MOROCCO

TRADE OVERVIEW

Morocco is an emerging market at the crossroads of Europe, Africa, and the Middle East that imports $11 billion worth of goods each year. The United States currently exports goods valuing an average of $475 million worth to Morocco each year. Leading exports include aircraft, corn, and machinery. Recently, exports of fabrics and pharmaceuticals have increased significantly.

Morocco has begun implementing an Association Agreement with the European Union (EU), which provides preferential tariff treatment for most EU industrial and some agriculture exports to Morocco, putting American producers at a comparative disadvantage. The recently enacted United States – Morocco Free Trade Agreement (FTA) will improve U.S. exporters’ goods and services competitiveness in this market.

IMPORT POLICIES

Currently, U.S. goods entering Morocco face an average tariff of over 20 percent.

Under the FTA, when enacted, U.S. exports will receive more favorable tariff treatment. More than 95 percent of bilateral trade in consumer and industrial products will become duty-free immediately upon entry into force of the FTA, with all remaining tariffs to be eliminated within nine years – the best market access package of any U.S. free trade agreement with a developing country. Key U.S. export sectors gain immediately duty-free access to Morocco, such as information technologies, machinery, construction equipment and chemicals.

U.S. textile products will also gain enhanced access to the Moroccan market. For certain sensitive products, imports to Morocco will be subject to TRQs that will grow in the future for the United States and Morocco.

CUSTOMS

The FTA, when enacted, will require improvement in the transparency, efficiency and administration of the Moroccan customs regime, effectively improving access to the Moroccan market for U.S. exports. The FTA requires customs procedures designed to facilitate the rapid clearance through customs of express delivery shipments. While rules of origin are designed to ensure that only U.S. and Moroccan goods benefit from the increased access under the FTA, they are also designed to be easy to administer and are consistent with other U.S. free trade agreements in the region.

In addition to the high standard obligations that Morocco is adopting in the FTA, the United States will be providing targeted technical assistance to implement the agreement.

STANDARDS, TESTING, LICENSING, AND LABELING

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 requires Morocco to make its system more transparent and open In particular, the agreement 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 Moroccans to end this practice and to not otherwise provide export subsidies.

SERVICES

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

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

The FTA provides benefits for businesses wishing to supply services cross-border as well as businesses wishing to establish a presence locally 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 to re-sell telecom 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. 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.

Agriculture

The Moroccan agriculture sector is dominated by traditional small-scale farmers, particularly grain farmers. 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, tariffs on poultry and beef products range up to 124 and 275 percent respectively on an applied basis.

Tariffs on virtually all U.S. farm exports to Morocco will be phased-out within 15 years, while the FTA also takes into the unique circumstances facing Morocco’s agriculture sector. U.S. farmers and ranchers of poultry and beef (products that have been kept out of the market due to high tariffs) will benefit from new tariff-rate quotas that grow over time. U.S. wheat producers will benefit from new tariff-rate quotas 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 eliminated in a short amount of time.

INTELLECTUAL PROPERTY (IPR) PROTECTION

Moroccan IPR laws and enforcement of these laws 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 U.S. 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 if actual economic harm (retail value, profits made by violators) cannot be determined. 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 criminalize end-user piracy.

The FTA further expands the protection of trademarks, copyrights, patents and trade secrets. Protection extends to cover state-of-the-art elements such as trademark disputes used in Internet domain names and strong anti-circumvention provisions to prohibit the tampering of technologies designed to prevent piracy and unauthorized distribution over the Internet.

OTHER BARRIERS

Lack of transparency and regulatory predictability have been inhibitors to U.S. access to the Moroccan market.

Under the FTA, when enacted, each government must publish its laws and regulations governing trade and investment, and, beginning within one year, publish proposed regulations in advance and provide an opportunity for public comment on them. The Moroccan government will commit to apply fair procedures in administrative proceedings covering trade and investment matters directly affecting companies from the other country.