of interest are:
  - Competition issues in the tobacco, transport and banking industries.
- Corruption issues; the Government established an anti-corruption institution (Instance Nationale de la Probité, de la Prévention et de la lutte contre la corruption) combating corruption; the agency is working in close cooperation with Transparency International Morocco, in particular on public procurement issues.
- Human rights issues, for which several civil society organisations have been involved in Morocco

**Criterion 5: Strategic importance of sector in the negotiations**

Based on inputs received from the Steering Committee and the EU Delegation in Morocco several issues of specific interest for the DCFTA process have been identified in this preliminary phase. During the kick-off meeting, the Steering Committee indicated “offshoring” as important cross-cutting issue in the services sector. However, the Steering Committee still has to finalize their view on the sectors or horizontal issues of interest. In addition, the EU Delegation to Morocco mentioned the horizontal issues of corruption, competition and human rights as important topics in the DCFTA for Morocco. In the course of Phase 1, this information will be complemented during the Steering Committee meeting and other consultation activities.

### 5.4 Implications of preliminary screening

Even though the preliminary screening in this chapter is still broad, it has some implications for Phase 1 of the Trade SIA Morocco study, as listed below:

- Detailed sector-level modelling NTM reductions and services liberalisation (asymmetric for both sides – see Chapter 2 for details);
- Specific additional analysis on expected impacts in the field of social (including human rights) issues (see Chapter 2 for details);
- Focus on regulatory approximation in explaining results from the quantitative modelling in Phase 1;
- Focus in Phase 2 on potential impacts from regulatory approximation (mainly TBT and SPS) that can not be captured (entirely) by the quantitative modelling through qualitative analysis;
The study is currently in the inception phase. Phase 1 and Phase 2 of the study will be conducted based on timeline detailed in Table 6.1 below.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Leaders</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kick-off meeting</td>
<td>EC and Ecorys</td>
<td>23 Jan 2013</td>
</tr>
<tr>
<td>Proposal on model specifications</td>
<td>Ecorys</td>
<td>06 Feb 2013</td>
</tr>
<tr>
<td>Minutes kick-off meeting for Steering Committee</td>
<td>Ecorys</td>
<td>06 Feb 2013</td>
</tr>
<tr>
<td>Approval model specifications by EC</td>
<td>EC</td>
<td>15 Mar 2013</td>
</tr>
<tr>
<td>Draft Inception Report</td>
<td>Ecorys</td>
<td>13 Mar 2013</td>
</tr>
<tr>
<td>Online publication of Draft Inception Report after approval by EC</td>
<td>Ecorys</td>
<td>29 Mar 2013</td>
</tr>
<tr>
<td>Send Draft Inception Report to Civil Society and/or summary (format to be defined with Ecorys)</td>
<td>EC and Ecorys</td>
<td>29 Mar 2013</td>
</tr>
<tr>
<td>Steering Committee meeting</td>
<td>EC &amp; Ecorys</td>
<td>AM 09 Apr 2013</td>
</tr>
<tr>
<td>Civil Society Dialogue</td>
<td>EC &amp; Ecorys</td>
<td>PM 09 Apr 2013</td>
</tr>
<tr>
<td>Minutes Steering Committee and Civil Society Dialogue</td>
<td>Ecorys</td>
<td>18 Apr 2013</td>
</tr>
<tr>
<td>Revised Draft Inception Report (final inception)</td>
<td>Ecorys</td>
<td>19 Apr 2013</td>
</tr>
<tr>
<td>Approval Inception Report</td>
<td>EC</td>
<td>26 Apr 2013</td>
</tr>
<tr>
<td>Draft Interim Technical Report</td>
<td>Ecorys</td>
<td>29 May 2013</td>
</tr>
<tr>
<td>Online publication of Draft Interim Technical Report after approval by EC</td>
<td>Ecorys</td>
<td>06 June 2013</td>
</tr>
<tr>
<td>Steering Committee meeting</td>
<td>EC &amp; Ecorys</td>
<td>AM 11 Jun 2013</td>
</tr>
<tr>
<td>Minutes Steering Committee</td>
<td>Ecorys</td>
<td>18 Jun 2013</td>
</tr>
<tr>
<td>TSIA workshops (Tunis + Rabat)</td>
<td>Ecorys</td>
<td>18 Jun-30 Jun 2013</td>
</tr>
<tr>
<td>Minutes TSIA workshops</td>
<td>Ecorys</td>
<td>one week after each workshop</td>
</tr>
<tr>
<td>Revised Draft Interim Technical Report (final interim)</td>
<td>Ecorys</td>
<td>10 days after workshops</td>
</tr>
<tr>
<td>Approval Interim Technical Report</td>
<td>EC</td>
<td>Asap upon submission</td>
</tr>
<tr>
<td>Draft Final Report</td>
<td>Ecorys</td>
<td>16 Sep 2013</td>
</tr>
<tr>
<td>Online publication of Draft Final Report</td>
<td>Ecorys</td>
<td>23 Sep 2013</td>
</tr>
<tr>
<td>Send Draft Final Report to Civil Society and/or summary (format to be defined with Ecorys)</td>
<td>EC and Ecorys</td>
<td>23 Sep 2013</td>
</tr>
<tr>
<td>Steering Committee meeting</td>
<td>EC &amp; Ecorys</td>
<td>AM 02 Oct 2013</td>
</tr>
<tr>
<td>Civil Society Dialogue</td>
<td>EC &amp; Ecorys</td>
<td>PM 02 Oct 2013</td>
</tr>
<tr>
<td>Minutes of Steering Committee and Civil Society Dialogue</td>
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</tr>
<tr>
<td>Approval Final Report (EC has 45 days for approval)</td>
<td>EC</td>
<td>Asap upon submission</td>
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</table>
### Annex A: List of identified stakeholders

#### International Stakeholders

<table>
<thead>
<tr>
<th>Category of stakeholders</th>
<th>Organisation</th>
</tr>
</thead>
</table>
| COM/EU                    | - COM, DG Trade (Steering committee + relevant others);  
                           | - COM, DG EMPL;                                         
                           | - EC, EEAS;                                              
                           | - European Economic and Social Committee;                
                           | - European Training Foundation (ETF);                   
                           | - The European Union Delegation to the Kingdom of Morocco. |
| International/Foreign private sector and business representative organisations | - Organisation Arabe pour le Développement Industriel et Métallurgie;  
                                                                               | - Chambre de Commerce Franco-Arabe;                      
                                                                               | - National U.S.-Arab Chamber of Commerce;               
                                                                               | - Argentine-Arab Chamber of Commerce;                   
                                                                               | - Australia-Arab Chamber of Commerce & Industry Inc.;  
                                                                               | - Austro-Arab Chamber of Commerce;                      
                                                                               | - Chambre de Commerce Belgique-Luxembourg-Pays Arabes; 
                                                                               | - Arab-Brazilian Chamber of Commerce;                   
                                                                               | - Arab-British Chamber of Commerce;                     
                                                                               | - Czech-Arab Chamber of Commerce;                       
                                                                               | - Arab-German Chamber of Commerce and Industry (GHORFA); 
                                                                               | - Arab-Hellenic Chamber of Commerce and Development;    
                                                                               | - The Joint Arab-Irish Chamber of Commerce;             
                                                                               | - Arab-Italian Chamber of Commerce;                     
                                                                               | - Joint Konya-Arab Chamber of Commerce and Industry;    
                                                                               | - Arab-Swiss Chamber of Commerce and Industry;          
                                                                               | - Maltese-Arab Chamber of Commerce, Industry and Agriculture;  
                                                                               | - Arab-Portuguese Chamber of Commerce and Industry;     
                                                                               | - China-Arab Joint Chamber of Commerce;                 
                                                                               | - General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries;  
                                                                               | - Association of the Mediterranean Chambers of Commerce and Industry (ASCAME);  
                                                                               | - Union du Maghreb arabe d'apiculture;                  
                                                                               | - Union Africaine de Transport;                         
                                                                               | - Confédération internationale des syndicats arabes;    
                                                                               | - BEAF;                                                 
                                                                               | - European Apparel and Textile Organisation - EURATEX;  
                                                                               | - Agricultural and Agri-food Trade;                     
                                                                               | - European Farmers and European Agri-Cooperatives;      
                                                                               | - International Employers' Organisation (IEO);          
                                                                               | - BusinessEurope;                                      
                                                                               | - Eurochambres;                                        
                                                                               | - European Services Forum ;                             
                                                                               | - European Trade Union Confederation (ETUC);            
                                                                               | - International Trade Union Confederation (ITUC);       
<pre><code>                                                                           | - European Association of Craft and Small and Medium-Sized Enterprises |
</code></pre>
<table>
<thead>
<tr>
<th>International/Foreign civil society organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Migrations &amp; Développement - Organisation de Solidarité Internationale (Association Franco-Marocaine);</td>
</tr>
<tr>
<td>National Democratic Institute;</td>
</tr>
<tr>
<td>Organisation internationale pour les migrations;</td>
</tr>
<tr>
<td>Organisation Islamique pour l’Education, les Sciences et la Culture (ISESCO);</td>
</tr>
<tr>
<td>Global Rights;</td>
</tr>
<tr>
<td>Fédération Internationale de Droits de l’Homme;</td>
</tr>
<tr>
<td>Euro-Mediterranean Human Rights Network;</td>
</tr>
<tr>
<td>UN Office of the High Commissioner for Human Rights - UN OHCHR</td>
</tr>
<tr>
<td>Oxfam International;</td>
</tr>
<tr>
<td>WWF (World Wildlife Fund);</td>
</tr>
<tr>
<td>Regional Activity Centre for Cleaner Production (CP/RAC);</td>
</tr>
<tr>
<td>Human Rights Watch;</td>
</tr>
<tr>
<td>BEUC (European Consumer Organisation);</td>
</tr>
<tr>
<td>ANEC (the European consumer voice in standardisation, defends consumer interests in the process of standardisation and certification).</td>
</tr>
<tr>
<td>Western Sahara Resource Watch</td>
</tr>
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</table>

