MOROCCO

TRADE SUMMARY

The U.S. goods trade surplus with Morocco was $733 million in 2007, an increase of $376 million from $357 million in 2006. U.S. goods exports in 2007 were $1.3 billion, up 52.9 percent from the previous year. Corresponding U.S. imports from Morocco were $610 million, up 17.0 percent. Morocco is currently the 64th largest export market for U.S. goods.

The stock of U.S. foreign direct investment in Morocco was $311 million in 2006 (latest data available), up from $302 million in 2005.

FREE TRADE AGREEMENT

The United States-Morocco Free Trade Agreement (FTA) entered into force on January 1, 2006, eliminating duties on more than 95 percent of all goods and services. In addition to key U.S. export sectors gaining immediate duty free access to Morocco, the Agreement includes commitments for increased regulatory transparency and government commitment to the protection of intellectual property rights. Through foreign assistance programs, the United States continues to provide targeted technical assistance supporting FTA compliance and Moroccan regulatory reform. Issues relating to the definition of direct shipment and Moroccan application of wheat quotas have arisen since the FTA's implementation. These concerns are under discussion. The Joint Committee (the FTA’s governing body) plans to meet in 2008.

IMPORT POLICIES

In addition to the United States-Morocco FTA, Morocco has entered into an Association Agreement with the European Union (EU), an FTA with Turkey, and the Pan-Arab Agreement with 17 Arab countries. While in general, the United States-Morocco FTA provides for equal or preferential treatment for most U.S. goods and services, Morocco recently agreed with the EU to accelerate reduction of certain textile tariffs that provides a more preferential schedule than what was negotiated in the United States-Morocco FTA.

Due to the United States-Morocco FTA, key U.S. sectors, such as information technologies, machinery, construction equipment, chemicals, and textiles, enjoy either duty free or preferential duty treatment when entering Morocco. Certain other originating products are subject to tariff-rate quotas (TRQs), which increase over time. Originating textile and apparel goods receive preferential duty treatment according to a 10 year tariff reduction schedule. Specified originating apparel products that do not conform to the FTA's rules of origin may still qualify under a Tariff Preference Level quota established for nonoriginating articles.

Direct Shipment Issues

Moroccan interpretation of permissible transshipment under the FTA's rules of origin has resulted in denial of preferential treatment for some originating goods. Moroccan customs officials continue to insist that shipments of originating goods through a third country must be preceded by an order (as reflected in an invoice or bill of lading) from a Moroccan customer before departing the United States. This interpretation effectively prevents U.S. companies from pre-staging U.S. originating goods in Europe, prior to receiving an order from a Moroccan customer. The United States is seeking a resolution to this situation through the Joint Committee process.

Agriculture

Under the FTA, Morocco provides U.S. exporters preferential access through tariff reductions and elimination, with tariff phase-outs ranging from immediate (upon entry into force) to 25 years. In 2007, Moroccan tariffs on corn and most feeds were temporarily reduced to zero because of dry conditions and an acute need for animal feed.

In addition, on products that are particularly import-sensitive for Morocco, the FTA provides access to Morocco's market for U.S. agricultural exporters through TRQs, including on beef, poultry, wheat, almonds, and apples.

Wheat TRQs

The United States-Morocco FTA provides for new preferential access to Morocco for U.S. durum and common wheat exports through two TRQs. In 2006, these TRQs were not filled due to the way in which they were administered. In 2007, as a result of the country's short domestic supply of wheat, the government of Morocco eliminated tariffs on all imported wheat through May 31, 2008, effectively rendering the preferential TRQs under the FTA meaningless. U.S. officials have raised concerns with the Moroccan government about its administration of the FTA wheat TRQs, which has led to significant difficulty for U.S. producers attempting to avail themselves to the new preferential access under the FTA. Efforts to resolve issues surrounding access for U.S. wheat continue.

