# OVERLAPPING TRADE AGREEMENTS: STATUS AND CHALLENGES FOR MOROCCO

**Research Report Series: No. 0427**

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# Introduction

Signing multiple trade agreements has become the rule for most countries, and Morocco is no exception to that rule. The Kingdom is therefore now involved in a complex network of trade agreements that range from multilateral organizations to regional treaties and bilateral trade concessions. This addition of overlapping agreements not only liberalizes Morocco's trade policy, but also makes it more complex, and, in turn, makes its effects more complex to assess. In fact, some may wonder whether Morocco's many commitments may not be a source of unintended trade distortions.

This question is presently gaining increased momentum because Morocco is in the process of simultaneously applying what may appear to be its two most important steps toward regional trade integration. With its Northern partners, the Kingdom has signed the Euromed Agreement, which provides for a gradual liberalisation of its trade relations with the European Union. With its Arab partners, Morocco is implementing the Greater Arab Free Trade Area, which aims at creating a free trade zone with fourteen members of the Arab League.

Morocco's simultaneous participation in two processes of trade liberalisation constitutes a shock of considerable importance to its economy. The question that naturally follows is to determine the effects of that shock. One may in particular be interested in knowing whether the effects of the two processes of trade liberalisation in which Morocco is involved are additive. In other words, one may wonder whether it is equivalent to taking part in two processes of trade liberalisation subsequently or at the same time. The answer to that question hinges on the debate on the consequences of what is now referred to as "spaghetti regionalism".

The present report aims at assessing the implementation of Morocco's Regional Trade Agreements and the implications of their overlapping. It is divided into three parts. The first one provides a comprehensive description of the country's commitments and the status of their implementation. In the second part, we examine the potential conflict between Morocco's various trade agreements. The third part focuses on the possible effects of the two main agreements (i.e. the Euromed process and of the Greater Arab Free Trade Area) in which Morocco participates. It first reviews the possible effects of multiple regional trade agreements. Then, it provides an assessment of the possible effects of the two main agreements. Whenever possible, it provides quantitative estimates of the effects of those agreements on the Moroccan economy.

# Part 1: Description of Morocco's trade commitments

# 1. Introduction

In this section, we list and describe the trade agreements in which Morocco partakes. The presentation of each agreement follows the same outline. Namely, the date of entry into the agreement and the set of partner countries are recalled in a first subsection. The aim of the agreement is then sketched in a second subsection. The following subsection describes the scope of the agreement. Here we mean to describe the list of goods and services that come under the scope of the agreement. The fourth subsection is devoted to the rules of origin that Morocco applies in that agreement. Rules of origin are understood here according to Article 1 of the Agreement on Rules of Origin, which defines them "as those laws, regulations and administrative determinations of general application applied by any Member to determine the country of origin of goods provided that such rules of origin are not related to contractual or autonomous trade regimes leading to the granting of tariff preferences going beyond the application of Paragraph 1 of Article 1 of GATT 1994."

Each section subsequently ends with a description of the state of implementation of the relevant agreement by Morocco. In particular, we describe the schedule of future reforms and, whenever necessary, we point out the discrepancies between Moroccan law and Morocco's obligations.

# 2. World Trade Organisation

## 2.1. Date of entry into force and membership

Morocco has been a member of the WTO, together with 149 other member countries, as of the 13$^{th}$ of October 2004. It has been a member of the WTO since its origin, on the 1$^{st}$ of January 1995 and had been member of the GATT since 1987.

Morocco is not party to any of the plurilateral agreements concluded under WTO auspices. Plurilateral agreements refer to the four agreements, originally negotiated in the Tokyo Round, which had a narrower group of signatories after the Uruguay Round. Plurilaterals are therefore agreements between subsets of WTO members. By contrast, all other Tokyo Round agreements became multilateral obligations when the World Trade Organization was established in 1995.

The four plurilaterals were agreements on "trade in civil aircraft", "government procurement", "dairy products" and "bovine meat". The last two were terminated in 1997. The plurilaterals on "trade in civil aircraft" and "government procurement" are still in force to date, and have been signed so far by 30 and 28 countries respectively.

The plurilateral devoted to "trade in civil aircraft" came into force on the 1ˢᵗ of January 1980. It abolishes import duties on civil aircrafts, flight simulators, and their components, and regulates government procurement of those products. The plurilateral on "government procurement" came into force on the 1ˢᵗ of January 1996 and replaces a previous agreement that dated from 1981. It aims at increasing foreign suppliers' access to public procurement through greater transparency, and at protecting them against discrimination.

Morocco has been involved in no trade disputes so far within the WTO, neither as a complainant nor as a respondent.

## 2.2. Object

Member countries commit to two main obligations with respect to foreign trade. Those obligations are referred to as the "most-favored-nation" clause (henceforth MFN clause) and the "national treatment" clause.

Put simply, the MFN principle implies that, under the WTO agreements, member countries cannot discriminate between their trading partners. More precisely, the MFN clause implies that any advantage granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in, or destined for, the territories of all other contracting parties. Therefore, any concession, such as a lower duty on the imports of some product, granted to one partner should be automatically granted to all other WTO members. Morocco accords equal advantages to all its trade partners.