Stakeholders in Morocco

<table>
<thead>
<tr>
<th>Category of stakeholders</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Ministère de l’Economie et des Finances;</td>
</tr>
<tr>
<td></td>
<td>Ministère de l’Industrie, du Commerce et des Nouvelles Technologies;</td>
</tr>
<tr>
<td></td>
<td>Ministère des Affaires Étrangères et de la Coopération;</td>
</tr>
<tr>
<td></td>
<td>Ministère de la Justice et des libertés;</td>
</tr>
<tr>
<td></td>
<td>Ministère de l’Habitat, de l’Urbanisme et de la politique de la ville;</td>
</tr>
<tr>
<td></td>
<td>Ministère de l’Agriculture et de la Pêche Maritime;</td>
</tr>
<tr>
<td></td>
<td>Ministère de l’Équipement et du Transport;</td>
</tr>
<tr>
<td></td>
<td>Ministère de la Santé;</td>
</tr>
<tr>
<td></td>
<td>Ministère de la Communication;</td>
</tr>
<tr>
<td></td>
<td>Ministère de l’Emploi et de la Formation Professionnelle;</td>
</tr>
<tr>
<td></td>
<td>Ministère du Tourisme;</td>
</tr>
<tr>
<td></td>
<td>Ministère de la Solidarité, de la Femme, de la Famille et du Développement Social;</td>
</tr>
<tr>
<td></td>
<td>Ministère de l’Artisanat;</td>
</tr>
<tr>
<td></td>
<td>Ministère chargé des Relations avec le Parlement et la société civile;</td>
</tr>
<tr>
<td></td>
<td>Secrétariat Général du Gouvernement;</td>
</tr>
<tr>
<td></td>
<td>Haut Commissariat au Plan;</td>
</tr>
<tr>
<td></td>
<td>Conseil Economique et Social;</td>
</tr>
<tr>
<td></td>
<td>Conseil National des Droits de l’Homme;</td>
</tr>
<tr>
<td>Office National de Sécurité Sanitaire des Produits Alimentaires (ONSSA);</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Mission Permanente du Maroc auprès de l'Union Européenne (Bruxelles);</td>
<td></td>
</tr>
<tr>
<td>Mission Permanente du Royaume du Maroc auprès de l'Office des Nations Unies et des autres Organisations Internationales (Genève);</td>
<td></td>
</tr>
<tr>
<td>Conseil de la Concurrence;</td>
<td></td>
</tr>
<tr>
<td>Agence de Développement Social;</td>
<td></td>
</tr>
<tr>
<td>Agence Marocaine de Coopération Internationale;</td>
<td></td>
</tr>
<tr>
<td>Observatoire National du Développement Humain;</td>
<td></td>
</tr>
<tr>
<td>Initiative Nationale pour le Développement Humain;</td>
<td></td>
</tr>
<tr>
<td>Instance Nationale de la Probité, de la Prévention et de la Lutte contre la Corruption</td>
<td></td>
</tr>
</tbody>
</table>

**National private sector and business organisations**

- Fédération des Chambre Marocaines de Commerce, d'Industrie et de Services;
- Confédération Générale des Entreprises au Maroc (CGEM);
- Fédération des Chambres d'Agricultures du Maroc;
- Union Marocaine de l’Agriculture
- Fédération des Chambres d'Artisanat;
- Fédération des Chambres des Pêches Maritimes;
- Professional Grouping of Moroccan Banks (PGMB);
- Union Marocaine des Banques
- Association des Centres d’Appels et des Services Informatiques Offshore au Maroc;
- Association des Femmes Chefs d'Entreprises du Maroc;
- Fédération des Nouvelles Technologies de l’Information, des Télécommunications et de l’Offshoring;
- Association des Avocats du Maroc (ABAM);
- Association des Jeunes Avocats du Maroc;
- Association Union des Avocats au Maroc;
- Ordre des Avocats du Maroc;
- Union Marocaine des Associations des Chantiers;
- Union Marocaine du Travail (U.M.T.);
- Union Générale des Travailleurs du Maroc (U.G.T.M.);
- Confédération Démocratique du Travail (C.D.T.);
- Union Nationale du Travail au Maroc (U.N.T.M.)
- Euro-Cham Morocco - Union of European and Moroccan Chambers of Commerce and Industry in Morocco;
- Chambre Allemande de Commerce et d’industrie au Maroc;
- Chambre de Commerce Belgo-Luxembourgeoise au Maroc;
- Chambre Espagnole de Commerce, d’Industrie et de Navigation de Casablanca;
- Chambre Française de Commerce et d’Industrie du Maroc;
- Chambre de Commerce Britannique au Maroc;
- Chambre de Commerce Italienne au Maroc;
- Chambre de Commerce Suisse-Maroc;
- Chambre du Commerce et Industrie Tchéco–Marocaine;
- American Chamber of Commerce in Morocco;
- Chambre de Commerce Internationale - Maroc;
- Jeune Chambre Internationale Maroc.

**Civil society organisations**

- Fondation Orient Occident;
- Association Démocratique des Femmes du Maroc;
- L'Union de l'Action Féminine;
- Association Marocaine pour la Solidarité et le Développement;
- Association Marocaine des Droits de l’Homme;
- Organisation Marocaine des Droits de l’homme;
- Amnesty Maroc;
<table>
<thead>
<tr>
<th>Research institutes / think tanks</th>
<th>International organisations with offices / representation in Morocco</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fondation Abderrahim Bouaabdides des Recherches et Etudes;</td>
<td>• Fondation Friedrich Ebert (F.F.E.);</td>
</tr>
<tr>
<td>• Centre de Recherche et d’Etudes Sociales (CERSS);</td>
<td>• EBRD (European Bank for Reconstruction and Development);</td>
</tr>
<tr>
<td>• Institut Royal des Etudes Stratégique (RES);</td>
<td>• Banque Mondiale;</td>
</tr>
<tr>
<td>• Centre d’Etudes Sociales, Economiques et Managériales (CESEM);</td>
<td>• ILO / Decent Work Team in Rabat;</td>
</tr>
<tr>
<td>• Centre Marocain de Conjoncture;</td>
<td>• UNESCO Chain in Environment.</td>
</tr>
<tr>
<td>• Centre Marocain d’Etudes Juridiques;</td>
<td>• Ecole de Gouvernance et d’Economie de Rabat;</td>
</tr>
<tr>
<td>• Ecole de Gouvernance et d’Economie de Rabat;</td>
<td>• Institut Royal des Etudes Stratégiques;</td>
</tr>
<tr>
<td>• Institut Royal des Etudes Stratégiques;</td>
<td>• Centre Marocain de Production Propre (CMPP)</td>
</tr>
<tr>
<td>• Centre Marocain de Production Propre (CMPP)</td>
<td></td>
</tr>
</tbody>
</table>
Annex B: Literature, tools and references

Literature

General


Tinto, E. (2012), The European integration, the Arab spring regionalism and the Euro-Med relations after the Arab Spring: is the pan-Euro-Mediterranean Free Trade Area a viable project yet?. ECPR – sixth Pan-European Conference on EU Politics, Tampere, Finland, 2012.

