

# U.S.-Morocco Free Trade Agreement

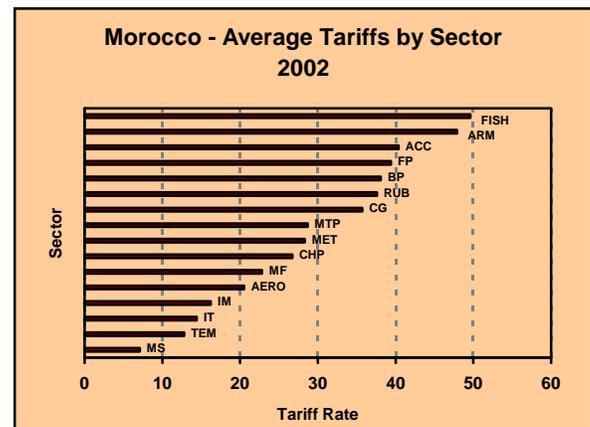
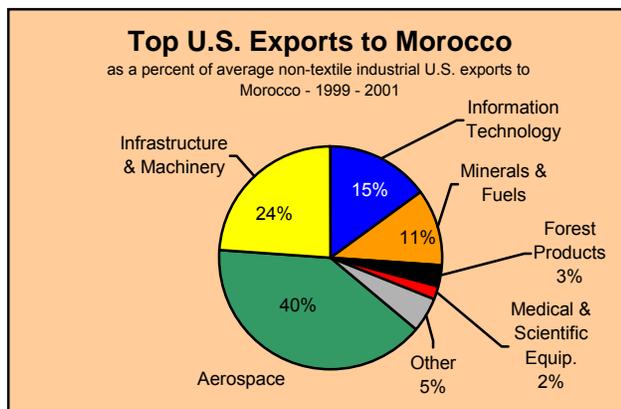
## Key Market Access Results and Benefits

The United States and Morocco concluded a historic and comprehensive free trade agreement (FTA) during March 2004. The FTA, designed to eliminate and reduce tariffs and other trade barriers, will dramatically increase market access in Morocco for U.S. manufacturers and service providers.

The United States' commitment to liberalized trade in the region supports the development of tolerant, open, prosperous societies. The Government of Morocco, with the strong support of King Mohamed VI, launched an initiative to streamline investment procedures and eliminate barriers to foreign and domestic investment. The FTA also contains provisions to help improve Morocco's investment climate and protect U.S. investments. In addition to opening Moroccan markets to greater American exports, the FTA levels the playing field with European competition and allows American corporations based in Morocco to export to Europe duty-free. This FTA is part of the broader Middle East Free Trade Initiative launched by President Bush in May 2003.

**The United States currently exports an average \$475 million worth of products to Morocco each year. Leading exports include aircraft, corn, and machinery.**

### Manufactured Goods



FISH = Fish	ARM = Arms & Ammunition
ACC = Accessories	FP = Forest Products
BP = Building Products	RUB = Rubber
CG = Consumer Goods	MTP = Motor Vehicles & Parts
MET = Metals & Ores	CHP = Chemicals & Pharm.
MF = Minerals & Fuels	AERO = Aerospace
IM = Infrastructure & Machinery	IT = Information Technology
TEM = Transport Materials	MS = Med. & Scientific Equip

- This FTA eliminates tariffs on more than 95 percent of bilateral trade with all tariffs to be eliminated within 10 years.
- EU exports to Morocco have doubled over the past 10 years, due in part to a free trade agreement implemented between the EU and Morocco in 2000. The U.S.- Morocco FTA will level the playing field for U.S. companies vis-à-vis their European competitors and increase U.S. market share in North Africa.
- U.S. exports to Morocco face high tariffs, averaging 28.3 percent. One-third of U.S. exports face tariffs of 50 percent or greater. The Agreement will immediately rectify this competitive disadvantage faced by the U.S. industry.
- The U.S. information technology sector will also see new opportunities in Morocco. In conjunction with the FTA, Morocco agreed to join the WTO Information Technology Agreement, liberalizing 95 percent of U.S. information technology trade immediately.

### Textiles and Apparel

- Tariffs on trade in textile and apparel products meeting the Agreement's rule of origin will be phased out over the course of ten years providing new opportunities for U.S. and Moroccan fiber, yarn, fabric and apparel manufacturing.

## Services

- Key service sectors covered by the FTA include audiovisual, express delivery, telecommunications, computer and related services, distribution, and construction and engineering.
- *Construction Services.* The FTA covers all construction services except port and river dredging and the construction of national landmarks and religious buildings. Many opportunities could emerge for U.S. suppliers in this sector as Morocco continues to modernize its infrastructure and economy.
- *Financial Services.* U.S. financial service suppliers will have the right to establish subsidiaries and joint ventures in Morocco (in the case of insurance agency and brokerage, Morocco can limit foreign equity to 51 percent). In addition, banks and insurance companies will have the right to establish branches, subject to a four-year phase-in for most insurance services.

Morocco will also allow U.S.-based firms to offer cross-border services to Moroccans in areas such as financial information and data processing, and financial advisory services. U.S. investors will enjoy almost all circumstances the right to establish, acquire and operate investments in Morocco on an equal footing with Moroccan investors, and with investors of other countries.

- *E-Commerce.* Each government commits to non-discriminatory treatment of digital products and agrees not to impose customs duties on digital products. For digital products delivered on hard media (such as a DVD or CD), customs duties will be based on the value of the media (for instance, the disc), not on the value of the movie, music or software contained on the disc.

## Government Procurement

- The FTA provides access to procurements by 30 central government entities, including Ministries of Defense, Foreign Affairs, Interior and the Prime Minister. The FTA covers all of Morocco's provinces and prefectures. The FTA covers all of Morocco's provinces and prefectures.
- U.S. companies will also have access to procurements carried out by 136 administrative and public bodies including such strategic entities as the National Office of Electricity, National Office of Airports, National Office of Potable Water, National Railroad Office, and Office of Ports Utilization. Many of these types of entities in developing countries participate in strategic procurements related to infrastructure and exploitation of natural resources.
- For covered procurements the FTA ensures that Moroccan government purchasers cannot discriminate against U.S. firms, or in favor of Moroccan firms.
- Strong and transparent disciplines on procurement procedures, such as requiring advance public notice of purchases, as well as timely and effective bid review procedures provide U.S. suppliers with not only greater opportunity but also increased certainty.

## Best Prospects

While the benefits of the U.S.–Morocco FTA will be felt broadly throughout U.S. industry, certain sectors are particularly well positioned to capitalize on the results of this Agreement. These sectors include consumer products such as frozen fish, hair and beauty products, chemical products such as additives, paints, varnishes and cleaning products. Other sectors and products that are expected to benefit significantly from this Agreement include industrial and electrical machinery, fork lift trucks, tractors and trailers, machine tools, construction equipment, electrical energy products, medicaments including antibiotics and hormones, aluminum, automotive accessories including electrical lighting and windshield wipers, and aircraft/spacecraft and balloons.

*Highlights:* Information technology is a significant area of opportunity for U.S. firms, including sound media equipment, semiconductor devices, data processing, and electrical and precision instruments. Also, improved openness in services offer opportunities in water treatments such as wastewater and seawater desalination, tourism, engineering and consulting.