



# TRADE OBSERVER

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Customs and geopolitics

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# Cancellation of the Morocco-EU agreements

*The court of the European Union has rendered its decision in the context of the appeals for annulment brought by the Polisario Front against the Morocco-EU trade agreements. It is possible to know more by reading the press release nr 166/21 of the court of the EU, but concretely, what should we retain?*

## The impacts for an importer

Before delving into the reasons for this decision, let's measure its impact from the point of view of a European importer. First of all, the revocation of the two targeted agreements is not immediate but will take effect in two months, around the end of November. The first agreement (Council Decision 2019/441 of 4 March 2019) aims to authorize certain European vessels to fish in Moroccan waters including the waters off Western Sahara. Here, the impact of the revocation of this agreement is nil for international trade actors. The second agreement revoked (Council Decision 2019/217 of 28 January 2019) concerned the extension of tariff preferences (defined in the EU-Morocco agreement of 1 March 2000) to products originating in Western Sahara. Here the impact can be very important for importers. Regarding the list of products concerned, it is too complex to summarize here. It is necessary to refer to Article 11 of the EU-Morocco agreement and in particular to the annexes quoted there. If you are importing products from Western Sahara, it is therefore essential to read the texts in order to know the impacts on your business, or to be accompanied. On this subject, Customs Bridge is working on a personalized regulatory monitoring system whose objective is to manage this kind of changes as easily as possible.



## The reasons for this decision

What is the reason for this decision? Since 1976 and the end of the Spanish protectorate over this territory, it has been disputed. Today, while this territory is largely occupied by Morocco, which claims it, the Polisario Front, which represents the indigenous Sahrawis, supported by Algeria, is fighting against this occupation. This conflict, which has been going on for years, has recently undergone a number of twists and turns, such as the recognition of Morocco's sovereignty over the territory by the United States in exchange for stronger ties between Morocco and Israel. The EU's ruling on the Polisario Front's request is the latest twist in the case. As we can see from this decision, tariffs are one of the most used geopolitical tools in non-military conflicts.

## AEO status and its importance for world trade

*To simplify and secure your international trade, obtaining the status of Authorized Economic Operator (AEO) has become almost essential. This label of confidence in the European customs system is recognized on the international scene. Holding AEO status means benefiting from facilities in terms of customs procedures or controls related to security and safety. This represents a significant commercial and competitive advantage.*

Becoming an AEO is a process that the company undertakes voluntarily with the customs authorities. This status allows a company to acquire a quality label on the customs and security processes implemented within a company. It can be awarded to any company in the EU that meets the criteria defined by European regulations. The advantages of being an AEO are numerous. In addition to the customs and security facilities, the process itself is structuring for the company. It allows the company to evaluate and control its processes in terms of customs, but also security and safety. Its organization is optimized by taking into account the customs and logistics functions, better communication between employees and the implementation or improvement of internal control tools. A relationship of trust is established with customs, which becomes the company's partner. Trade is facilitated with countries that have signed international agreements recognizing AEO status.



