

Morocco's Free Trade Agreements

Morocco has constantly encouraged liberal economic choices along with the free circulation of goods and services. It is in that perspective that it hosted the Marrakech conference that led to the "Marrakech Declaration of April 15, 1994" which finalized the Uruguay Round and led to the establishment of the "World Trade Organization" [WTO] on January 1st, 1995. A new era for economic growth and commercial exchange was thus launched.

Morocco voluntarily adhered to this dynamic as one of the 149 member states of the WTO. It also launched a series of negotiation rounds that led to the signature, ratification and implementation of series of few "Free Trade Agreements" that define its new trade relationships with selected partner countries in America, Europe and the Middle East. Being located at the crossroads of these regions, Morocco has been aiming at using its geo-strategic position to draw massive interest of business operators from these countries and constitute an investment platform for a new generation of successful entrepreneurs; some of the presently existing 'Free Trade Agreements' are:

a. The U.S.-Morocco Free Trade Agreement: The negotiations began in January 2003 and were completed in March 2004. The Agreement was formally signed on June 15, 2004 and entered into force on January 1, 2006. At that time, tariffs for more than 95 percent of qualifying consumer and industrial goods were immediately eliminated. Remaining tariffs for most remaining qualifying goods will be eliminated over a nine-year period from the date the Agreement entered into force. For a limited number of products, tariffs will be eliminated over a period of up to 15 years. Currently U.S. exports to Morocco are subject to an average tariff of over 20 percent. The agreement also offers new access to services, intellectual property protection, a predictable legal framework for U.S. investors, open and fair government procurement, and strong protections for labour and environment. Among the specific **benefits for Morocco** in this agreement, may mainly be underlined: the potentially increased access to U.S. market for textiles and apparel, the increased access for all industrial products with tariffs falling to 0 immediately for 99% of tariff lines, the possible increased exports of artisan and fish products and increased agricultural product access for products such as tangerines, dried tomatoes, spices, olives, and organic products. While **the American side mainly benefits as follows**: Duty free trade (both ways) in 95% of consumer and industrial products immediately and the rest within 9 years, Tariff-rate quotas for poultry, beef, and wheat, New

access for services, Strong IPR and investor protection along with assured protection for labour and environment.

6. The E.U.-Morocco Free Trade Agreement: An Association Agreement between Morocco and the EU was signed 26 February 1996 and went into effect on 1 March 2000. This agreement established the guidelines for free trade in manufactured and industrial goods, as well as progressive and reciprocal liberalization for agricultural products between the partners. In December 2003 the tariffs for agriculture were reviewed in accordance with the Association Agreement, and for many products this led to an increase in trade liberalization. The amended protocols went into force on 1 January 2004. The stipulations of the agreement offer a legal framework both for political dialogue and for an organized circulation of goods (industrial, agricultural, fishing products as well as services). The EU is by far the largest market for Moroccan exports, receiving 75.6% in 2003. This was comprised mostly of apparel and machinery, but agricultural products made up 12.8% of the value of total EU imports from Morocco. The EU also comprises 73.7% of the total Moroccan import market, and 6.2% of this figure is agricultural imports. Following the ratification of the « Association Agreement » by the Parliaments of the EU Member States, the European Parliament and the Moroccan Parliament, and its entry into force on 1 March, 2000, it replaced the 1976 Co-operation Agreement. The preamble of the new document emphasises the importance of the principles of the United Nations Charter, in particular the observance of human rights, democratic principles and economic freedom; the need to strengthen political stability and economic development of the region by encouraging regional co-operation; the need to open a regular political dialogue in bilateral and international contexts on issues of common interest; and the need to maintain a dialogue on scientific, technological, cultural, audio-visual and social matters to the benefit of both parties. The respect for human rights and democratic principles guides the internal and international policy of both Morocco and the Community and constitutes an essential and positive element of the Agreement. The main text refers to regular political dialogue at ministerial and senior official levels, and at parliamentary level through contacts between the European Parliament and the Moroccan Parliamentary institutions. Emphasis is placed on peace, security, and regional co-operation and on the need to contribute to the stability and prosperity of the Mediterranean region, to promote understanding and tolerance. Furthermore, the agreement includes provisions on freedom of establishment and the liberalisation of services, free movement of capital and competition rules, the strengthening of economic co-operation on the widest possible basis and the co-operation on social matters, supplemented by cultural co-operation. The Agreement confirms the existence of free trade in manufactured goods and it reinforces the arrangements for

free trade in industrial products, which have been in force since the late 1970s. Arrangements for importing Moroccan products are more flexible in the new agreement than they were under the 1976 Co-operation Agreement. There is to be progressive and reciprocal liberalisation of trade for agricultural products. As part of this policy, the Commission received the mandate to **start negotiations on an EC readmission agreement with Morocco** in September 2000. After informal preparatory meetings, on 24 February 2003, at the meeting of the EU-Morocco Association Council in Brussels, Morocco officially agreed to launch formal negotiations on the basis of a revised draft text, which takes into account the outcome of informal discussions. Negotiations are pending. Senior officials from Morocco and the EU meet at regular intervals, to discuss political and economic issues as well as bilateral or regional co-operation. During the third Association Council (2003), the European Union and Morocco decided to intensify bilateral co-operation in the framework of the Association Agreement by establishing six strategic sub-committees in the following areas: the internal market; industry, trade and services; transport, environment and energy; research and innovation; agriculture and fisheries; and justice and security. During 2004 and 2005, meetings of all these sub-committees were held.