All member countries must complement the MFN clause by the "national treatment" principle. This principle is found in the three main WTO agreements (Article 3 of GATT, Article 17 of GATS, and Article 3 of TRIPS). According to this second principle, imported and locally-produced goods should be treated equally, once the foreign goods have entered the market.

The MFN principle is defined in the first article of the GATT. It also appears in the second article of the General Agreement on Trade in Services (GATS), and the fourth article of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), with slight differences. It is therefore a cornerstone of WTO.

The MFN principle, however, also suffers exceptions. In particular, regional trade agreements and special access to developing countries are allowed. Moreover in services, countries are allowed to discriminate, in limited circumstances.

Regional trading arrangements are allowed as a special exception by GATT's Article 24. They must however meet specific criteria aiming at preventing those agreements from hurting other member countries. To this end, countries may only liberalise trade among themselves provided they do not raise barriers to trade with third parties. Moreover, the contracting countries

should aim at reducing barriers among themselves on all sectors of trade.

The WTO agreements also grant developing and least-developed countries "special and differential treatment". Those special provisions of the agreement first take the form of exceptions to the MFN principle. Accordingly, a member country may grant developing partners some advantage without having to grant it to other countries. Moreover, negotiations between developed and developing countries may result in non-reciprocity of trade concessions (GATT's Part four). Developing countries are therefore not bound to grant trade concessions that correspond to those offered by their developed partners. Other special concessions are made to developing countries in the GATT, such as additional time to meet their commitments.

## 2.3. Scope

The scope of the WTO is defined in "The Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations", signed by Ministers in Marrakech on the 15th of April 1994. Broadly speaking, the scope of the organization is delineated by three main agreements, the GATT 1994 (General Agreement on Tariff and Trade), which deals with trade in goods, the GATS (General Agreement on Trade in Services), devoted to trade in services, and the Agreement on TRIPS (Trade-Related aspects of Intellectual Property rights), which deals with intellectual property rights that may impinge on trade.

True to its name, the General Agreement on Tariff and Trade's scope is universal. However a distinction is drawn between agricultural goods and other goods. For the latter, quotas are forbidden, whereas both tariffs and quotas are allowed for the former. Accordingly, the schedules of commitments made by individual member countries to complement the GATT consist of ceilings on customs tariff rates for non-agricultural products. After the Uruguay Round, 73% of developing countries' tariff lines were bound.

For agricultural goods, those schedules consist of binding commitments on tariffs and quotas. However, the Marrakech Agreement initiated a process known as "tariffication" aiming at converting most trade restrictions into equivalent tariffs over the 1995-2000 period.

Besides, non-tariff barriers are not directly addressed in the GATT, although specific agreements tend to regulate some of them. In particular, specific agreements are devoted to regulating import licensing, customs valuation procedures, preshipment inspections, rules of origin, and trade-related investment measures (TRIMS), with the view of preventing them from being used for protection purposes.

Like the GATT for goods, the coverage of the GATS in terms of service sectors is universal. Apart from government services and air traffic, which are both expressly excluded from the agreement's coverage, all services are covered by the GATS.

However, the liberalization commitments follow a positive list approach. Namely, the binding commitments that complement the GATS determine the conditions of market access and national treatment for foreign service-providers for specific sectors and modes of supply. They feature lists of types of services on which individual countries declare not to be applying the MFN principle and that will have to be liberalized.

The present actual coverage of the GATS is therefore still limited. A new round was however launched in 2000 to increase its scope.

The coverage of the TRIPS agreement is intellectual property in the fields of copyright and related rights, trademarks including service marks, geographical indications including appellations of origin, industrial designs, patents including the protection of new varieties of plants, the layout-designs of integrated circuits, and undisclosed information including trade secrets and test data.

The TRIPS agreement came into force on the 1$^{st}$ of January 1995. However, member countries were given a transition period to comply with their obligations. The length of that transition period ranged from one year for developed countries to eleven years for least-developed countries. For other developing countries and countries in transition the transition period ended on the 1$^{st}$ of January 2000.

However, from the entry into force of the TRIPS agreement onward, the "non-backsliding" clause in Article 65.5, and the "mail-box" provision in Article 70.8 were to be respected by all member countries. These rules aimed at ensuring that the transition period could not result in a lower protection of intellectual property. The "non-backsliding" clause therefore prevents a country from taking advantage of the transition period to move its regulation away from its obligations as defined by the agreement.

The "mail-box" clause obliges member countries to provide a way to fill patent applications for pharmaceutical and agricultural chemical products during the transitional period, even though such patents do not exist yet in their domestic legal system. Those applications are to be subsequently examined when the country meets its commitment to provide a system of patents. If the application ends up successful, the product's patent protection will be granted for the remainder of the patent term, counted from the date of filing the application.