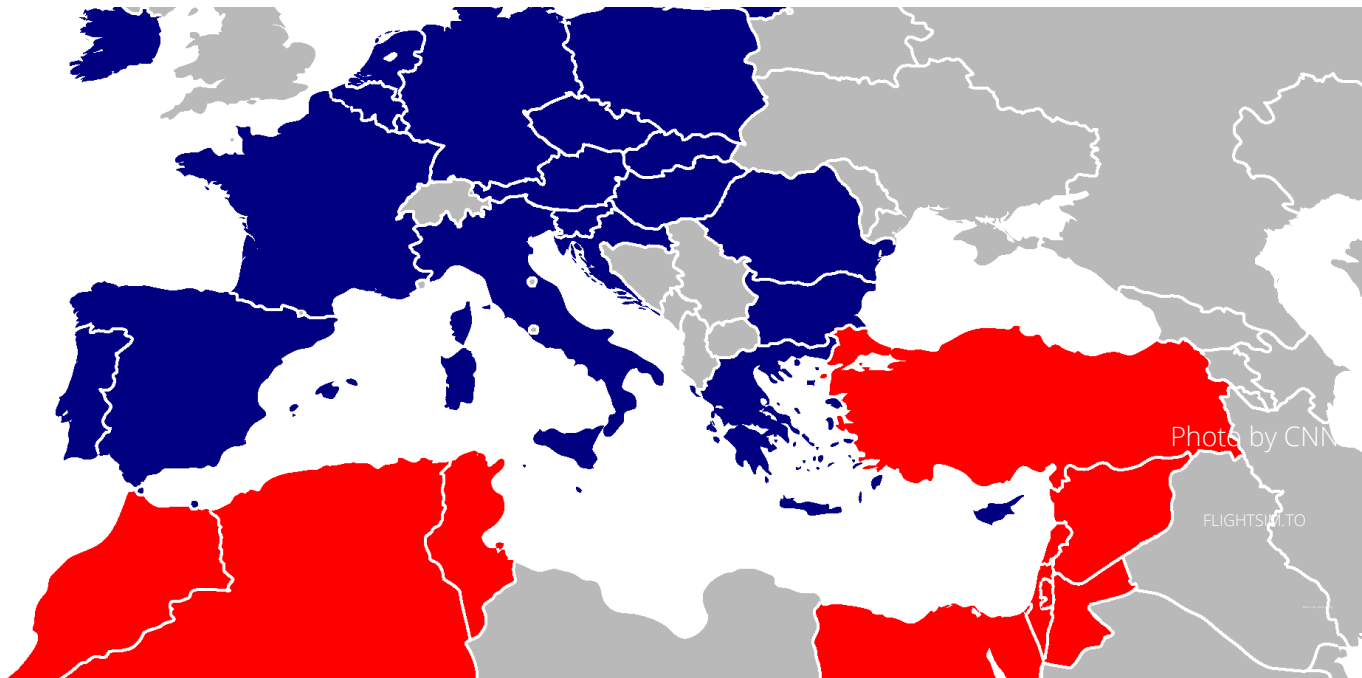
There are two types of AEO authorization, the one we are particularly interested in here is the AEO-C1, which is a customs simplification for companies that meet criteria such as having a satisfactory customs, tax and criminal history, an efficient system for managing customs entries, financial solvency and professional competence. The advantages are numerous: less frequent controls, exemption from financial guarantees, priority to laboratory analysis for certain products, authorization to establish simplified declarations, etc. The second authorization is the AEO-S2, Safety and Security. For this authorization, the criteria are almost the same as for the AEO-C1, so the customs have a certain importance concerning this authorization. The tool developed by Customs Bridge allows to check its conformity with the customs. Notably in the classification of products but also in the history of classification of products, more info on [www.customsbridge.fr](http://www.customsbridge.fr)

## The modernization of the PAN-EURO-MED agreement

*In 2019, the modernization of the 2013 MEP agreement has been decided and is not unanimously supported. However, the pandemic has demonstrated the need to accelerate this modernization process to meet the challenges of the third decade of the 21st century.*

### Context

The new rules of origin stem from the European Commission's proposal to modernize the EMP Convention in 2019. However, some countries have expressed concerns about the proposed amendments. As a result, the EMP Committee was unable to achieve the unanimity necessary to adopt the proposal. Nevertheless, the EC did adopt a set of proposals on origin. This would allow favorable EMP countries to begin applying the updated rules of origin, without the agreement of those countries that oppose them. Implementation is optional and participating countries implement the new rules on a bilateral and transitional basis, pending unanimous agreement. In other words, two different sets of rules coexist as of September 1, 2021.



Among the most notable changes is the increased flexibility in the calculation of preferential origin criteria, which allows the operator to calculate the value of non-originating materials and the ex-works price of finished products on the basis of an average price or value. Tolerance levels for non-originating materials should be increased from 10% to 15% of the value of the ex-works price of the products. The new EMP rules no longer allow the use of a EUR-MED certificate. Proof of origin now requires a certificate EUR.1 or a declaration of origin. In addition, the validity period of a proof of origin will be extended from 4 to 10 months. The direct transport rule will be replaced by the non-alteration rule. Under the direct transport rule, products should not be altered/processed during transit. Under the non-alteration rule, the addition or affixing of marks, seals, etc. to ensure compliance with requirements is permitted. The adoption of the new set of rules is expected to have an overall positive impact on businesses by providing more opportunities and simplifications for their operations. With this in mind, Customs Bridge has created a tool to facilitate access to information to help transport professionals gain efficiency and flexibility.