c. The Progressive FTA between Morocco and the European Free Trade Association (EFTA) [Iceland, Liechtenstein, Norway and Switzerland]: It was signed in Geneva on June 19, 1997 and entered into force on December 1st, 1999. It defines the progressive instauration of a free trade zone, implying the lifting of customs duties and tariffs barriers. It covers trade in industrial products as well as in processed agricultural products and fish and other marine products. The agreement is asymmetric in favour of Morocco: while the EFTA States have eliminated all duties and other restrictions for products upon entry into force, Morocco will abolish its duties gradually, over a transition period of 12 years. The transitional period for customs dismantling will end on March 1st, 2012. In addition, bilateral agricultural agreements between the individual EFTA countries and Morocco have been concluded which form part of the instruments creating the free trade area. Among the objectives of the Agreement is the progressive liberalisation of trade in goods in conformity with Article XXIV of the GATT. As of March 1st, 2012 virtually all customs duties on trade in industrial goods and fish and other marine products will be eliminated. The Agreement includes provisions relating to the elimination of customs duties and other trade barriers as well as other trade-related disciplines such as rules of competition, protection of intellectual property, public procurement, state monopolies, state aid, arbitration, and payments and transfers. However, special provisions on structural adjustment allow Morocco to introduce, if necessary, temporary measures to protect infant industries and sectors undergoing restructuring

or facing difficulties, particularly when these difficulties produce important social problems. Institutional provisions establish a Joint Committee, which supervises the Agreement.

d. The Turkey-Morocco Free Trade Agreement: It was signed in Ankara on April 7, 2004 to boost bilateral trade and economic relations between the two countries. The two sides have agreed on a 10-year transition period to set up a zone of a free trade industrial zone; While Turkey offers new opportunities for Morocco to reach European markets, Morocco provides a springboard for Turkey to conquer the North African and American markets. The Morocco-Turkey FTA also opens large horizons for bilateral relations and the invigoration of trade exchanges. The latter were under 246 million US\$ in 2003, well below the hopes and potentialities of the two countries. Following the terms of this agreement, a free trade industrial zone between Morocco and Turkey will be progressively installed over a period of 10 years from the date it comes into force. An asymmetrical treatment in favour of Morocco enables industrial goods of Moroccan origin to benefit from a total exoneration right away, while import duty and taxes on similar Turkish products will be progressively dismantled over a period of 10 years. The first two lists include textiles, leather goods, vehicles, tractors, plastics, pharmaceutical products, rubber, medico-surgical furniture, paper and cardboard. Concerning agricultural products, and in view of the sensitivity of this sector, both countries have agreed to carry out an exchange of concessions for a limited number of products. In the services domain, Morocco and Turkey have undertaken to reinforce their cooperation to increase the promotion of investments and to carry out a progressive liberalization of services.

e. The Egypt-Morocco Free Trade Agreement: It was concluded in 1998 and came into effect in 1999. It opts for a positive and negative list approach to trade liberalization and a three-tier scheme to phase out tariff and other import surcharges within 12 years. It also specifies a negative list of products from each country that will remain subject to MFN tariff rates until future negotiations are held. It excludes agricultural products from liberalization as well as trade in services. But, trade exchanges barely tallied US\$180 million in 2005, with a clear advantage for the Egyptians, who export products worth \$159 million against only \$21 million by Morocco. Economic operators on both sides pinned hope on the FTA to considerably raise commercial exchanges, but the upward movement was not as satisfactory as they wished.

f. The Jordan-Morocco Free Trade Agreement: It was signed in Rabat in June 16, 1998. It stipulates for the progressive establishment of a Free Trade Zone between the two countries over a 12 year period, implying the progressive elimination of customs duties and tariff barriers.

g. The Tunisia-Morocco Free Trade Agreement: It entered into effect in 1999, with the declared purpose (article 1) to eliminate all tariff barriers and establish a Free Trade Zone within the pre-fixed deadline of December 31, 2007. Questions still arise though about its effectiveness.

h. The United Arab Emirates-Morocco Free Trade Agreement: It was signed in Agadir (Morocco) on June 25, 2001. It establishes a limited impact Free Trade Area with specifically tailored reciprocal facilities.

i. The Morocco-Tunisia-Egypt-Jordan Free Trade Area: In May 2001, these four Arab countries signed the Agadir Declaration with a commitment to the establishment of a free trade area, open onto other Arab states. In January 2003, they finalized in Amman the draft accord intended to bind the four Arab States. The final version of the agreement was signed in Agadir, on February 25, 2004. It has encountered delays in entering into force (the ratification process not yet concluded by some parties). The agreement initially foresees the establishment of a free trade area between Egypt, Jordan, Morocco and Tunisia by 2005. It also intends to create an integrated market of over 100 million people with a combined domestic product of nearly €150 billion. Its declared goals are as ambitious as the total elimination of customs tariffs, the harmonisation of laws in economic matters, the invigoration of trade exchanges, the promotion of industrial texture, economic activities and employment, the improvement of productivity and living standards, the coordination of sectoral and global economic policies, especially in the fields of foreign trade, agriculture, industry, finance, taxes and customs. A key element of the agreement is the adoption of the Pan-Euromed Protocol of Origin, allowing countries to benefit from diagonal cumulation. Products coming from Morocco, Tunisia or Jordan will be considered as originating in Egypt, provided that the working or processing carried out in Egypt goes beyond the operations considered to be insufficient working or processing, according to the protocol. Once the Agreement is ratified by all parties and the pan-euro-med protocol on RoO is transposed into each one of the bilateral Associations Agreements with the EU, the four members will be able to cumulate between each other.

If interested in further details or willing to receive specific analysis or analytical notes related to some of these trade issues, please contact the "HR Legal Firm" directly at: hr@hassanrahmouni.com