## 2.4. Rules of origin

Although the WTO does not determine specific rules of origin to be applied by its members, it provides for a process of harmonisation of those rules. In the context of the WTO, which is meant to be universal, the existence of such rules may appear surprising. In fact, those rules serve three purposes in the WTO legal framework.

First, all countries of the world are not members of the organisation. Rules of origin

therefore allow determining which imports are covered by the MFN clause. Second, some countries, and mainly developing ones, are granted preferential treatment under the WTO. One must therefore be able to determine which products can be considered as originating in a developing country. Finally, as regional trade agreements are a specifically allowed exception to the general MFN rule, participating countries must be able to distinguish the goods that originate from the trade area.

### 2.4.1. The absence of a definition of rules of origin in the WTO

Like GATT did, WTO so far imposes no specific rules governing the determination of the country of origin of goods traded internationally. This means that each member of the organisation is free to determine its own rules of origin, and may even maintain several different such rules depending on the purpose of the particular regulation.

More precisely, the choice of a rule of origin is left with the importer of the traded good in accordance with its law. This is in particular crucial in determining whether the most-favored nation clause should be applied.

The most specific provision of the agreement is of an administrative nature. Thus, the Interpretative Note 2 to Article VIII: I (c) of the General Agreement specifies that certificates of origin should only be required "to the extent that is strictly indispensable". The aim of this provision of the agreement was to minimise the incidence and complexity of import and export formalities as well as for documentation requirements.

Although the agreement does not specify any rule of origin, it was agreed by all countries that harmonisation of rules of origin would ease international trade. The definition of rules of origin applicable to all countries, and independent from the purpose for which they were applied, was seen as desirable from the onset. An additional rationale for the harmonization of rules of origin was the concern that they may be used as a device to support a trade policy instrument.

Due to the diversity of rules of origin, such harmonization is bound to be a difficult exercise. Although the GATT Secretariat prepared a note on rules of origin as early as 1981, and Ministers agreed to study the rules of origin used by GATT in November 1982, the first tangible step toward the coordination of those rules was not taken before the Uruguay Round negotiations.

For the time being, no definitive harmonisation has been reached. However, the application of rules of origin has been governed by the "Agreement on Rules of Origin" signed in 1994 under the auspices of the GATT and which is still in force today.

### 2.4.2. A process of harmonisation

The long-term aim of the agreement is the application of harmonised rules of origin among all WTO members, except in some kinds of preferential trade. For instance, **countries**

**setting up a free trade area are allowed to use different rules of origin for products traded under their free trade agreement**. However, the agreement should help to avoid that rules of origin create their own distortions and impediments to trade.

The agreement established a harmonization work programme under the conduct of a Committee on Rules of Origin (CRO) in the WTO and a Technical Committee under the auspices of the World Customs Organization in Brussels. The outcome will be a single set of rules of origin to be applied under non-preferential trading conditions by all WTO members in all circumstances. The agreement set up a harmonization programme, to be initiated as soon as possible after the completion of the Uruguay Round and to be completed within three years of initiation. The programme was therefore initially due to end in July 1998. However, several deadlines have been missed.

The last rescheduling to date was decided by the General Council, at its meetings on the 27th of July and the 1st of August 2004. It extended the deadline for completion of the 94 core policy issues to July 2005. The General Council also resolved that after the resolution of these core policy issues, the CRO would complete its remaining technical work by the 31st of December 2005.

In the mean time, the rules of origin of member countries should respect Part II of the agreement, which determines the obligations of member countries during the transition period. Rather than the definition of specific criteria, that part of the agreement lists a set of four general principles by which member countries should abide in the application of their rules of origin during the transition period. Namely:

- Rules of origin should be transparent;
- Rules of origin should not have restricting, distorting or disruptive effects on international trade;
- Rules of origin should be administered in a consistent, uniform, impartial, and reasonable manner;
- Rules of origin should be based on a positive standard (in other words, they should state what does confer origin rather than what does not).

It is noteworthy that some developments that served to raise interest in rules of origin in the late 1980s are directly relevant to the purpose of the present report. Thus, an increased use of preferential trading arrangements, including regional arrangements, with their various rules of origin was making the recourse to rules of origin more complex. Moreover, an increased use of anti-dumping laws, led to claims of circumvention of anti-dumping duties through the use of third country facilities.

## 2.5. Present implementation and comments

The objective of complying with the commitments it contracted under WTO led Morocco to greatly reform its institutional framework and its trade policy, be it at the national level or at the level of sectoral legislations. In this section, we therefore treat the main trade laws and more specifically, sectoral policies, separately.

### 2.5.1. Main trade legislations

The general trend of Morocco's trade policy is one of liberalization according to its WTO commitments. Morocco has therefore kept on reducing its external tariffs. Yet, the observed level of tariffs remains high and even seems to have increased over the late 90's. This is because, although ten tariff lines are subject to a zero rate, imports of certain types of cattle and their meat are subject to a 339 percent rate[1]. Moreover the average of MFN customs duties rose from 23.5 percent in 1995 to 33.4 percent in 2002 (WTO, 2003). However, this tendency is largely the result of several recent reforms of the Kingdom's trade policy that aim at abiding by its WTO commitments. The first such reform is the process of tariffication of quantitative restrictions. This process, which was completed in 1996, consisted of replacing the now forbidden quantitative restrictions on trade by equivalent tariff barriers. It sometimes resulted in sizeable tariff rates.

