european community
BACKGROUND INFORMATION

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BACKGROUND NOTE

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EUROPEAN COMMUNITY TO SIGN NEW ACCORDS WITH TUNISIA AND MOROCCO

The European Community has completed negotiations for aid, trade, and industrial cooperation agreements with Tunisia and Morocco, the first such accords with Arab countries within the context of its "global Mediterranean policy."

EC Commissioner Claude Cheysson for development aid told a news conference in Brussels yesterday that these agreements, similar to the Lome Convention with 46 African, Carribean, and Pacific developing countries, point up the Community's willingness to aid the industrial development of potential competitors.

The agreements go to the EC Council of Ministers for approval on January 19. They will be signed in Rabat and Tunis in February.

The Community is negotiating a similar agreement with Algeria, the third Maghreb country. Negotiations for other similar agreements will open January 28 with the Machrack countries (Syria, Libya, Jordan, Egypt). Israel's current agreement with the Community stipulates that its terms will be reconsidered should financial aid be given to any Arab country.

Financial Aid

Over the first five years of the agreements, the Community will give financial aid of 95 million units of account (UA) to Tunisia and UA 130 million to Morocco. (The Community's unit of account for measuring aid is based on a "basket" of its nine members' currencies and has ranged in daily value from $1.31 to $1.16 this year.) The aid will be distributed as follows:

- loans of UA 14 million to Tunisia and UA 16 million to Morocco at going rates from the European Investment Bank

- grants of UA 15 million to Tunisia and UA 16 million to Morocco most of which will be used to pay off interest on loans
- soft term loans of UA 39 million to Tunisia and UA 58 million to Morocco, repayable over 40 years at 1 per cent interest, after a 10 year grace period.

The agreements' financial provisions were designed to foster cooperation between the Community, the Maghreb countries, and the petroleum producing countries, and to attract petrodollar investments to the Maghreb. In addition, joint investments should stimulate complementary production between the Community and the Maghreb countries, thus easing current competitive conditions, especially in the area of agriculture.

Industrial Products

Tunisian and Moroccan industrial products will be given duty free entry into the Community. Ceilings will be set only on manufactured petroleum imports and cork.

Farm and Fish Products

Tariff concessions will be given for specified products. For fruits and vegetables, these concessions will be granted at specific times of year. The following products will receive special terms:

- Wine. An 80 per cent tariff reduction on table wines and a duty-free tariff quota of 50,000 hectoliters on bottled quality wines will be given.
- Olive oil. The import levy on olive oil will be reduced by UA 0.5. (One UA in trade accounting is equivalent to about $1.25.) An additional reduction of UA 20 will be granted if the exporting country imposes an export tax of an equivalent amount on the olive oil. [Olive oil is one of Tunisia's most important products, accounting for a third of its exports and employing half of its active labor force.]
- Citrus fruits. An 80 per cent tariff reduction will be granted, market conditions permitting.
- Canned sardines. Canned sardines will be allowed free entry into the Community as long as a minimum price is respected. This provision will go into effect only if extended to other large supplier countries.

Special trade arrangements between Tunisia and Morocco and France under the French System (Protocol 1/7) should disappear on January 1, 1979, after the first review of the new agreement. In the meantime, French and Community systems will co-exist for some products.

General Trade Provisions

The accord, based on reciprocity, encourages increased trade between the Community and Tunisia and Morocco. However, neither Maghreb country has to reduce tariff or quantitative restrictions on EC exports right away. This and other provisions will be reviewed in the light of the Maghreb countries' economic growth at meetings planned for 1978 and 1983. As many barriers as possible to two-way trade between the Community and the Maghreb countries will then be removed.

Migrant Workers

The Community member states and the two Maghreb countries will end all discrimination based on nationality in pay and working conditions. Maghreb country workers living in the Community and their families will benefit from a nondiscriminatory social security system which includes

- toting up all periods of residence and insurance in different member states in calculating pensions and illness expenses
- family allowances and transfer of old age or illness pensions to the country of origin. Tunisia and Morocco will extend similar benefits to member state nationals.

Benefits in areas not covered by the agreements, such as in the socio-cultural sphere, could be provided later. Details would be worked out in exchanges of letters.