Biotechnology

Morocco has officially banned agricultural biotechnology. Over 60 percent of Moroccan agricultural exports are destined for the EU, and the official ban on agricultural biotechnology reflects EU/Morocco trade sensitivities. Imports of bioengineered seeds are prohibited and a "genetically modified organism (GMO)-free" certificate is required for customs clearance of products used directly for human consumption. Morocco has formed a National Biosecurity Committee, but implementing an agricultural biotechnology regulatory framework may take several years to develop and receive approval through appropriate government channels.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

The Moroccan Industry Normalization Service (SNIMA) and the Laboratory for Public Tests and Studies (LPEE) are the two government organizations responsible for developing standards and testing. SNIMA provides all product norms and standards certification, while LPEE performs product testing to international ISO/IEC 65 standards. Included in the United States-Morocco FTA is a reaffirmation of the WTO Agreement on Technical Barriers to Trade.

As a result of commitments made in the FTA, Morocco has improved transparency in its government rule making. Prior to the FTA, Morocco generally provided inadequate notice of new proposals or changes to standards, technical regulations, and conformity assessment procedures, which effectively denied U.S. parties the opportunity for comment. The FTA builds on WTO obligations, which Morocco has applied to improve the transparency of its government rule-making process. In particular, Morocco now invites foreign participation and comment in the development of standards, technical regulations, and conformity assessment procedures. In addition, Morocco includes explanations of how external comments have been treated in the final drafting.

Morocco and the United States are working to reach agreement on sanitary certificates to accompany U.S. exports of meat and poultry products to Morocco, consistent with international standards.

GOVERNMENT PROCUREMENT

Morocco is not a signatory to the WTO Agreement on Government Procurement.

The United States-Morocco FTA requires the use of fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures for procurement covered by the Agreement. Under the FTA, U.S. suppliers are permitted to bid on procurements for most Moroccan central government entities, as well as the vast majority of Moroccan regional and municipal governments, on the same basis as Moroccan suppliers. The anticorruption provisions in the FTA require each government entity to ensure that bribery in government procurement is treated as a criminal offense or is subject to comparable penalties.

SERVICE BARRIERS

In the past, Morocco effectively prevented U.S. services firms from competing in large segments of its services sector. The government 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 very few exceptions. Key services sectors covered by the Agreement include audiovisual, express delivery, financial, insurance, telecommunications, distribution, computer, 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 required to permit U.S. financial services firms to establish subsidiaries and joint ventures in Morocco. In addition, banks and insurance companies are permitted to establish branches, subject to a 4 year phase-in for most insurance services.

Although U.S. companies enjoy the same treatment in the insurance market as their Moroccan counterparts, the policies and practices of Morocco's insurance regulatory body have effectively prevented U.S. insurance companies from introducing competing products. In practice, only applications that bring new products to the sector are likely to be approved.

In the FTA, the United States also gained enhanced access to the telecommunications market, including the right to interconnect with a dominant carrier in Morocco at nondiscriminatory, cost based rates. U.S. firms seeking to build a physical network in Morocco have nondiscriminatory 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 have a Bilateral Investment Treaty (BIT) which entered into force in 1991 and remains in force. The FTA also contains investment provisions. All forms of investment – such as enterprises, debt, concessions, contracts, and intellectual property – are protected under the FTA. The FTA requires Morocco to remove certain restrictions and prohibits the imposition of other restrictions, such as requirements to buy Moroccan rather than non-Moroccan inputs for goods manufactured in Morocco. Although foreigners are not permitted to own agricultural land in Morocco, foreigners can lease land and were recently invited to bid on long-term leases for Sogeta and Sodega land (government owned land nationalized from French citizens in the early 1970’s).

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The United States-Morocco FTA includes strong intellectual property protections and led Morocco to strengthen its own IPR laws. Included in the Agreement are strong anti-piracy provisions and the right for authorities to seize, forfeit, and destroy counterfeit and pirated goods, as well as 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.

Pursuant to its FTA obligations, Morocco enacted legislation that increased protection of trademarks, copyrights, patents, and undisclosed test data. Included are 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 are critical in the digital environment.

OTHER OBSTACLES

The greatest obstacles to trade in Morocco are irregularities in government procedures, lack of transparent governmental and judicial bureaucracies, inefficient transport systems, language and cultural barriers, and low level corruption. According to the World Bank's Ease of Doing Business 2008 report, Morocco ranks 129th out of 178 countries surveyed. Among the measures cited in the report is a 33 day long process required for imported goods to reach their final destination after arrival at a Moroccan port. Although the government is diligently working to liberalize the business environment and improve its business efficiency, foreign corporations still complain about these market access issues.