Secondly, Morocco disaggregated its tariff lines from eight to ten digits. As the average tariff rate is computed as a simple arithmetic average of tariff lines, this modification contributed to the apparent rise in the average tariff.

Finally, apparent tariffs were also raised by the inclusion of the fiscal levy on imports (PFI) into customs tariffs in 2000. This modification in the definition of customs tariffs was implemented for the sake of simplifying import duties. However, it resulted in a de jure rise in tariffs even though the de facto taxation of imports was kept constant or lowered.

As a consequence, and despite Morocco's efforts to liberalize its external trade, more than one third of its tariff lines, that is 5,887 out of 16,676 were subject to tariffs that exceeded the bound rates in 2003. However, had the fiscal import levy not been included in import duties, the number of lines subject to rates in excess of the bound rate would have amounted to 353.

In addition to tariff rates that exceed bound rates, forty tariff lines are subject to variable tariff lines, which are nonetheless forbidden by WTO.

Moreover, Morocco does not apply the tariff quotas to which it committed. Namely, countries' schedules of commitment included tariff quotas for imports that were already protected by a tariff. Those tariff quotas should not be confounded with quotas. A quota

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[1] The breakdown of MFN duties applied in 2002 is reported in Appendix 2.

restricts imports to a given quantity. Tariff rate quotas do not limit trade. On the contrary, they provide for imports at a favorable tariff up to a given quantity. Beyond these limits imports are unlimited. They are simply subject to higher tariffs. TRQs should be managed on a fully transparent basis and are handled either on a "first come first served" basis or on the basis of licenses or historic imports. Morocco committed to granting a reduced rate to a certain quantity of imports, on a MFN basis, and introduced tariff rate quotas on certain agricultural products for which imports were less than 5 percent of domestic consumption. The TRQs were established for meat, oilseed meals and fresh milk, but were not filled for some years due mainly to lack of market demand. The administration of TRQs is automatic as it is based on the first-come first-served method.

It appears that Morocco's commitments are not respected insofar as all such products are subject to out-of-quota rates.

In the Moroccan legal system international legal norms prevail over domestic laws. Accordingly, international treaties and agreements that are in contradiction with constitutional rules require constitutional amendments before ratification.

This is why Morocco revised some of its trade-related laws in order to comply with its WTO commitments. The following laws were accordingly revised or enacted:

- Law No.13-89 on Foreign Trade was amended by Law No.3-96 (enacted on the 12th of February 1997). It established the protection of agricultural commodities through tariff equivalents and the possibility of imposing safeguard measures to alleviate threats to the domestic production imposed by imported competitive goods to meet the terms of the Agreement on Agriculture and the Agreement on Safeguards.

- Dahir No.1-96-83 of the 1st of August 1996 enacts Law No.15-95 containing the Commercial Code. It defines the status of trader and the associated obligations. It also provides for the declaration relating to entries in the commercial register, and disposes that they must specify the patents and trademarks owned by the trader.

- Law No. 06-99 on Pricing Freedom and Competition, which came into effect on 6 July 2001 and was implemented by Decree No.2-00-854 of the 17th of September 2001, replaces Law No.008-71, and was made possible by the 1996 revision of the constitution that established the freedom to do business. It is designed to guarantee the protection of consumers and a fair competition in economic relationships.

- The Customs and Indirect Taxation Code has undergone several modifications. That Code, together with its implementing texts, regulates the competence of the Customs and Taxation Authority regarding imports and exports. It has for instance incorporated the provisions of the WTO Customs Valuation Agreement. It was further modified and complemented by Law No.02-99, enacted by Dahir No.1-00-222 of the 5th of June.

Finally, it must also be mentioned that regulations have been adopted with the view of tackling corruption. For instance, cumulation of public positions has been forbidden. Furthermore, contacts between exporters and importers and customs officers have been limited thanks the simplification and the automation of declaration procedures.

### 2.5.2. Main legislations dealing with intellectual property rights

Morocco is a member of the World Intellectual Property Organization (WIPO). It has also ratified various international conventions. More recently, Morocco amended its intellectual property legislation by adopting three new laws on **Copyright and Neighboring Rights** (Law No. 2-00)[2] **New Plant Varieties** (Law No. 9-94); and the **Protection of Industrial Property**[3].

The Moroccan Industrial and Commercial Property Office (OMPIC), which was created in 2000 is in charge of enforcing industrial and commercial property legislation[4] The Moroccan Copyright Office (BMDA) is in charge of implementing copyright and neighboring rights. The Ministry of Agriculture and Rural Development is in charge of protecting new plant varieties.