"Trade and employment: from myths to facts", ILO Office, Geneva (a book prepared by the ILO and external experts within the framework of the EU funded project, it provides analysis of trade impacts on employment, wages, quality of jobs, informal economy and gender and may serve as well as a good source of bibliography for further research): http://www.ilo.org/employment/areas/trade-and-employment/WCMS_162297/lang--en/index.htm.


List of relevant literature (Morocco)


2011 CIVISCUS Civil Society Index in Morocco.


ETF Report "Union for the Mediterranean regional employability review" with data and information concerning socioeconomic situation in the countries of the region, features of the labour market, education level, skills of the labour force, employment policies etc.: http://www.etf.europa.eu/webatt.nsf/0/0DC0B50C32C6F10BC1257A7100386E78/$file/UfM%20regional%20employability%20review.pdf.


The ILO Committee of Experts' (CEACR) Reports:

- **issued 2012, adopted in December 2011** (observations on conventions No. 100, 111, 138 and 182 and direct requests on Conventions No. 100, 111 and 182):

- **issued in 2011, adopted in December 2010** (observations on Conventions No. 29 and 182, and direct requests on conventions 29, 98, 105 and 182).


Model-related documents


Useful links
Besides the literature sources, we have also made a first scan of relevant websites where we, as well as any other stakeholder to this study, can draw upon for more information.

*Ecorys Trade Sustainability Impact Assessment websites:*
EU-Armenia: http://tsia.ecorys.com/armenia/
EU-Moldova: http://tsia.ecorys.com/moldova/
EU-Georgia: http://tsia.ecorys.com/georgia/
EU-India: http://tsia.ecorys.com/india/
EU-ASEAN: http://tsia.ecorys.com/asean/
EU-Ukraine: http://tsia.ecorys.com/ukkraine/
EU-Central America: http://tsia.ecorys.com/ukkraine/

European Commission - The Directorate General for Trade
http://ec.europa.eu/trade/.

DG Trade - General information regarding TSIAs

European Commission – The Directorate for Enterprise and Industry
http://ec.europa.eu/enterprise/policies/international/promoting-neighbourhood/mediterranean/
European Neighbourhood Info Centre
http://www.enpi-info.eu/indexmed.php

EU Neighbourhood Policy (ENP):
2012 ENP Progress report for Morocco;
ENP Action Plan for Morocco (the old one, still applying; the new Action Plan is in the process of adoption by both Parties):

EU-Morocco relations:
Delegation of the European Union to Morocco:
Delegation of the European Union to Morocco:
Political and economic relations:
Trade relations:

Labour and ILO Multilateral Environmental Agreements:
Trade and labour: Making effective use of trade sustainability impact assessments and monitoring mechanisms:
http://ec.europa.eu/social/BlobServlet?docId=7220&langId=en;
ILO Assessing and Addressing the Effects of Trade on Employment:
ILO Trade and Employment:
ILO Regional office for Africa
ILO Decent Work Team
67

Trade Sustainability Impact Assessment in support of negotiations of a DCFTA between the EU and Morocco

ILO country profile Morocco:

Multilateral Environmental Agreements:
UNECE Environmental policies
http://www.unece.org/env/cep/welcome.html;
EC Environment – Multilateral Environmental Agreements

The Horizon 2020 Initiative

Social and Economic Benefits of the Enhanced Environmental Protection in the ENPI countries
http://www.environment-benefits.eu/index.php?mid=2&smid=0&cid=0

Government websites:
The Government of Morocco:
http://www.maroc.ma/PortailInst/An/
Ministry of Foreign Affairs and cooperation of the Kingdom of Morocco:
http://www.diplomatie.ma/LeMinist%C3%A8re.aspx
Ministry of Economy and Finance of the Kingdom of Morocco:
http://www.finances.gov.ma/portal/page?_pageid=53,1&_dad=portal&_schema=PORTAL
Ministry of Labour and Social Affairs of the Kingdom of Morocco:
Ministry of Interior and local Development of the Kingdom of Morocco:
http://www.maroc.ma/PortailInst/Fr/Actualites/Le+minist%C3%A8re+de+l%27Int%C3%A9rieur.htm
Ministry of Trade and Industry: http://www.mcinet.gov.ma/Pages/default.aspx
Moroccan Economics and Social Committee
TSIA DCFTA EU – Morocco and EU-Tunisia
Minutes from the Kick off Meeting with Steering Committee Wednesday 23-01-2013, 9:30-11:45

Present European Commission DG Trade
(DG Trade - ), (DG Trade - P), (DG Trade - ), (DG Trade - ), (DG Trade), (EEAS), (DG EMPL), (DG Trade), (DG Trade), (DG Trade). Present Ecorys
(Project director), (Team leader Tunisia), (Team leader Morocco), (Deputy team leader Morocco), (Expert).

Introduction
• welcomes everyone to the Kick off Meeting for the Trade SIA on a DCFTA between the EU and Morocco and Tunisia. There is much interest from the EC, so a large group of EC staff will be engaged in this study on the EC side in the SC.
• This is a special Trade SIA study, because the emphasis of the DCFTA will be on regulatory approximation rather than enhancing further tariff liberalisation, since the current Association Agreements (AAs) already include far going tariff liberalisation (e.g. a lot of achievements have already been made with regard to the agricultural sector in Morocco with the agreement on agricultural, processed agricultural and fisheries products that entered into force 1st October 2012).

Ecorys Presentation
Ecorys presents the different elements of the kick off note (attached as Annex to these minutes). Questions and issues are discussed after each chapter, as presented below:

1. TSIA methodology
• EC agrees to supply as much as possible Ecorys with additional information that is relevant - this will be discussed further internally;
• Important to know that: negotiations neither with Morocco, nor with Tunisia have been launched. Planned launch with Morocco at the end of February. Hope is to launch negotiations with Tunisia by June this year. Taking this into account, in both cases (Morocco and Tunisia) the Trade SIA reports will be relevant during the negotiations process and time pressure is not so high.
• When looking at the DCFTAs, keep in mind the following:
  • In the case of Morocco, it is important to take into account not only the AA, but also the October 2012 agreement on agriculture. This shows the level of liberalisation that is currently applied for agricultural goods trade. In the case of Tunisia, the situation is different, because there is no negotiated second-generation agreement on agriculture, the magnitude of the liberalisation will be different. Hence, it is clear that liberalisation in agricultural goods is a goal for the negotiations with Tunisia.
  • Services liberalisation may be mirrored on Ukraine but this will still require further discussion.
• Focus for the services industry is the regulatory aspect. In particular there is a focus on secondary services, such as telecom, transport, marine transport, postal services, and to a certain extent financial services. Approach with respect to ambitions for the services side liberalisation is currently being set-up.
• Regulatory approximation implies that Moroccan and Tunisian standards will need to approach the EU standards. This is valid for all of the areas.
• The regulatory aspects are integrated in both the quantitative modelling and qualitative analysis.
• Regarding to the level of ambition of the DCFTAs - Ukraine could be the baseline for some, but this could be too ambitious. Ecorys will make a methodological note with a first draft and the SC will then discuss to agree on a realistic scenario modelling approach. Services will - for example - be lower in level of ambition than in the EU-Ukraine FTA.

• Regarding the environmental analysis, EC suggests that some sectors such as forestry, fisheries, and maritime resources should be covered. Ecorys responds that this is a possibility if SC selects these issues. In the beginning of the study the CGE modelling can separate these sectors if needed.

• In the social analysis, in addition to assessing impact on poverty and inequality, which will be covered by the qualitative modelling as was done in the TSIA Georgia/Moldova, also the employment and wage changes will be modelled along the same lines as was done in the TSIA EU Georgia/Moldova. Additional social analysis will depend on data availability. At the moment we are still looking for the household survey data.

• For social analysis, Ecorys will not only look at the core labour standards, but - in line with the ToR - also look at the other three pillars of the Decent Work Agenda. The other pillars (job creation, social protection and social dialogue) will be included in the analysis.

• Insofar possible, the study will also look at the informal economy, albeit qualitatively only.

• Regarding Human Rights it is discussed and agreed that the research will only look at those HR aspects that are affected by the DCFTA, but that these aspects - if affected - should not be limited to fundamental rights only. They could also include social and economic rights.

• Human rights are not addressed specifically in the DCFTA - they already have been in the AAs. This is important to note for later - when policy recommendations should take into account what is already in place in the AA as well.

• DG Employment will - through the contact persons - provide Ecorys with additional information: methodological and country specific, including on the labour market in Morocco and Tunisia, and the region.

• The SC (after internal reflection) will also provide Ecorys with the relevant information from the new EU-Morocco ENP Action Plan.

