

The Office of the United States Trade Representative

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U.S. and Morocco Conclude Free Trade Agreement

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Morocco Joins Jordan as Second Muslim Nation With U.S. FTA; Another Step Toward Middle East Free Trade

WASHINGTON - The United States and Morocco reached agreement today on a comprehensive and ground-breaking Free Trade Agreement (FTA) designed to strip away barriers and facilitate trade and investment between both countries. U.S. Trade Representative Robert B. Zoellick and Moroccan Minister-delegate of Foreign Affairs and Cooperation Taib Fassi-Fihri made the joint announcement.

The U.S.-Morocco FTA is an integral part of President Bush's strategy to create a Middle East Free Trade Area by 2013. The United States currently has free trade agreements with Israel and Jordan, and launched negotiations with Bahrain early this year.

"This agreement cuts tariffs and opens markets for American workers, farmers, investors and consumers. It's a ground-breaking FTA that not only slashes tariffs, but sets a new high standard for the protection of intellectual property rights, opens markets for services, ensures government transparency and provides effective labor and environmental enforcement," said Zoellick.

"Morocco is a good friend of the United States, and this FTA sends a powerful signal that the United States is firmly committed to supporting tolerant, open and more prosperous Muslim societies. I hope other nations in the Middle East and North Africa will closely study the terms of this agreement, and will view it as a model to advance their economic relationships with the United States.

"Our agreement with Morocco is not just a single announcement, but a vital step in creating a mosaic of U.S. free trade agreements across the Middle East and North Africa. Morocco will become part of an expanding network of U.S. free trade relationships. In addition to our six current FTA partners, Morocco joins Australia, and five Central American countries as nations with which we have completed negotiations in recent months. Our new and pending FTA partners, taken together, would constitute America's third largest export market and the sixth largest economy in the world," said Zoellick. He added that it was especially fitting to conclude an FTA with Morocco, the first country in the world to recognize the newly sovereign United States in 1777, and a strong ally of the U.S. in the war against terror. The Treaty of Peace and Friendship between the U.S. and Morocco, negotiated in 1787, is the longest unbroken treaty relationship in U.S. history. American workers, consumers, investors and farmers will enjoy preferential access to Morocco's \$11 billion import market, lying at the crossroads of North Africa, Europe and the Middle East. The Moroccan government has launched a comprehensive economic reform program that is aimed at reducing inflation, developing the tourism sector, eliminating barriers to investment, and liberalizing key services sectors such as telecommunications. The free trade agreement with the United States, with its emphasis on transparency and the rule of law will enhance and solidify those reforms.

"I want to thank my Moroccan counterpart, Minister Taib Fassi-Fihri, for his leadership and commitment to open markets. I also want to thank the U.S. lead negotiator, Catherine Novelli, our agriculture negotiator, Ambassador Allen Johnson, Under Secretary of State and former U.S. ambassador to Morocco, Margaret Tutwiler, and the entire hardworking negotiating teams of both

countries for their dedication and success," said Zoellick.

Under the Trade Act of 2002, the Administration must notify Congress at least 90 days before signing the agreement. The Administration will continue to consult with the Congress on the agreement and will soon send a formal notification of its intent to sign the U.S.-Morocco FTA to Capitol Hill.

Background:

Morocco is an emerging market at the crossroads of Europe, Africa, and the Middle East that imports \$11 billion worth of goods each year. The United States currently exports an average \$475 million worth of products to Morocco each year. Leading exports include aircraft, corn, and machinery. Recently, exports of fabrics and pharmaceuticals have increased significantly. Currently, U.S. products entering Morocco face an average tariff of over 20 percent, while Moroccan products are subject to an average tariff of 4 percent as they enter the United States.

The President announced his intention to negotiate an FTA with Morocco in April, 2002, during a meeting with King Mohammed VI at the White House. A formal notice to Congress was sent on October 1, 2002, following passage of Trade Promotion Authority. After a 90-day period for consultations between the Administration and the Congress, the United States and Morocco launched bilateral negotiations in Washington on January 21, 2003. A total of eight negotiating rounds were held, with teams of negotiators and specialists meeting in Washington, Rabat, Geneva, and via digital videoconference.

In May 2003, the President announced his initiative to create a Middle East Free Trade Area by 2013. The initiative is designed to deepen U.S. trade relationships with all countries of the region, through steps tailored to individual countries' level of development. For some countries such as Saudi Arabia, Lebanon, Algeria and Yemen the initiative involves working with them to join the World Trade Organization. To help move along the path of reform through stronger bilateral ties, the United States will sign Trade and Investment Framework Agreements (TIFAs), as it recently did with Kuwait and Yemen, and as it already has in place with Saudi Arabia, Egypt and Tunisia. The United States hopes to sign a TIFA with Qatar. And for nations ready to do so, the United States will negotiate comprehensive free trade agreements, such as the one announced today with Morocco and another under negotiation with Bahrain.

The United States is also negotiating free trade agreements with the Southern African Customs Union (South Africa, Botswana, Namibia, Lesotho and Swaziland) and is working to integrate the Dominican Republic into a recent FTA with Central American nations. The Administration has announced its intention to begin FTA negotiations with Thailand, Colombia, Peru, Ecuador, Bolivia, and Panama.

Some of the key provisions of the FTA are:

New Opportunities for U.S. Workers and Manufacturers: More than 95% of bilateral trade in consumer and industrial products becomes tariff-free immediately, with all remaining tariffs eliminated within nine years. Key U.S. export sectors benefit, such as information technology products, construction equipment, machinery, chemicals, and many more. This is the best market access package negotiated yet with a developing country in a U.S. bilateral free trade agreement. *Expanded markets for U.S. Farmers and Ranchers:* The agreement covers all agricultural products and will open Morocco's market to U.S. farm products. U.S. poultry, beef and wheat will benefit from greater access under tariff-rate quotas, giving U.S. farmers and ranchers a new tool to compete against Canada and the EU in Morocco's market. Tariffs on corn, sorghum, and soybeans will be cut significantly or eliminated immediately, allowing U.S. exporters to respond to

Morocco's growing need for feed ingredients. And processed foods, nuts, and horticultural products will gain significant new market access.

Access to Services: The agreement offers new access for U.S. banks, insurance companies, telecommunications companies, audiovisual services, computer and related services, express delivery companies, distribution services and construction and engineering services.

A Trade Agreement for the Digital Age: State-of-the-art protections and non-discriminatory treatment are provided for digital products such as U.S. software, music, text, and videos. Protections for U.S. patents, trademarks, copyrights, and trade secrets follow the high standards of U.S. bilateral free trade agreements. *Strong Protections for U.S. Investors:* The Agreement establishes a secure, predictable legal framework for U.S. investors in Morocco.

Open and Fair Government Procurement: The agreement provides for ground-breaking anticorruption measures in government contracting. U.S. firms are guaranteed a fair and transparent process to sell goods and services to a wide range of Moroccan government entities.

Strong Protections for Labor and Environment: Both parties commit to effectively enforce their domestic labor and environmental laws, and the agreement includes a cooperative mechanism in both labor and environmental areas. Already, for example, the U.S. Environmental Protection Agency and the U.S. Agency for International Development have developed a new environmental project in Morocco focusing on that country's capacity to develop its environmental laws, institutions, and enforcement. A cooperative mechanism on labor will promote respect for the principles embodied in the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and compliance with ILO Convention 182 on the Worst Forms of Child Labor.

A fact sheet on the agreement is available at www.ustr.gov

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