Because the draft decree implementing the "Law No. 17-97" has not yet been adopted, industrial property rights are still regulated by the "Dahir of the 23rd of June 1916", which provides exclusive rights for 20 years for patents, 20 years for trademarks (renewable indefinitely), and 25 years for industrial designs (renewable once). It offers national treatment to foreign suppliers.

The Law No. 17-97, which is not yet in force, provides a term of protection of 20 years for patents. Registration confers the ownership of a trademark (or service mark) for a term of ten years, renewable indefinitely. The holder of a trademark may lose his rights if he does not make a "proper" use of the mark for a continuous period of five years. The term of protection for a layout-design of an integrated circuit is ten years; the term for industrial designs is five years, renewable twice. The law No. 17-97 prohibits the use of false or misleading indications of a product or service origin, identity of the producer, manufacturer or seller, and also punishes for use of false or misleading appellation of origin or its imitation. Any infringement of the industrial property legislation is subject to sanctions ranging from civil charges to penal sanctions. Customs officers may seize counterfeit goods but only on the basis of a judicial order requested by the right holder. Various violations of both industrial and intellectual property rights have been recorded in Morocco. These are mostly counterfeiting, piracy of musical and audiovisual tapes, industrial designs, and abuse

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[2] This Law has been in force since the 18th of November 2000.;

[3] Dahir No.1-00-91 of the 15th of February 2000 enacting Law No.17-97 on the protection of industrial property (3 January 2000). A draft implementing decree has been finalized.

[4] Dahir No.1-00-71 of the 15th of February 2000 enacting Law No.13-99 creating the Moroccan Industrial and Commercial Property Office, and Decree No.2-99-71 of the 9th of March 2000 on its implementation.

of trademarks. The extent to which the legal framework on property rights is effectively enforced is an issue in itself that goes beyond the scope of this report.

The import and marketing of medicine require prior authorization from the *National Drug Control Laboratory*. Manufacturers must respect Good Manufacturing Practices (BPF) as ordered in the circular No. 36 on BFP release in July 1995 by the Minister of Health.

The Moroccan legislation provides for a "research" or "experimental use" exception to allow researchers to use the patented invention for research. (Article 55. b, Law No 17-97)

*Compulsory licenses* can be granted by the government in order for a third party to produce a patented product or to use a patented process without consent of the patent holder. In the Moroccan law, Compulsory licenses may be requested three years after the issue of a patent, or four years after an application has been filed if the owner has not started to exploit his invention, or market its output, or has not worked or marketed the patent in Morocco for over three years.

*Ex officio licenses* to work patents linked to the manufacture of medicine may be issued at the request of the public health authority, when necessary. This applies when the public health interest so requires, for example, when supplies of medicine on the Moroccan market are insufficient or when the quality of medicine is inadequate or prices are excessively high.

Parallel imports, defined as importation of a patented or trademarked product from a country where it is marketed either by the right holder or with his consent, are not allowed in Morocco.

As regards the application of the TRIPS agreement as such, Morocco, like other developing countries, benefited from the Article 65.2 and did not have to implement most of the TRIPS agreements until the 1ˢᵗ of January 2000. That transition period allowed the Moroccan government to update and review its legislation in order to become consistent with TRIPS agreements.

This legal framework in force in Morocco does not include pharmaceutical products for protection. It allows the Moroccan pharmaceutical industry to manufacture medicine by using "reverse engineering procedure"[5]

On the basis of Provision 65.4 of the TRIPS Agreement, Morocco delayed patent protection for pharmaceutical products until January 2005[6]. However, Morocco had to comply with (Article 70.8 a) generally called *"mailbox provision"*. Inventors are allowed to file patent application from the 1ˢᵗ of January 1995, although the decision to grant them a patent or not need not be taken before expiration of the transition period. If the relevant

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[5] On the basis of information on the chemical formula, local firms design a new manufacturing process.

[6] Under this provision, developing countries that did not provide product patent protection in a particular area of technology when the TRIPS agreement came into force (January 1995) have up to 10 years to introduce this protection.

pharmaceutical product is allowed to be marketed during the transition period, the patent applicant must be given an exclusive marketing right for the product for five years (Article 70.9), or until a decision on the patent is taken, whichever is shorter

### 2.5.3. Sectoral policies

In this section, we review Morocco's policy at the level of the sectors of activity. We accordingly review the agriculture and fisheries, mining and energy, manufacturing, and services sectors. We sketch each sector's main characteristics and underline the features of Morocco's economic policy in that sector that may be relevant to the assessment of its policy toward trade.

### Agriculture and fisheries

The agriculture and fisheries sector plays a key role in Moroccan employment. It accounts for 22.9 percent of GDP and its share of the labor force amounts to 50 percent in the country. That share reaches 80 percent in rural areas. It also represents a sizeable source of exports earnings.

The sector's main production is cereals, which are responsible for one third of its added value. Other products include sugar, oil seeds, fruits and vegetables, tobacco, livestock, and fish.

Moroccan agriculture has to cope with several handicaps. Namely, around 90 percent of the cultivated land area is rain fed, which causes production to be uncertain and fluctuating over the years. Moreover, the size of farms is small. To wit 70 percent of farms are smaller than 5 ha. That situation may be the source of observed insufficient capital investments.

