MOROCCO

TRADE SUMMARY

The U.S. goods trade surplus with Morocco was $85 million in 2005, an increase of $75 million from $10 million in 2004. U.S. goods exports in 2005 were $528 million, up 0.4 percent from the previous year. Corresponding U.S. imports from Morocco were $443 million, down 14.1 percent. Morocco is currently the 79th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Morocco in 2004 was $306 million, down from $307 million in 2003.

IMPORT POLICIES

The United States – Morocco Free Trade Agreement (FTA) will improve the competitiveness of U.S. exporters' goods and services in this market. The FTA entered into effect on January 1, 2006. In addition to the high-standard obligations that Morocco has adopted in the FTA, the United States is helping to ensure continued legal and regulatory reform through targeted technical assistance.

Morocco also has an Association Agreement with the European Union (EU) that provides preferential tariff treatment for most exports of industrial and some agriculture goods from the EU to Morocco. The U.S.–Morocco FTA will help to remove any competitive disadvantages for U.S. firms. Morocco has also concluded an FTA with Turkey, and has concluded a regional FTA (that has yet to enter into force) with Jordan, Egypt and Tunisia.

Tariffs

Prior to the FTA, U.S. goods entering into Morocco faced an average tariff of over 20 percent. Under the FTA, more than 95 percent of bilateral trade in consumer and industrial products has become duty-free, with all remaining tariffs to be eliminated within nine years. Exports by key U.S. sectors such as information technologies, machinery, construction equipment and chemicals now enter Morocco duty free.

U.S. textile products have also gained enhanced access to the Moroccan market. For certain originating products, trade between the two countries is subject to tariff-rate quotas (TRQs), and the quota will expand in the future. These goods now receive duty-free treatment up to a limited annual quantity for the first five years of the Agreement. Other qualifying originating textile and apparel goods will receive preferential duty treatment over a time frame ranging from immediately to 10 years.

Agriculture

The Moroccan agriculture sector is dominated by traditional small-scale farmers, many of whom focus on growing wheat. The Moroccan trade regime is designed to maintain this *status quo*, particularly through the imposition of high, prohibitive tariffs. These tariffs have created significant barriers to trade for U.S. exporters. For example, applied tariffs on poultry and beef products range up to 124 percent and 275 percent, respectively.

Tariffs on virtually all U.S. farm exports to Morocco will be phased out within 15 years, while the FTA also takes into account the unique circumstances facing Morocco's agriculture sector. U.S. producers of poultry and beef (products that have been kept out of the market due to high tariffs) will benefit from new TRQs that expand over time. U.S. wheat producers will benefit from new TRQs on durum and common wheat that have the potential to lead to significant increases in exports over recent levels.

Tariffs on goods such as corn and corn products, sorghum, soybeans, and soybean meal will be eliminated immediately or within a short timeframe.

Customs

The FTA requires improvement in the transparency, efficiency and administration of the Moroccan customs regime, thereby improving access to the Moroccan market for U.S. exports. The FTA requires rapid customs clearance of express delivery shipments. The FTA's rules of origin are designed both to ensure that only U.S. and Moroccan goods benefit from the increased access under the FTA and for ease of administration. These rules are consistent with those of other U.S. free trade agreements in the region.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Morocco generally has not provided adequate notice of new proposals or changes to standards, technical regulations, and conformity assessment procedures, thereby denying the opportunity for interested U.S. parties to comment on them before they are finalized. The FTA builds on WTO obligations that require Morocco to make its system more transparent and open. In particular, the FTA secures eventual foreign participation in the development of standards, technical regulations and conformity assessment procedures; creates opportunities for interested U.S. persons to provide comments on draft measures; and requires Morocco to explain how comments have been taken into account in the final drafting.

EXPORT SUBSIDIES

Morocco has provided export subsidies to reduce transportation costs for tomatoes. The FTA requires the Moroccan government to end this practice and otherwise not to provide export subsidies.

SERVICES BARRIERS

Morocco in the past has effectively prevented U.S. services firms from competing in large segments of Morocco's services sector. The government has either stipulated outright bans on foreign participation in the domestic services market and/or included onerous ownership requirements or business operating practices.

The FTA accords U.S. firms substantial market access across Morocco's entire services sector, subject to very few exceptions. Key services sectors covered by the agreement include audiovisual, express delivery, telecommunications, computer and related services, distribution, mining and construction, and engineering.

The FTA provides benefits for businesses wishing to supply cross-border services, as well as businesses wishing to establish a local presence in the other country.

Under the agreement, Morocco will also be required to permit U.S. financial service firms to establish subsidiaries and joint ventures in Morocco. In addition, banks and insurance companies will be permitted to establish branches, subject to a four-year phase-in for most insurance services.

The United States also gained enhanced access to the telecommunications market, including the right to interconnect with a dominant carrier in Morocco at non-discriminatory, cost-based rates. U.S. firms seeking to build a physical network in Morocco will have non-discriminatory access to key telecommunications facilities and will be able to lease lines from Morocco's dominant carrier and resell telecommunications services to build a customer base.

INVESTMENT BARRIERS

The United States and Morocco have a Bilateral Investment Treaty (BIT), which entered into force in 1991 and was superceded by the FTA. The FTA updates the legal framework for U.S. investors operating in Morocco. All forms of investment will be protected under the FTA, such as enterprises, debt, concessions, contracts, and intellectual property. The FTA removes certain restrictions and prohibits the imposition of other restrictions on U.S. investors, such as requirements to buy Moroccan, rather than U.S., inputs for goods manufactured in Morocco.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Moroccan intellectual property rights (IPR) laws and enforcement of these laws in the past have been insufficient to combat intellectual property theft. Enforcement resources have been inadequate, and civil and criminal penalties have not been stiff enough to provide sufficient deterrence.

The FTA addresses many of the United States' IPR concerns. The agreement's strong anti-piracy provisions mandate both statutory and actual damages under Moroccan law for IPR violations. Under these anti-piracy provisions, monetary damages can be awarded even when it is difficult to determine the amount of actual economic harm. Each government also commits to granting and maintaining the right for authorities to seize, forfeit, and destroy counterfeit and pirated goods and the equipment used to make them. The agreement also requires each government to provide criminal liability for internet piracy, even if there is no motivation of financial gain.

The FTA further expands the protection of trademarks, copyrights, patents, and undisclosed test data. Protection extends to cover state-of-the-art elements such as provisions concerning disputes over Internet domain names, strong anti-circumvention provisions to prohibit tampering with technologies designed to prevent copyright infringement, and specific protections for temporary copies, which is critical in the digital environment. Under its FTA obligations, Morocco will offer increased IPR protection and enforcement for copyrights, trademarks, geographical indications, patents, and undisclosed test data. In addition, Morocco passed comprehensive IPR legislation in December 2005 to implement its FTA obligations.

OTHER BARRIERS

Lack of transparency and regulatory predictability has inhibited U.S. access to the Moroccan market. Under the FTA, each government must publish its laws and regulations governing trade and investment, and, beginning within one year of entry into force, publish proposed regulations in advance and provide an opportunity for public comment on them. The Moroccan government has committed to apply fair procedures in administrative proceedings covering trade and investment matters directly affecting companies from the other country.