2. Pillar 1- Impact assessment: Trade policy modelling as basis

Ecorys explains shortly the approach and some of the details. Based on this presentation, some points are discussed.

• GTAP 8 dataset with base year 2007 is ok for the SC because this is the most recent available data set. SC also agrees on the projections forward based on actual historical data, but questions whether 2010 is far enough (post global crisis but pre-north African spring). Ecorys will look into how far forward the data can be brought and present this in the methodological note. It is also a matter of choice in terms of data: the more recent - with Arab Spring - the less reliable the data are. Ecorys will offer SC a choice in the methodological note. Ecorys will try to give an assessment as to the reliability of the data.

• It is agreed that Ecorys will use EU-28 in this study and not EU-27 - to include Croatia in the analysis of EU part.

• The classification of countries is agreed upon to be: EU-28 (including Croatia), Morocco, Tunisia, Egypt, Jordan, as well as Rest of MEDA (SC will inform Ecorys whether Turkey should be split out still or not), Rest of Africa, and Rest of World. The only issue here is whether Turkey should be separate or not. The SC will decide upon this. The SC will also inform Ecorys whether or not to include "Rest of Least Developed Countries" as a separate country block. Ecorys would be happy to accommodate these requests as long as the maximum number of groups does not exceed 10.

• Regarding sector aggregation, the SC will discuss them internally - also because Morocco will still provide info on important sectors. Some points are important to keep in mind:

  - For focus of the study - only those sectors that matter that are important and may see changes due to the DCFTA should be singled out. For the rest, aggregation would create more focus on where the DCFTA matters. This would include sectors that are maybe going to be sensitive in the negotiations.
  - With sector selection it is also important to think of the positive impacts - and the positive attention list.
  - The sector (dis)aggregation should be the sum of sectors for EU-Tunisia and EU-Morocco DCFTA sectors (so if forestry is sensitive in Tunisia but not in Morocco it should still be singled out for the Tunisia effects, even if for Morocco the sector is not so important). See also next point. The SC will provide Ecorys with all sectors that are crucial for Morocco and for Tunisia.

• For the scenarios it is agreed that the EU-Tunisia FTA will be in the EU-Morocco baseline and vice versa...
as these DCFTAs are not concluded in isolation. It is also agreed that the EU-Egypt and EU-Jordan DCFTAs will not be included in the baseline.

- The textile sector is important in this region that is why it might be important to look at Turkey separately. SC will discuss internally and get back to Ecorys on whether Turkey should be split out in the country disaggregation or not.
- The EU-Morocco and EU-Tunisia DCFTAs will be run simultaneously, but with different country-specific scenarios for the two countries (taking account of the specifics of each of the DCFTAs and the agreements already in place). Results are reported for the countries separately. This implies that the hypothesis is that both DCFTAs will be concluded.
- Baselines matter - so the 1st of October 2012 agreement with Morocco is in the baseline already - implying that the change expected from the DCFTA pure will be different (lower in this case for Morocco). So, if we already have a high level of liberalisation in agriculture in the baseline, what this agreement might show is that the DCFTA will see gains in services and manufacturing and much less (or even negative) results in agriculture, since agriculture is already boosted in October 2012. This will be well explained in the study.

Baseline

- It is agreed not to include a DDA in the model baseline.
- It is agreed that we should not include the EU-Egypt and the EU-Jordan into this study either. It needs to be made clear that this is not because it is believed these DCFTAs will not be concluded (on the contrary) but because: 1. At the moment the preparatory process has not yet officially started so timewise they run behind these two DCFTAs significantly; 2. The effects of these DCFTAs may already be underway before the Egypt and Jordan DCFTAs come into effect; 3. The economic links are present but not overwhelming - with EU more important; 4. The level of liberalisation that is covered by the Association Agreements for both Egypt and Jordan is already quite high so additional DCFTA effects will be more limited.

Ambitious

- We use NTM terminology (instead of NTBs, because of the legal distinction made by the WTO).
- Regarding services liberalisation: in the Armenia case we have 7% liberalisation. For Morocco it should be less, but SC will discuss that internally.
- The SC will discuss the SPS and TBT issues. The situation is a little bit different in the case of Morocco, because they have already started the preparatory process and have done a lot of analysis on legislation regarding TBT. SPS should be decided at sector level. Priority sectors from the Moroccan side are not known now.
- Some TRQs are in place for Morocco and Tunisia. The modelling approach treats them as they are: if they are filled they make a difference, if they are large enough not to be filled (or become filled because of the DCFTA) they are not binding and will thus not exert an influence.
- It is important to know that even if there is going to be a high increase in the agricultural sector, it will not necessarily be the case that exports will also increase at the same time, since the domestic population is strongly growing.
- Regarding the recommendations on flanking measures in these DCFTAs, consultation with the SC is important, because it is important in this case that Ecorys takes into account what is already done (e.g. the AA's or the 1st of October 2012 deal with Morocco).
- Regarding the FDI analysis, Ecorys is looking at the data and what can be done. It would be highly interesting to do what was suggested in the proposal if data allow it (though not in the ToR as a formal requirement).

3. Sectoral studies, horizontal issues

- SC has already some sectors in mind for the sectoral analyses. One is, however, a service that is not provided in your list, like offshoring. This could be treated as a horizontal issue.
- SC will discuss the sectoral choice internally, and first await the suggestions of Ecorys based on the sector selection criteria. It would be likely that the textile sector might be important and also the car parts industry, as Tunisia is a big provider of car parts for the EU. In the agricultural sector it could be fruits and vegetables. Also negotiating priorities matter in this selection. SC believes to get some results from the Morocco consultations around April, which is in time for the final sector selection in the 2nd part of the study.
- If useful, Ecorys could also conduct one partial equilibrium analysis per DCFTA, because the sector studies could be quite aggregate and broad. The PE analysis allows a detailed study on product level. One PE per DCFTA is offered, not one per sector.
• In the Ecorys offer (paragraph 5.2.4 first section), 5 sector analyses (or horizontal issue analyses) per TSIA are offered (so 5 for TSIA EU Tunisia/Morocco and 5 for TSIA EU Jordan/Egypt). It is discussed and agreed with the SC that Ecorys will increase this to 8 for the TSIA EU-Morocco/Tunisia (4 for Morocco, 4 for Tunisia). However, in this case no PE analyses are any longer requested at the same time.

• In case - for example - the fruits & vegetables industry in both Tunisia and Morocco is looked at, this counts as two sectors because results on country level from the CGE model will be different for both countries, data baselines are different, etc.

4. Pillar 2: Consultation

• What are the languages used in the workshops? As it is indicated in the ToR, the language of workshops will be in English, French and Arabic. We will arrange for simultaneous translation for the workshops. For the reports we will also follow the ToR regarding language requirements.

• The language on the websites is in English. The ToR does not specify anything else. We will look at the degree to which we can also offer things in French. SC believes that the more this is in French, the more accessible the work is.

• With respect to the EU websites of DG Trade and Ecorys, it is agreed to do this as was done in the past: all the reports are uploaded as well as the ToR and other relevant project documentation. Of course also the announcements for the civil society dialogues are included.

• SC does not see any problems with the use of social media. Social media may be useful for the study.

• Ecorys aims particularly to also hear the voice of consumers concerning all aspects of the DCFTA, as well as women. In Morocco, SC sees a lot of women who represent civil society organisations. In Tunisia, this is different.

• Government will want to participate for sure in the TSIA Workshops. Ecorys indicates that this will not be allowed as it fill hamper the free flow of information coming from civil society. Ecorys understands the desire from government to participate, but prefers to engage in a different way: organise interviews with government representatives on one day and the workshop with civil society on another day. It would be also good to have the contact details of the government representatives that you are in contact with, so that we could keep them updated on the study.

• SC indicates that EC has done (and does) a lot of civil society consultations. SC will provide Ecorys with a list with useful contact information. Also contact details of the EC Delegations will be provided.

• Ecorys asks whether SC has suggestions/points for Ecorys to interact with ECOSOC? From experience with the EU-Georgia/Moldova TSIAs, the communication has been very beneficial. SC encourages Ecorys to be in touch with ECOSOC.

5. Reporting and timeframe

• Ecorys will try to make the main report concise and put extensions and additions in annexes. SC agrees and refers to the maximum report size specified in the ToR.

• Regarding reporting it is also agreed that - unlike the TSIA EU Georgia/Moldova - there will be two separate reports (with accepted overlaps because much is overlapping): one for Tunisia and one for Morocco.

