MOROCCO

TRADE SUMMARY

The U.S. goods trade surplus with Morocco was $640 million in 2008, a decrease of $93 million from $733 million in 2007. U.S. goods exports in 2008 were $1.5 billion, up 13.1 percent from the previous year. Corresponding U.S. imports from Morocco were $879 million, up 44.1 percent. Morocco is currently the 67th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Morocco was $238 million in 2007 (latest data available), up from $130 million in 2006.

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 the Moroccan market, the Agreement includes commitments by Morocco for increased regulatory transparency and the protection of intellectual property rights. Through foreign assistance programs, the United States continues to provide Morocco with targeted technical assistance supporting FTA compliance and regulatory reform. Issues relating to the definition of direct shipment and Morocco's application of tariff-rate quotas for wheat imports from the United States have arisen since the FTA's implementation. U.S. concerns with respect to these issues were raised at the first meeting of the bilateral Joint Committee (the FTA's governing body) in March 2008, and at a number of other meetings, as well as in written exchanges before and after the Joint Committee meeting, including with respect to wheat, at the June 2008 meeting of the Subcommittee on Agricultural Trade.

IMPORT POLICIES

In addition to the United States-Morocco FTA, Morocco has entered into an Association Agreement with the EU which provides preferential tariffs for most industrial goods, an FTA with Turkey, a Pan-Arab Agreement with 17 Arab countries, and a regional trade agreement with Tunisa, Egypt and Jordan (the Agadir Agreement). In October 2008, Morocco was granted "advanced status" by the EU, which could ultimately lead to conclusion of a broader free trade agreement encompassing agriculture and services, and a status like that of countries in the European Free Trade Area (EFTA). 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 exports from U.S. sectors, such as information technology, machinery, construction equipment, chemicals, and textiles, enjoy either duty free or preferential duty treatment. Certain other originating products are subject to tariff-rate quotas (TRQs), with the in-quota amount increasing over time. U.S. 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 rules of origin may qualify under a Tariff Preference Level quota established for non-originating articles.

Direct Shipment Issues

Morocco's narrow interpretation of permissible transshipment under the FTA's rules of origin has resulted in the denial of preferential treatment for some U.S. originating goods. Moroccan customs officials continue to insist that shipments of U.S. originating goods 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 to address 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. 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.

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.

Wheat TRQs

The United States-Morocco FTA provides for 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 and high world prices of wheat and corn, the government of Morocco eliminated tariffs on all imported wheat through May 31, 2008, effectively rendering the preferential TRQs under the FTA non-operational. Non-application of tariffs on these goods has since been extended into 2009.

Through both consultations and written exchanges, U.S. officials have repeatedly raised U.S. Government concerns with the Moroccan government about its procedures for administering the FTA wheat TRQs, as Moroccan government action has impeded realization of the preferential access provided for under the FTA and raises questions regarding consistency with the provisions in the FTA. Efforts to resolve issues surrounding access for U.S. wheat continue under the Joint Committee process.

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 conducting testing. SNIMA provides all product norms and standards certification, while LPEE performs product testing in accordance with ISO/IEC Guide 65. The FTA includes 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 comments from outside the government 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. Over the last year, Morocco has moved to reinvigorate its anticorruption enforcement efforts, setting up a central entity to lead the effort.

SERVICE BARRIERS

The United States-Morocco FTA provides U.S. firms with substantial access to Morocco's services market, subject to very few exceptions. Key service sectors covered by the Agreement include audiovisual, express delivery, financial, telecommunications, distribution, computer, mining, construction, and engineering.

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 four 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 or "added-value" to the sector are likely to be approved, as they must first be reviewed by a Consultative Committee composed principally of other companies active in the sector. While this committee’s recommendation is not binding, in practice the Ministry of Finance has followed its advice. We are addressing this situation through the Joint Committee process.

INVESTMENT BARRIERS

The United States and Morocco have a Bilateral Investment Treaty (BIT) that entered into force in 1991. The dispute settlement provisions of the BIT have been largely superseded by the FTA, which 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 1970s).

OTHER OBSTACLES

The greatest obstacles to trade in Morocco are irregularities in government procedures, lack of transparent governmental and judicial bureaucracies, inefficient transport systems, and low-level corruption. Morocco ranks 128th out of 181 countries surveyed in the World Bank's annual ranking of the Ease of Doing Business. Morocco lags particularly in areas relating to its cumbersome tax and employment regimes, property registration and investor protections. 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.