Finally, the Moroccan exports in that sector are highly concentrated, both in terms of products and in geographical terms. Thus, exports mainly consist of horticultural products (mainly citrus fruit), fresh and canned vegetables (tomatoes, courgettes, and beans), and flowers, and the European Union absorbs 80 percent of the Kingdom's agricultural exports.

In spite of its relative specialization in agriculture, Morocco is recognized in the WTO as a net food importer (wheat, oils, sugar, milk...).

Overall, Morocco's policy in that sector has seen a trend of liberalization. Namely, almost all prices have now been liberalized and state monopolies dismantled. The remaining exceptions are flour, sugar, and tobacco whose prices remain controlled. Besides, imports of common wheat for the manufacture of domestic flour remains administered by a government body.

In spite of its advantages in terms of cheap labor, proximity with Europe, and a climate that allows for the production of early fruits and vegetables, the agricultural sector remains fragile, because of droughts. Public policy in that sector therefore largely aims at developing irrigation where it is possible.

The objective of Morocco's support to agriculture has been to maintain a certain level of domestic production of basic foodstuffs and enlarge the potential for exports. As more than 40 percent of the population rely on agriculture, the food security issue should prevent the rural poor from migrating to the cities.

The government has, however, progressively reduced its support to the sector since the early 80s (input subsidies eliminated, output prices liberalized). The remaining support is directed to public services to sustain agricultural development.

Previously committed reforms and Structural Adjustment Plans have prevented Morocco from gaining sufficient flexibility in some of its domestic support commitments.

The country bound its total Aggregate Measurement of Support (AMS)[7]. and committed to reducing it by 13 percent over the period 1995-2004. From 1995 to 1997, the AMS was well below committed levels. The AMS consisted mainly of market price support forgone for supporting production and stockholding of cereals, mainly wheat.

Total domestic support to agriculture increased due to higher "subsidies" in the green box and SDT categories (excluded from reduction commitments). They apparently provide sufficient flexibility for supporting different agricultural programs.

Domestic food aid represented the major component of the green box measures (60 to 80 percent of the total support).

Investment subsidies for hydro-agricultural development represented, on average, more than 70 percent of the Special and Differential Treatment (SDT) support. (extension of irrigation is seen as a priority by the government to reduce the drought impact).

In the UR, Morocco did not notify having agricultural export subsidies for the base period, so no commitments in this area. However, the government provides support to reduce transportation and freight costs for exports, as permitted for developing countries under the AoA.

As a contingency measure, a Prior Import Declaration (PID) system was initiated to protect some domestic sectors. Example, following a request by the banana industry, a PID was required in 1995 to avoid dumping in the domestic market. This PID is provisional, and future anti-dumping and countervailing actions will be in conformity with the WTO rules.

As regards imports restrictions, the agricultural sector remains by far the most protected. The average tariff equals 40 percent and the tariff on selected live animals and meat even reaches 339 percent. The process of tariffication of quantitative restrictive measures largely accounts for those high rates.

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[7] The structure of domestic support is reported in Appendix 3

Moreover, agriculture is the only sector where Morocco applies variable tariffs. This is the case for a list of cereals and wheat. To limit the effects of those variable tariffs on poorer consumers, they are complemented by consumer subsidy and the prices of the products to which they apply remain regulated.

On the other hand, although Morocco obtained the right to apply the safeguard special clause on 374 lines of products of agriculture, that clause was only invoked for the imports of fresh bananas.

The rest of Morocco's measures that may be a matter of protection consist of indirect protection of local producers through discriminatory legislations. For instance, the access of foreign investors to the acquisition of land is restricted. Special loans, favorable taxation, and subsidies are granted to local producers. For instance, the transport of fruits and vegetables is subsidized to compensate for transport costs. The fishing industry also remains closely controlled. Namely, deep-sea fishing companies are obliged to unload their catch in Morocco. They must also send their exports revenues back to Morocco.

## Mining and energy sector

Mining accounts for 8 percent of Morocco's GDP and 13% of its exports. The main Moroccan mining activity is the extraction of phosphate, which is sold either crude or transformed into fertilizer. The kingdom is also a producer of oil but its production remains marginal. Morocco is therefore an importer of oil.

As regards the sector's regulation, the production of phosphate is controlled by a state monopoly. Firms from the mining sector are allowed to devote up to fifty percent of their profits to the constitution of a depletion allowance that is free of tax.

Besides, consumption of petroleum products is subsidized.

## Manufacturing sector

The manufacturing sector is responsible for one third of Morocco's GDP. Its main subsectors are textiles, clothing, and the leather industry, which accounts for 17 percent of industrial GDP. The other sizeable subsectors are the transport equipment industry and the pharmaceutical industry. One may notice that poultry farming is considered an industrial activity.