• Regarding the timeline for the study, the following points are discussed:
  • Ecorys added the dates for discussion/finalising the methodological note. SC finds too little room between the first draft methodological note sent by Ecorys and finalisation of the note (suggested: 6th of Feb and 20th of Feb respectively), so Ecorys promises to send the first draft of the methodological note by 1st of February instead.
  • Approval of the methodological note is one of the most important milestones to agree between SC and Ecorys since everything else is sequentially linked to it in phase 1. If the approval date is delayed, the whole study will start to slip. It is agreed that one week extra for delivering the draft interim technical report is possible as long as the workshops do not slip into July since that is when Ramadan will start (9th of July).
  • For the draft final report, it is agreed that this will be shifted over the holidays, the more since the study clearly allows (and so do the negotiations) for 10 months to submit the draft final report. Ecorys will revise the time schedule and send it together with these minutes to the SC.
  • It is agreed that approval of the final sectors for the 2nd phase will be on the 29th of May, after the SC meeting to discuss the draft ITR. However, if some sectors are already obvious, Ecorys can already start some sectoral analyses earlier.

Closure

- closes the meeting. The minutes will be submitted within ten working days after the meeting.
Annex D: Methodological note

This methodological note contains a proposal on the specifications of the CGE model that will be used for modelling the TSIAIs, including a description of the liberalisation scenario and the underlying assumptions.

Specifications of the CGE model

Country Selection
As mentioned during the kick off meeting, we recommend to split out a maximum of ten countries from the CGE model. The following nine countries (or country groupings) will be split out for the CGE modelling results:
1. EU-28 (including Croatia)
2. Morocco
3. Tunisia
4. Egypt;
5. Rest of North Africa (Algeria, Libya);
6. Turkey;
7. Middle East excl. Gulf States and Iran (Iraq, Jordan, Lebanon, Palestine, Syria, Yemen, Israel)
8. Rest of Africa;
9. Rest Of World (ROW)

Sector selection
The list of sectors used in the trade modelling of the TSIAIs EU – Morocco/Tunisia will be aggregated from the 57 GTAP sectors (Annex 1). Please find below the sector aggregation that will be applied in the quantitative CGE analysis. We still propose to keep the ‘other transport’ sectors separated, because the sectors differ in nature (one is manufacturing and the other is services) and we feel that ports could possible require further analysis (if they have bottlenecks the trade flow increases may be affected).

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Abbrev.</th>
<th>Sector content (57 sectors)</th>
<th>Nr.</th>
<th>Abbrev.</th>
<th>Sector description (Trade SIA)</th>
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<tbody>
<tr>
<td>1</td>
<td>PDR</td>
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<td>Wheat</td>
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<td>VOS</td>
<td>Veg, fruit &amp; nuts</td>
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<td>GRO</td>
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<td>V F</td>
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<td>Animal products</td>
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<td>Oil seeds</td>
<td>5</td>
<td>FRS</td>
<td>Forestry products</td>
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<td>6</td>
<td>FSH</td>
<td>Fish products</td>
</tr>
<tr>
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<td>Coal</td>
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<td>Oil</td>
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<tr>
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<td>9</td>
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<td>Energy</td>
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<td>Raw milk</td>
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<td></td>
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<td>FRS</td>
<td>Forestry</td>
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<td>FSH</td>
<td>Fishing</td>
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<tr>
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<td>Coal</td>
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<td>PRF</td>
<td>Other processed food</td>
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<td>12</td>
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<td>Beverages and tobacco</td>
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<td>WAP</td>
<td>Wearing apparel</td>
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<td>Sugar</td>
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<td>Leather products</td>
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<td>LUP</td>
<td>Wood, paper, publishing</td>
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<td>P_C</td>
<td>Petro-chemicals</td>
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<td>18</td>
<td>CRP</td>
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<td>NMM</td>
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<td>Trade</td>
<td>38</td>
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<td>Dwellings</td>
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56 We will refer to this sector as financial services throughout this report, and this sector thus includes insurance services.
**Base year**

The CGE model will be based on the GTAP 8 dataset, which includes figures until 2007. However, the base year will be brought forward using actual IMF figures on trade and growth (i.e. it is not a linear projection, but an adjusted actual projection). The latest complete data for all country groupings and sectors are available for **2011, which will be the base year in the CGE analysis.**

The 2011 projection includes the effect of the global economic crisis and includes the most reliable and accurate globally consistent data available to date.

**Baseline scenario**

The baseline scenario constitutes a very important element of the model specifications since it sets the benchmark based on which the impacts of the DCFTAs will be modelled. The baseline will include all FTAs until now. Since for both DCFTAs (Morocco and Tunisia) differ from each other with respect to the baseline scenario, in the following we shortly describe what the baseline scenario for Morocco and Tunisia look like.

(i) **Morocco**

- For the EU – Morocco scenario, a DCFTA between the EU – Tunisia will be included in the baseline since the effect of a DCFTA on Morocco cannot be viewed in isolation of the DCFTA with Tunisia (negotiated simultaneously).
- For the EU – Morocco DCFTA, two different baseline scenarios will be modelled, and from both baselines, one liberalisation scenario will be modelled:
  1. **2011 baseline**, depicting the situation before implementation of the October 2012 agricultural agreement. This scenario includes the negotiated Association Agreement (ratified in 2000) between the EU and Morocco.
  2. **Post-October 2012 baseline**, which forms the baseline for modelling the DCFTA effects. This baseline includes the liberalisation measures negotiated in the 2012 agreement, so that the pure DCFTA effects can be measured.
- The **2011 baseline** forms the basis for measuring the impacts of the October 2012 agreement and the **October 2012 baseline** forms the basis of measuring the ‘pure’ DCFTA effects.
- The reason for splitting the baseline scenarios based on the October 2012 agreement is to clearly distinguish between the sole effects of the DCFTA and the effects of the signing of the October 2012 agreement – especially important for the agricultural sectors. Taking only the baseline before the October 2012 agreement would not clearly show the true effects of a DCFTA with Morocco since the October 2012 agreement would be responsible for parts of the impacts. This approach is in line with email correspondence with the SC on this matter.
- The Doha Development Agenda (DDA) will not be included in either of both baselines.

(ii) **Tunisia**

- For the EU – Tunisia scenario, a DCFTA between the EU – Morocco will be included in the baseline since the effect of a DCFTA on Tunisia cannot be viewed in isolation of the DCFTA with Morocco (negotiated simultaneously). Because the two DCFTAs cannot be seen in isolation, the October 2012 agreement for Morocco also matters for Tunisia. It matters not in terms of baseline tariffs, NTMs or services barriers, but the October 2012 agreement could have a small impact on the baseline trade flows for Tunisia – as a neighbouring country to Morocco.
- The **Association Agreements (AA)** with the EU (signed in 1998) is included in the baseline.
- The Doha Development Agenda (DDA) is not included in the baseline.
**Liberalisation scenario**

Since for Morocco we *de facto* consider two liberalisation scenarios, namely the liberalisation towards the October 2012 agreement (with respect to the 2011 baseline) and the DCFTA liberalisation scenario, the scenarios for Morocco and Tunisia are explained separately below. In order to define liberalisation scenarios, three channels of liberalisation will be studied: (i) tariffs, (ii) services liberalisation and (iii) other NTMs:

1. **Morocco – October 2012 liberalisation scenario**
   The liberalisation modelled for the October 2012 scenario only models the tariff liberalisations that have been agreed in the agreement. Thus this liberalisation scenario consists of:
   
   (i) **Tariffs**
   100% tariff reductions for the agricultural products and processed agricultural products, fish and fishery products, save for the exceptions defined in articles 2 and 5 of the Agreement, which will be modelled according to defined scenarios in the Agreement. The definitions of agricultural products and processed agricultural products, fish and fishery products are according to the Combined Nomenclature definition (chapters 1-24).

   (ii) **Services liberalisation**
   No services liberalisation is modelled

   (iii) **Other NTMs**
   No other NTMs liberalisation is modelled

   This allows us to define a new – Oct-2012 inclusive – baseline which forms the starting point for the DCFTA modelling.

2. **Morocco – DCFTA liberalisation scenario**
   The liberalisation modelled for the DCFTA scenario consists of tariff, services NTM and other NTM liberalisations compared to a baseline that includes the October 2012 liberalisation scenario explained above. Hence, this liberalisation scenario takes the October 2012 liberalisation results as baseline and focuses on the differences (i.e. the pure DCFTA effects) compared to that baseline.

