MOROCCO

TRADE SUMMARY

The U.S. goods trade surplus with Morocco was $354 million in 2006, an increase of $275 million from $79 million in 2005. U.S. goods exports in 2006 were $876 million, up 66.8 percent from the previous year. Corresponding U.S. imports from Morocco were $521 million, up 16.9 percent. Morocco is currently the 69th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Morocco in 2005 was $285 million (latest data available), down from $293 million in 2004.

FREE TRADE AGREEMENT

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

IMPORT POLICIES

Morocco also has an Association Agreement with the European Union (EU) that provides preferential tariff treatment for most exports of industrial and some agricultural goods from the EU to Morocco. The U.S.-Morocco FTA has helped to remove any competitive disadvantages for U.S. firms. Morocco has also concluded a free trade agreement with Turkey, and has concluded a regional free trade agreement with Jordan, Egypt and Tunisia (the Aghadir Agreement) that entered into force in July 2006 but has not yet been fully implemented, as implementing regulations for the new Customs rates will not be circulated until early 2007.

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 and apparel 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.

In late 2006, the Moroccan government indicated that it would move unilaterally to reduce its maximum tariff level on many products, including goods ranging from sports shoes to fruit juices. Officials explain that the modifications are intended to increase the competitiveness of Moroccan sectors that rely on imported inputs and also to reduce the amount of contraband on the Moroccan market. Customs officials estimate that the reform will enter into force by the beginning of 2007.

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 prohibitively high tariffs. Those tariffs have created significant barriers for U.S. exporters. For example, applied tariffs on poultry and beef products range up to 124 percent and 275 percent, respectively.

The FTA provides for substantial new market access for U.S. agricultural exporters through elimination of tariffs. For goods such as sorghum, soybeans, and soybean meal, Moroccan tariffs were eliminated immediately or will be eliminated within a short time frame. Moroccan tariffs on corn and corn products have been reduced by 50 percent and will be eliminated within five years of the entry into force of the FTA. The FTA also provides for TRQs for sensitive products such as beef, poultry and wheat. 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, upon negotiation of health certificates for meat and poultry. In the first year of the Agreement, only a small percentage of Morocco's FTA TRQs on durum and common wheat were filled due to issues related to Morocco's administration of these TRQs. The U.S. Government is working with the Moroccan government to address these and other implementation issues.

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. In a number of cases in 2006, Morocco did not allow U.S. goods that transited a third country to benefit from the agreement, despite provisions permitting transshipment. U.S. and Moroccan customs and trade officials are working to address this issue.

STANDARDS, TESTING, LABELING AND CERTIFICATION

In the past, 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 had provided export subsidies to reduce transportation costs for tomatoes. The FTA required 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 its services sector. The government has either stipulated outright bans on foreign participation in the domestic services market and/or included onerous ownership requirements and business operating practices.

The FTA accords U.S. firms substantial market access across Morocco's entire services sector, subject to a very few exceptions. Key services sectors covered by the agreement include audiovisual, express delivery, telecommunications, computer and related services, distribution, mining, 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 is also 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 are 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 negotiated a Bilateral Investment Treaty (BIT), which entered into force in 1991. The BIT was largely superseded by the FTA, which updates the legal framework for U.S. investors operating in Morocco. All forms of investment are 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 non-Moroccan) inputs for goods manufactured in Morocco.

A few restrictions do remain, however. For example, foreigners may not purchase agricultural land in Morocco unless they intend to use such land for non-agricultural purposes. There are no restrictions on leasing agricultural land for either agricultural or non-agricultural purposes.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Moroccan intellectual property rights (IPR) laws and enforcement of those 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 infringement. Under these anti-piracy provisions, monetary damages can be awarded even when it is difficult to determine the actual amount of 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. The state-of-the-art protection includes 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.

Morocco passed comprehensive IPR legislation in December 2005 to implement its FTA obligations.

OTHER BARRIERS

Lack of transparency and regulatory unpredictability 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.