A key feature of the textiles sector is the importance of subcontracting. It therefore benefits from a specific status that grants temporary entry whereby duties on imported intermediary inputs are eventually refunded when the final products are exported. In addition, the textiles sector benefits from a 17 percent cut in the price of electricity. The extension of that status was part of an adjustment strategy designed to absorb the effects of increased competition in the sector.

Additional protection was also granted to the leather component of the textiles industry. Namely, due to the scarcity of hides and skins caused by epidemics, the Moroccan government implemented an export licence for skins and leather. That licence, which even applies to countries with which Morocco has signed a free trade agreement, was partly dismantled for some types of skins in 2002.

On the other hand, tariffs on textiles products should decrease at an annual rate of 10 percent from 2003 until abolition, following the Association Agreement with the European Union.

The automobile sector features an additional specificity of Morocco's trade regime following an agreement between the Moroccan government and Fiat Auto SpA. That agreement exempts the firm from import duties on the CKD series, as well as on some inputs. Fiat also granted a reduction in VAT on the sales of economy vehicles and some inputs. On the flip side, the firm is subject to a local content constraint. The local content ratio was gradually raised to reach 50 percent since 1998.

The last noteworthy trade policy concerns the pharmaceutical industry. The local pharmaceutical industry meets 70 percent of local demand for medicine. However, it relies heavily on imports of active ingredients, and semi-finished products. The ten leading laboratories, among 26 in the industry, account for 75 percent of the market. The pharmaceutical industry in Morocco developed under trade protection and thanks to partnerships created in the sixties between national pharmacists and multinationals. The legal framework, which goes back to 19 February 1960, appears now to be constraining. Two provisions are generally indicated by professionals. The first, is the statutory requirement that imposes on each company to have its own plant, which limits the potential for sectoral concentration in Morocco unlike the global trend in pharmaceutical industry. The second, is the fact that 51 percent of the capital of pharmaceutical firms must belong to pharmacists (natural persons), and 26 percent must be owned by pharmacists authorized to practice in Morocco (either Moroccans or foreigners)[8]. Professionals consider that these provisions limit investment levels in the sector, and prevent firms from benefiting from economies of scale. A draft law liberalizing capital in pharmaceutical firms is in the process of adoption.

Generic medicine appeared on the Moroccan market a decade ago. Currently roughly 30 millions units are sold on the local market, which is the equivalent of 16 percent of total consumption. Hospitals represent the largest buyers of generic medicine in Morocco. In the future, generics are expected to capture a higher share of the domestic market.

The debate on TRIPS in Morocco seems to be focusing on the pharmaceutical industry. Access to medicine is already limited by an insufficient coverage of the health insurance,

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[8] Dahir No. 1-59-367 of the 19th of February 1960 containing the regulations for practising as physicians, pharmacists, dental surgeons, herbalists, or midwives.

especially among the poor. Most financing of private care is made by out-of-pocket money rather than health insurance. The cost of medicine is already considered as expensive even though many of these medicines are not patented.

The debate is very much skewed towards the implications of TRIPS on domestic pharmaceutical industry rather than the implications on consumers. Local organizations of consumers are still weak, and lack both legal means and financial resources to exert any significant impact on the public debate or on the public-policy making process.

The ministry of health's involvement in this issue seems to be limited to the National Drug Control Laboratory, which is more a technical than a policy-oriented department. There is a lack of a clear and coherent national drug policy for the moment.

An intensive debate on potential negative implications on the pharmaceutical industry and the access to drugs emerged when the Moroccan government was negotiating the free trade agreement with the US. However, pressures to close negotiations and sign the agreement brought the debate to a halt.

Some groups of consumers expressed their strong objection to the agreement signed by the Moroccan authorities with the US. They believe that Morocco accepted the conditions imposed by US pharmaceutical companies. These conditions are more constraining than what is allowed under WTO-TRIPS.

## Services sector

Overall services provide 60 percent of Morocco's GDP. The main subsectors of the services sector are trade, tourism, telecommunications, transport, and financial services. Those sectors now come under the jurisdiction of the General Agreement on Trade in Services of the WTO. However, their position with regard to that agreement is mixed.

Namely, except for specific activities, Morocco has not bound the measures that restrict the presence of physical persons. Moreover, the Kingdom reserved the right to maintain specific regulations under the GATS. This is for instance the case in the financial sector, where Morocco is still allowed to limit foreign participation in the capital of large banking institutions. In the tourism sector, Morocco also obtained that foreign travel agencies established abroad have to operate in the country through local agencies. Moreover, only Moroccan nationals may work as tourguides. A similar obligation is imposed on insurers, who are obliged to keep a head office within Moroccan borders.

Morocco also intervenes in the transport and tourism sectors thanks to various tax exemptions and subsidies.

# 3. Greater Arab free trade area

## 3.1. Date of entry into force and membership

On the 19<sup>th</sup> of February 1997, the Arab Economic Union, which had been created in 1957 by the League of Arab States, decided to establish "a Pan-Arab Free Trade Area [AFTA] over ten years as of the 1<sup>st</sup> of January 1998", namely by 2008 (Article 1 of the Executive Programme). That decision was an effort to revive the 1981 Agreement for Facilitation and Promotion of Trade, thanks to the addition of an Executive Programme. Accordingly all the members of the League, with the exception of Algeria, Djibouti, Comoros, and Mauritania, agreed to lower their tariffs from 1998.