   (i) **Tariffs**
   The Steering Committee has indicated that the focus of the DCFTAs is on regulatory approximation and not on tariff reduction since the October 2012 agreement eliminated most actionable tariffs. Hence, no further tariff liberalisations will be modelled:
   
   - **Tariff reduction EU into Morocco**: 0% liberalisation for all sectors
   - **Tariff reduction Morocco into the EU**: 0% liberalisation for all sectors

   Please bear in mind that – as explained above – these 0% liberalisations are with respect to the October 2012 baseline, which already includes far going tariff liberalisation.

   Therefore, we will not model any further tariff liberalisations, not for agricultural, nor for manufacturing sectors. For the DCFTA, instead, we focus on regulatory approximation. Calculating the exact tariffs left depends on the chosen sector aggregation (see table on

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57 See specific agreement (footnote 2)
the previous page) and will be done as part of the beginning of the modelling phase. They will be supplied in a separate Excel file to the Commission.

(ii) Services liberalisation
The modelling of service level NTMs for the DCFTA EU – Morocco is based on the methodology developed for previous TSIAs conducted by Ecorys, notably for the TSIA of the DCFTAs between the EU and Georgia/Moldova and EU – Armenia. Liberalisation in the services sector is based on a percentage reduction in Trade Cost Equivalents (TCEs) for a particular sector. A TCE is in essence the calculation of a non-tariff barrier into a tariff (number) equivalent.

For the DCFTA between the EU and Morocco, Ecorys will model a 13% reduction in TCEs for the services sectors 26 until 36 (as described in the sector aggregation table) from the Moroccan side and a 3% reduction in TCEs on the EU-side. This value has been agreed by the Steering Committee and is derived using the following methodology:

The modelling of service level NTMs for the TSIAs EU – Morocco and EU – Tunisia is based on the methodology developed for previous TSIAs and a large EU-US NTM study conducted by Ecorys. Please find below the highlights of this methodology:

1. First, the baseline presence of NTMs in the respective service sectors is determined in terms of Trade Cost Equivalents (TCE). This value has been estimated as an average value for services by Prof. J. Francois based on OECD data by estimating an equation where import demand is a function of the size of the economy (GDP) and its income level (per-capita income). When this is adjusted by the import substitution elasticity on a national level, these coefficients provide an estimate of the existing barriers in services in terms of TCEs. Please see also the technical annex from Prof. Francois (Annex 2) with the more elaborate specifications regarding this estimation technique. This calculation results in an estimated presence of services NTMs of 40% for all sectors58.

2. Second, the level of services NTM reductions is estimated in coordination with the steering committee, modelling experts and the consultant. For Morocco and Tunisia, the level of NTM reductions in services sectors is chosen to be 6% for the EU-side liberalisations and 13% and 8% for the Moroccan and Tunisian side liberalisations respectively. These values are based on:
   a. A benchmark with respect to the FTA between the EU and Ukraine, and the DCFTA with Armenia. In the Ukraine TSIA, NTMs in services were modelled to be reduced by 60% (in a limited scenario) and 100% (in an extended scenario). For Armenia, the ambitions for services sector liberalisation are lower and hence a liberalisation percentage of 7% was agreed.
   b. A realistic comparison with WTO liberalisation ambitions described by the Most-Favoured-Nation clause;
   c. Findings in the literature59 60
   d. Input from the Steering Committee.

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60 Economist Intelligence Unit, Country Risk Service (Morocco/Tunisia).
(iii) Other NTMs

For the modelling of liberalisation of other NTMs, we take into account the following assumptions:

1. The EU is focusing primarily on SPS and TBT approximation (based on information KoM for Morocco/Tunisia);
2. The standards of Morocco need to approximate those of the EU because the EU is not going to lower its standards in the fields of SPS and TBT – at least not to an average somewhere in between.

Based on the assumptions outlined below, we propose to model a sector specific reduction in NTMs – but an asymmetric reduction (For Morocco twice the level of EU reductions). EU reductions are, however, not zero because regulatory approximation also means further access for EU firms, even if EU standards are higher from the outset (with NTMs it is differences in standards that matter, not level of standards).

The level of other NTM reductions for the economic sectors in Morocco and the EU are based on similar base figures as for the EU – Tunisia DCFTA. These liberalisation figures are presented below.

1. Tunisia – DCFTA liberalisation scenario

(i) Tariffs

Tunisia did not conclude a similar agreement to the October 2012 agreement that Morocco concluded with the European Union. Hence for Tunisia, tariff reductions still make up an important share of overall liberalisation since Tunisia’s baseline includes only the AA with the EU. However, the October 2012 agreement with Morocco does – only to a limited extent – affect the Tunisian baseline trade flows, so the October 2012 deal with Morocco is also in the baseline for Tunisia (indirectly). Keeping that in mind, the following tariff liberalisations are modelled:

- **Tariff reduction EU into Tunisia**: 80% liberalisation for agricultural sectors
- **Tariff reduction Tunisia into the EU**: 95% liberalisation for agricultural sectors,
- **Tariff reduction EU into Tunisia**: 100% liberalisation for all remaining sectors
- **Tariff reduction Tunisia into the EU**: 100% liberalisation for all remaining sectors

No specific TRQs will be modelled. The remaining tariff lines will be calculated as part of the start of the modelling and will be supplied in a separate Excel document to the Commission.

(ii) Services liberalisation

The modelling of service level NTMs for the DCFTA EU – Tunisia is also based on the methodology developed for previous TSIAs conducted by Ecorys and follows the same methodology as described for Morocco.

For the DCFTA between the EU and Tunisia, Ecorys will also model an 8% reduction in TCEs for the services sectors 26 until 36 (as described in the sector aggregation table) for the Tunisian side liberalisation and a 3% reduction in TCEs from an EU-side liberalisation. These value has also been agreed by the Steering Committee.
(iii) **Other NTMs**

For the modelling of liberalisation of other NTMs, we take into account the following assumptions:

1. The EU is focusing primarily on SPS and TBT approximation (based on information KoM for Morocco/Tunisia);
2. The standards of Tunisia need to approximate those of the EU because the EU is not going to lower its standards in the fields of SPS and TBT – at least not to an average somewhere in between.

Based on the assumptions outlined below, we propose to model a sector specific reduction in NTMs – but an asymmetric reduction (For Tunisia twice the level of EU reductions). EU reductions are, however, not zero because regulatory approximation also means further access for EU firms, even if EU standards are higher from the outset (with NTMs it is differences in standards that matter, not level of standards).

Below, the scenarios for Other NTM reductions are defined for both Tunisia and Morocco.

**Methodology liberalisation figures Other NTMs for both Tunisia and Morocco**

**Baseline values for Other NTMs**

As mentioned above, SPS and TBT are the focus in “other NTMs” alignment. Based on the Ecorys (2009) *NTMs in EU – US Trade and Investment* general equilibrium model and gravity modelling, baseline values for other NTMs in the sectors have been derived. The gravity results are recalculated into Trade Cost Equivalents, so these reflect the initial height of NTMs per sector. The baseline values can be found in Table 4.2 of the book publication.

**Sector liberalisation figures for other NTMs**

In order to link the data to the reality of the Morocco/Tunisia negotiations, these baseline NTM values per sector are subjected to different liberalisation percentages. Using the extensive Ecorys (2009) database of NTMs (business survey with 5500 responses across the world), the importance of SPS and TBT issues in the overall NTMs is determined. The respondents of the business survey were asked for NTMs in their sector:

(i) What weight they attach to the NTM in the sector (from no weight 1, to heavy weight 5)
(ii) What the actionability (likelihood of removal) of the NTM is.

Since the focus of ‘other NTMs’ in the TSIs is on SPS/TBT, the number of times that “SPS” was mentioned out of the total of NTMs in the relevant sector is calculated as a percentage of the total. This percentage is then weighed with the ‘importance’ criteria (i) and (ii) in order to obtain a weighed percentage of how important SPS/TBT NTMs are with respect to the total amount of NTMs in the sector.

In a next step, for every economic sector in Tunisia and Morocco (except for the services sectors, in which no Other NTM reductions are modelled) is determined whether they are heavily (high), lightly (low) or not at all (no) influenced by SPS or TBT issues. The reality of the negotiations, i.e. whether SPS/TBT issues are actually actionable, acts as a ‘downgrade’ of the level of liberalisation possible in sectors affected by SPS/TBT issues. In case many SPS/TBT issues are identified in a certain sector, but the negotiators expect the likelihood of approximation to be low, then only a limited degree of liberalisation is realistic. According to the Kick off Meeting, Moroccan and Tunisian negotiators still need to indicate the sensitive sectors. The Steering Committee has been asked to indicate the actionability of SPS/TBT issues in the selected sectors from an EU perspective.

