

COURTESY TRANSLATION

Washington, D.C.  
June 15, 2004

Catherine A. Novelli  
Assistant United States Trade Representative

Dear Ms. Novelli:

During negotiation of Chapter Twenty-One (Exceptions) of the United States-Morocco Free Trade Agreement (the "Agreement"), our delegations discussed certain issues related to paragraphs 4(a), 4(h), and 6 of Article 21.3 (Taxation). In that regard, I have the honor to confirm the following:

*Article 21.3.4(a).* Under this provision, either Government may, consistent with its obligations under the Agreement, condition the receipt or continued receipt of a tax advantage relating to the purchase or consumption of services, including training or research and development, on a requirement to provide the services in its territory. Any concern about the application of this provision in a particular case may be addressed as provided in the Agreement.

*Article 21.3.4(h).* The Agreement does not change any of the rights and remedies available to either Government under the Convention between the Government of the United States of America and the Kingdom of Morocco for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income with respect to pension trusts and pension plans. It is understood that this provision applies to both Governments.

*Article 21.3.6.* This paragraph provides a degree of reassurance to investors, and, by agreeing to this paragraph, Morocco reaffirms its commitment to protect the interests of investors. As further reassurance, I wish to inform you that Morocco does not foresee adopting any taxation measure that would constitute an expropriation or a breach of an investment agreement or investment authorization. To the contrary, Morocco considers that its tax regime is evolving according to international standards and a main goal of that tax regime is to stimulate and encourage investment in Morocco.

Sincerely,

Taïb Fassi Fihri  
Minister Delegation for Foreign Affairs and Cooperation