



Trade & investment with the Southern Neighbourhood

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Trade relations with the SouthMed

- **8 Southern Mediterranean partners:** Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia and Palestine*
- **FTAs** established as part of the Euro-Mediterranean Association Agreements since the **late 90s-early 2000s**

* This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the Member States on this issue

Importance of trade with the SouthMed

- **Very relevant trading partners for the EU**
 - €227 billion of trade in 2022
 - 6th largest trading partner of the EU
 - 5th biggest export market (€115 billion)
- **EU as first bilateral trading partner for most SouthMed countries**
 - Mainly due to the economic integration between the EU and Mediterranean
 - facilitated by the network of bilateral FTAs

Regional integration in the SouthMed

- **Regional integration remains weak**
- Over 80% of exports of goods to other regions of the world
- EU remains among the main export destination for most Southern Neighbourhood economies
- EU has increased its share in the intra-regional merchandise trade since the entry into force of the bilateral FTAs

Regional agreements

- **Agadir Agreement**
 - **Regional Convention on pan-Euro-Mediterranean preferential rules of origin**
 - step in enhancing greater harmonisation and simplification of rules of origin (RoO) in the region
- Promoted by the EU as potential building tools to advance intra-regional trade.**

Current EU FTAs with SouthMed

Mainly trade in goods

- full trade liberalisation for industrial products
- some degree of liberalisation of trade in agricultural products

Current EU FTAs with SouthMed

Old generation FTAs negotiated in the late 90s

- investment facilitation and sustainable investment and development not covered in a detailed manner
- Significant EU Foreign Direct Stocks in the region (€112 billion in 2021) ↔ non-transparent and unstable investment environment in the region
- EU investments decreasing (26% decrease in comparison to 2019)

Opportunities

- Well placed for **near-shoring** in the future:
 - Transport infrastructure
 - Well trained young populations
 - At least in some countries: developed industrial base
- Important **partner in the diversification of EU energy sources** and the green and digital transition

Challenges

- **Lack of investments to advance structural reforms (to move up in the value chains)**
- **Russia's war in Ukraine**
- **Food insecurity, high energy prices undermining macro financial stability**
- **Trade barriers**

Challenges: Russia's war in Ukraine

- **Region's perception**

- paying a high price for Russia's war (seen as concerning mostly Europe)
- EU sanctions are hampering economy
- EU financial support considered vastly insufficient

- **However**

- Agriculture and foods products not under sanctions
- Trade in the form of derogations or exemptions is allowed for humanitarian, pharmaceutical and medical purposes

Challenges: barriers

Non-tariff barriers widespread

- affect trade with the EU
- but also trade among the Mediterranean countries themselves, undermining the regional integration efforts.

Challenges: barriers

- In some Mediterranean countries: continuation of a resurgence of **import substitution policies**, protectionism and localisation practices, with trade irritants **affecting EU exports (€ 115 billion)**.
- Often copied among the countries in the region

Challenges: barriers

Three types of barriers which affect market access:

- Ex-ante import procedures and prior authorisations → effect of quantitative import restrictions
- Local preference schemes and the local content requirements
- Procedures to acquire quality marks → domestic compulsory standards which de facto limit imports by imposing additional administrative burden and huge additional costs

Trade policy objectives

- Recent COM report on the implementation and enforcement of EU FTAs: Southern neighbourhood, together with the Middle East, Russia and Turkiye, made up almost **a third of all complaints received in 2021**.
- Considerable **efforts are therefore needed in enhancing the business and investment environment**.
- The impacts of the Covid pandemic and the economic and political implications of Russia's war of aggression against Ukraine, have further highlighted the importance of close EU cooperation with the Southern Neighbourhood.
- **Trade and investment remain essential for the recovery** and for unlocking the region's potential

Trade policy objectives

- Challenges but also **unexploited potential** of our trade and investment relations with the region
- **Trade Policy Review** and the Joint Communication on Renewed Partnership with the Southern Neighbourhood of February 2021 called for **upgrading EU's relations and economic integration** with the Southern Neighbourhood

FTAs

- FTAs established under the Association Agreements and put in place for more than twenty years, **largely achieved their objectives**: bilateral trade in goods almost doubled (+80%) since entry into force
- **Need to be better adapted** to today's challenges
- EU **ready to discuss options to modernise** trade and investment relations with the interested partner countries
- The FTA modernisation, and in particular **stepping up cooperation on technical barriers to trade and trade facilitation**, could help bring regulatory and institutional systems closer, and therefore prevent market access barriers.

OECD study

- In line with the Trade policy review, external OECD study to identify feasibility and relevance of potential future **Sustainable Investment Facilitation Agreements (SIFA)** in the Southern neighbourhood
- First SIFA concluded with Angola in 2022
 - Attract and expand investments
 - while integrating environment and labour rights commitments



Union for the Mediterranean (UfM)

For trade, **least integrated region** in the world → attention paid to the **Union for the Mediterranean: next (12th) UfM Trade Ministerial** in Valencia in October 2023

- Opportunity to **renew political commitment, establish clear priorities and follow up initiatives** (on sustainable trade and investment and regional integration; including resilient value chains and trade facilitation, as well as stepping up the adoption of the revised rules of origin of the PEM Convention).
- Engaging on a positive, forward looking agenda would also help to **overcome the trade barriers**

Implementation

- EU **stepped-up implementation and enforcement** of EU FTAs: core area of focus in the past year, continue seeking swift and efficient solutions of outstanding trade barriers in the region.
- DG Trade takes also actions to **prevent protectionist market access barriers**, including their spill over impacts in the region
- We promote **increased political and public awareness of importance of trade agreements** as well as European standards, IPR, public procurement and investment related legislation as well as the development and sharing of best practices
- Our trade dialogue with the South Med partners addresses also horizontal challenges of mutual interest



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• **Thank you !**