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61 Ecorys, 2009, *Non Tariff Measures in EU US Trade and Investment*
whereas the EU Delegation in Morocco and Tunisia have been asked to indicate the actionability from the Moroccan/Tunisian perspective. The table below summarises these assumptions:

<table>
<thead>
<tr>
<th>Actionability</th>
<th>Level of presence of NTMs</th>
<th>High</th>
<th>Low</th>
<th>No</th>
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<td></td>
<td>Ambitious liberalisation</td>
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<td></td>
<td>Limited liberalisation</td>
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<td></td>
<td>No liberalisation</td>
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This estimation technique leads to the following liberalisation figures for EU and Morocco/Tunisian-side liberalisation:

1. Other NTMs from EU to Morocco/Tunisia:
   a. 4% point reduction in TCE for the ambitious liberalisation scenario;
   b. 2% point reduction in TCE for the limited liberalisation scenario;
   c. 0% point reduction in TCE when there is no liberalisation foreseen;
   d. 2% point reduction in TCE for all agriculture & manufacturing sectors due to trade facilitation.

2. Other NTMs from Morocco/Tunisia to the EU:
   a. 16% point reduction in TCE for the ambitious liberalisation scenario – but 50% is taken off to compensate for higher production costs to meet the higher standard = de facto 8% point reduction;
   b. 8% point reduction in TCE for the limited liberalisation scenario – but 50% is taken off to compensate for higher production costs to meet the higher standard = de facto 4% point reduction;
   c. 0% reduction in TCE when there is no liberalisation foreseen;
   d. 2% point reduction in TCE for all agriculture & manufacturing sectors due to trade facilitation.

3. For other nations towards Morocco/Tunisia (exports and imports) we also model MFN spillovers worth 25% of the liberalisation level with the EU.

Next to the Ecorys (2009) NTM data that has been used to estimate the above liberalisation percentages, the values have also been cross checked with a range of studies that the project team has done in the past on FTA modelling and barriers in trade and investment, including Professor Joseph Francois academic work on this topic.

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62 Based on literature used in the Ecorys (2009) study and expertise gathered in previous TSIASs
63 The two percent point trade reduction figure has been agreed with and proposed by the Commission during the inception phase of the EU – Georgia/Moldova TSIAS. It is considered a conservative estimate for NTMs and has been used in many past TSIAS reports conducted by Ecorys. Most importantly, the TSIAS EU – Georgia/Moldova, but also EU – India and EU – ASEAN.
64 For the EU, we sector experts will not be asked to rank SPS/TBT issues since the effects on EU sectors are expected to be small.
65 See footnote 5.
## Annex E: Input from civil society

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation</th>
<th>Comment</th>
<th>Ecorys response</th>
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<td></td>
<td>European Services Strategy Unit</td>
<td>It needs to be made public which Mode 4 categories are being included.</td>
<td>The quantitative model used in this Trade SIA study relies on Balance of Payments statistics and only covers Mode 1, 2 and 3 trade flows. Therefore the economic model cannot take mode 4 into account, but this issue will be dealt with qualitatively in the study.</td>
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<td>There needs to be full impact assessment of the effects of Mode 4 offers both in terms of the employment effects on host Member State countries, and the potential security effects relating to Muslim extremist terrorism. When would the above aspects be publicly available?</td>
<td>The Trade SIA includes an elaborate assessment of sectoral employment effects (including in services sectors) on the EU-28 Member States as a region and on Morocco, including the effects of employment changes in skilled and unskilled labour. However, as explained above, these results do not take into account Mode 4 (see response above). The security effects related to Muslim terrorism need to be assessed more qualitatively. The study team will take this into account for the Interim Technical Report and report if relevant impacts are found. The Interim Technical report will be publicly available on 6 June 2013 (conditional on approval by the Commission)</td>
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<td></td>
<td>Eurogroup for Animals</td>
<td>(...). The trade relation between Morocco and EU is characterized by a high level of illegal trade. Unfortunately, the highest number of illegal wildlife trades to the European Union comes from Africa with Morocco as primary exporters (e.g. macaques, reptiles). We would like this still important issue to be reflected in your report, since regular trade has an impact on illegal trade (e.g. offering opportunities to hide the trade of illegal species and products issued of wildlife).</td>
<td>Thank you for pointing this topic out to us. Even though including this topic is not possible in the CGE model (see response to next comment), we will be able to devote attention to this topic in the additional analyses that support the CGE impact analysis. It will thus be addressed in the interim report.</td>
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<td>Please note that you can use EU TWIX database. EU TWIX has been developed to assist national law enforcement agencies, in their task of detecting, analysing and monitoring illegal activities related to trade in fauna and flora covered by the EU Wildlife</td>
<td>Thank you for the information on this specific database and we will study it as part of the Interim Technical Report. At the same time, we would like to point out that the quantitative part of our impact assessment is...</td>
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<td>Trade Regulations: The main section of the database is designed to become a unique source of centralised data on seizures and offences reported by all 27 EU Member States. It includes a section with information on technical, scientific, economic and other fields to help with the identification of confiscated specimens. The purposes of EU TWIX are to assist with strategic analyses and with carrying out field investigations. EU TWIX is mainly funded by the European Union and the Dutch Ministry of Agriculture, Nature and Food industry.</td>
<td>based on a Computable General Equilibrium model that includes data on standardised indicators from all countries in the world. Data from a European database can unfortunately not be included in the CGE modelling exercise since we do not have this information for all countries in the world and, moreover, indicators are likely not to match the CGE indicators either. However, these data will still be very useful for analysing this topic in our report as part of the supporting additional analyses.</td>
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<td>Can you please include the name of the expert, below? D.P. Daan van Uhm MA, PhD candidate Criminology, from the Willem Pompe Institute for Criminal Law, Faculty of Law, Economy and Governance - University of Utrecht</td>
<td>Thank you for both his coordinates and for informing on his work on Barbary Macaque. In case we would need more information, we will not hesitate to contact him.</td>
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<td>Centre for Research on Multinational Corporations (SOMO) / Transnational Institute</td>
<td>1. An overarching question relates to the critical perspective of the TSIA research. Will there be room in the TSIs for drawing conclusions that trade and investment liberalisation (in certain sectors) may not necessarily be the best option for the DCFTA partners, or does the study operate from the premise that 'liberalisation of substantially all trade' (the EU’s standard agenda for trade negotiations) is a given?</td>
<td>This is an independent study. We will analyse the likely impact of the DCFTA based on likely outcomes of the negotiations. We will analyse the expected effects, which may be either positive or negative, depending on what the results of the analyses show. Based on the expected effects of the DCFTA, we will provide recommendations to enhance the positive effects and to mitigate negative effects. The ToR for this study provides more information on the specific objectives of the study.</td>
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<td>2. With regard to the scope of the assessment. Will the TSIs with Morocco and Tunisia look specifically at investment policy as a new competence in the EU’s trade policy since the coming into effect of the Lisbon Treaty, and take into account the growing critical debate on the parameters of the current framework for investment protection, including within vested institutions such as UNCTAD, the ILO and Investment policy will be looked at to the extent that it will be covered under the DCFTA and how it will change the current situation, as the aim of the study is to compare a situation with and without a DCFTA. It should be mentioned that the CGE model used does not cover FDI, but investment may be covered as a horizontal issue in the second phase.</td>
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<td>the OECD?</td>
<td>In relation to investment issues, we would like to bring the attention of the research team among others, the Model International Agreement on Investment for Sustainable Development of the International Institute for Sustainable Development (<a href="http://www.iisd.org">www.iisd.org</a>), as well as the aforementioned publication by Olivier de Schutter et al., 'Foreign Direct Investment and Human Development: The law and economics of international investment agreements', Routledge, 2013.</td>
<td>Thank you for this information, we will study it and use it where relevant.</td>
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<td>3. On the approach to human rights: Will the TSIAs take into account the UN Global Compact and the Guiding Principles for the Implementation of the UN &quot;Protect, Respect and Remedy&quot; Framework, as well as the recommendations of the UN Special Rapporteur on the Right to Food, Olivier De Schutter in relation to sustainable development and the need for ex ante and ex post HR impact assessments?</td>
<td>The HR impact assessment is based on the EC Communication &quot;Operational Guidance on Fundamental Rights in Commission Impact Assessments&quot;, human rights impact assessment work done by Simon Walker and previous TSIA experience. We will study the sources you provide to see if we can also use these in our analysis.</td>
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<td>4. The proposed social quantitative analysis in the TSIAs seems very narrow, as does the environmental quantitative approach. Other social and environmental aspects are approached through a qualitative analysis which will rest heavily on inputs from civil society stakeholders. The inception reports speak of consultation with relevant stakeholders, particularly in relation to the key pillar of qualitative analysis of social and environmental impacts. The question remains how it is to be determined who are relevant stakeholders and whether a sufficiently representative cross-section of society has been included?</td>
<td>It is correct that the quantitative social and environmental analyses can only address certain issues, due to the lack of data and solid methodologies to assess the impact of other aspects. Next to literature research, consultations are indeed important. We have used a wide range of sources to include relevant stakeholders (see Chapter 4), but if you have suggestions to include other organisations, please let us know.</td>
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<td>There is a preliminary list of relevant stakeholders included in Annex A of both Inception Reports. Here, private sector and business organisations seem very well represented. The same goes for governmental institutions. We note with concern that there is no representation of EU civil society with a critical perspective on trade, nor of institutions with a broader</td>
<td>See also our comment above. We aim to have a balanced list of stakeholders, and if you feel important stakeholders are missing, we would be happy to include these. Your concrete suggestions have been added to the list.</td>
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<td>critical analysis, such as IISS (civil society level) or UNCTAD (institutional level). This also raises questions with us as regards the representativeness of the range of Moroccan civil society organisations listed.</td>
<td>There may indeed be conflicting interests. In this study, we aim to identify those possible conflicts, and analyse how the issues raised by various parties may affect the impacts of a DCFTA.</td>
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<td>However, the broader the range of civil society consulted, the more likely the emergence of conflicting interests. The related question is: How will civil society stakeholder inputs be treated and weighed against each other? The relative advantage of private sector stakeholders was noted previously, while the draft Inception Report for Morocco for example already pinpoints the contrasting weakness of trade union movement.</td>
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<td>The meaningful involvement of civil society features as a key element in the draft inception report. At the same time, civil society in Europe was given very short notice to respond to the draft inception report, which was presented at a DG Trade Civil Society Dialogue meeting on 9 April, with comments to be submitted before 20 April. This seems to contradict the assurance in the inception report that efforts will be made to overcome capacity constraints of civil society to engage in the TSIA debate, including the statement that ‘we will send information to relevant stakeholders as early as possible, to give them sufficient time to digest the information and prepare a response’. (p. 43, Draft Inception Report for Morocco) It also begs the question how the release and the possibility to comment on the draft Inception Reports communicated to civil society in Morocco and Tunisia and according to which time frame?</td>
<td>The inception report was publicly available on 29 March, although unfortunately there have been some problems in communication on the new websites, where these reports could be found. The report contains a clear time schedule, which shows when next reports will be published, which allow stakeholders to plan ahead as well. Through the website, newsletters, and Facebook we alert stakeholders in the EU, Tunisia and Morocco when new reports are published, and also actively ask for their feedback. Finally, please note that many of your comments we can still take on board also after finalising the inception phase.</td>
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<tr>
<td>Western Sahara Resource Watch</td>
<td></td>
<td>1. WSRW recommends ECORYS to include Saharawi organisations representative of the wishes of the Saharawi people - both those living in the territory occupied by Morocco, as well as those living in the refugee camps in Algeria - into the list of stakeholders.</td>
<td>We have included your organisation into the list of stakeholders. And we will include Saharawi representative organisation also.</td>
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<td>2. WSRW recommends ECORYS to undertake an assessment of the DCFTA's potential effects on the human rights situation in Western Sahara, and to</td>
<td>We would like to draw your attention to the Terms of Reference and Inception Report where the precondition to look at Morocco and...</td>
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<td>specifically appraise whether negotiating a trade deal with Morocco that will apply to Western Sahara without seeking the consent of the Sahrawi people is in itself in violation of their human rights.</td>
<td>Western Sahara together is specified. We are – as part of the TSIA – conducting an HR analysis that could look at potential DCFTA effects also for HR in Western Sahara.</td>
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<td>3. WSRW recommends ECORYS to make the distinction between the territory of Morocco and the territory of Western Sahara in the assessment it has set out to do.</td>
<td>Western Sahara is included in the scope of the DCFTA of the European Union. As a result, our study on the impact of the DCFTA also includes Western Sahara. In this respect, your comments and input to the process are very much appreciated since it helps us understanding the context.</td>
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<td>CNCD-11.11.11</td>
<td>Le délai accordé par Ecorys pour commenter les premiers rapports n’a pas été suffisant, vu les capacités limitées en temps et en personnes de la société civile, pour en faire une analyse complète</td>
<td>The publication of the reports were on time, but not well communicated (see also earlier comment). Please note that many of your comments we can still take on board also after finalising the inception phase.</td>
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<td>L’étude d’impact ne se penche que sur l’analyse ex-ante des nouvelles mesures que l’UE souhaite inclure aux ALECA, et n’inclut pas l’analyse ex-post des différentes mesures de libéralisation incluses dans les accords d’association en vigueur depuis de nombreuses années (à l’exception de l’accord d’octobre 2012 avec le Maroc sur les produits agricoles).</td>
<td>That is correct, the objective of the study is only to assess the impact of the DCFTA. An ex-post impact analysis might be useful, but would require other studies.</td>
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<td>l’absence de quelques acteurs qui travaillent pourtant activement sur le sujet de la politique commerciale dans la région. Par exemple : Arab NGO Network for Development, les organisations RAID/ATTAC/CADTM Tunisie et ATTAC/CADTM Maroc.</td>
<td>We have added these organisations to the list of stakeholders. If you have any further additions, please let us know.</td>
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<td>le processus ne prévoit qu’une analyse ex-ante des impacts des ALECA et pas de suivi des impacts rôles à long terme, une fois l’accord en vigueur.</td>
<td>The aim of the study is to look at the impact of the DCFTA after the DCFTA has been implemented. Indirect effects are taken into account to the extent possible and secondary effects are included in the CGE modelling.</td>
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<td>Les rapports préliminaires d’Ecorys, ainsi que les termes de référence de l’étude d’impact, identifient la nécessité de conduire un maximum de consultations en français.</td>
<td>Our website, Facebook and newsletters are and will be available in both English and French. Executive summaries of the reports will be translated into French and Arabic.</td>
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<td>Name</td>
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<td>La Confédération des Syndicats Chrétiens (CSC)</td>
<td>Le délai accordé par Ecorys pour commenter les premiers rapports n'a pas été suffisant, vu les capacités limitées en temps et en personnes de la société civile, pour en faire une analyse complète. Le délai, fortement lié à l'empressement de la Commission à concrétiser son agenda commercial sans prendre le temps nécessaire à une analyse sérieuse, nous semble inapproprié.</td>
<td>We regret that the publication of the reports were on time, but not well communicated (see also earlier comment). Please note that many of your comments we can still take on board after finalising the inception phase.</td>
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<td>En termes d'approche, il est regrettable que l'étude d'impact ne se penche que sur l'analyse ex-ante des nouvelles mesures que l’UE souhaite inclure aux ALECA, et n'inclut pas l'analyse ex-post des différentes mesures de libéralisation inclues dans les accords d'association en vigueur depuis de nombreuses années (à l’exception de l'accord d'octobre 2012 avec le Maroc sur les produits agricoles). Au vu des conclusions de l'étude d'impact conduite à l'époque pour la Commission, qui envisageait des pertes d'emploi et baisses de salaires, et vu les inquiétudes exprimées ci-dessus et ailleurs, et encore si la Commission souhaite réellement rendre ces accords acceptables pour le plus grand nombre, il serait indispensable d'analyser d'abord les impacts réels des accords passés, et de les corriger s'ils sont effectivement négatifs, avant de les approfondir.</td>
<td>That is correct, the objective of the study is only to assess the impact of the DCFTA. Although analysing the impact of previous agreements might be interesting, this would require other studies.</td>
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<td>De plus, on peut déplorer que le processus ne prévoit qu'une analyse ex-ante des impacts des ALECA et pas de suivi des impacts réels à long terme, une fois l'accord en vigueur. Sur ce point et sur d'autres, il serait utile de s'inspirer davantage des Principes directeurs applicables aux études de l'impact des accords de commerce et d'investissement sur les droits de l'homme, Rapport du Rapporteur spécial des Nations Unies sur le droit à l'alimentation, Olivier De Schutter. En effet ils proposent des mécanismes pratiques d'étude d'impact et de participation avant, pendant et après les négociations.</td>
<td>The aim of the study is to look at the impact of the DCFTA after the DCFTA has been implemented. Indirect effects are taken into account to the extent possible. We aim to study the suggestions related to the HR impact assessment (see also response to earlier comment).</td>
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Personal data in this document have been redacted according to the General Data Protection Regulation 2016/679 and the European Commission Internal Data Protection Regulation 2018/1725.
Sound analysis, inspiring ideas