Among those member states, some decided to take part in the Greater Arab Free Trade Area (GAFTA). These aim at abolishing duties on manufactured goods by 2005 and to progressively free trade of agricultural products by 2008.

As of the 1<sup>st</sup> of January 1998, the contracting parties were Saudi Arabia, Bahrain, Egypt, United Arab Emirates, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Qatar, Sudan, Oman, Syria, Tunisia, and Yemen.

## 3.2. Object

The program's main aim is a reduction of tariffs on imported products over a ten year period. Although Article 2 of the Agreement creating AFTA mentions concessions to services associated with trade, no tangible step seems to have been taken in that direction.

The agreed upon rate of reduction is 10 percent per year. Tariffs should therefore have been abolished by the end of 2007. Member states moreover agreed to bind their national tariffs at their December 31<sup>st</sup>, 1997 levels. Moreover, tariff-like charges and taxes should be treated as tariffs.

The program also calls for a schedule to suppress non-tariff barriers (Article 3 of the Executive Programme), but those barriers have not yet been subject to negotiation. However, a committee on non-tariff barriers has been set up to determine the goods whose non-tariff barriers should be negotiated.

The agreement provides for the possibility of exceptions to the general reduction of tariffs. Member states are therefore allowed to write a list of industrial products that may benefit from exemptions from tariff reductions during the first years of the program. This provision seeks to allow local industries to restructure and adapt to the competition of other member countries' imports. Article 15 of the agreement moreover specifies that the Council should approve the length of the period of time during which those exemptions may last.

The program allows members to suspend tariff reductions on some agricultural products during harvest seasons, which may not last more than seven months. Member countries are authorized to submit up to ten agricultural items for suspension. The maximum total exemption for all those items is forty-five months. All exemptions should have disappeared by the end of the transition period

Finally, it is explicitly specified in Article 3 of the agreement that the principle agreed upon constitutes "the minimum level of trade cooperation among the party-states". Each party-state is therefore entitled to conclude either bilateral or multilateral agreements with any other Arab state or states. However, Article 7.5 of the Agreement specifies that "**no party-state may grant any preferential advantages to a non-Arab state that exceeds those granted to party-states**".

On the other hand, a special treatment can be granted to the less developed Arab countries as defined by the United Nations' classification, plus Palestine.

## 3.3. Scope

The scope of the process of liberalisation is specified in Article 2.1 of the Executive Programme, which stipulates that "all Arab goods traded among the party-states shall be liberalized in accordance with the gradual liberalization principle".

A few exceptions are however allowed by the Programme. Those exemptions are given in two distinct lists of goods.

First, Article 2.2 of the Programme states that agricultural goods specified by each country may benefit from a temporary protection during their "production season (Farmer's Almanac)". Each member country may determine the list of agricultural goods they wish to include in the Farmer's Almanac, under the supervision of the Economic and Social Council. However, no such list may feature more than ten goods.

As regards Morocco, the list of agricultural products concerned is spelled out in "circulaire n∞ 4899/223 du 26/12/2003".

Second, Article 2.4 of the Programme excludes of the process of trade liberalisation those "products and materials whose import, trading or use in any of the states is banned for religious, health, security, or environmental reasons or because of agricultural and veterinary quarantine rules". Each member country is therefore requested to submit a list of such products.

The relevant list of prohibited goods for Morocco can be found in "circulaire n∞ 4821/223 du 11/10/2002".

The committee on non-tariff barriers has spelled out a list of goods whose imports are banned for religious, health, environment, and national security reasons. That list is to be reviewed every year.

Finally, some Moroccan products exported to Egypt and Syria that can be found on preset lists are also exempt from tariff reduction. Those goods are listed in "circulaire n∞ 4650/223 du 30/08/2000".

Although party states should consult over services, GAFTA does not provide for free trade in services nor right of establishment. However, ongoing negotiations are aimed at drafting an Arab Agreement on Free Trade in Services.

## 3.4. Rules of origin

The criteria determining whether an import is eligible for preferential trade under the GAFTA are twofold. Not only should that import originate from a member country, but it should also it be imported from its country of origin either directly or via other member countries. As Article 17 of the agreement specifies "goods shall be traded among party-states directly and without mediation of a non-Arab party."

To be considered to originate from an Arab country, a product should fulfil the conditions provided for in Article 9. It should accordingly either be entirely produced in a member country, or have undergone a sufficient transformation in a member country.

Sufficient transformation is understood to imply that the value added to a good as a result of its production in a member country is no less than forty percent of its value when finished. For assembly industry, the percentage of value added in a member state is brought down to twenty percent.

That ratio of foreign to domestic content can be computed thanks to two methods, either the local value added approach or the net cost approach. The latter subtracts specified imported expenses from the transaction price to determine the denominator of the ratio.

Moreover, the agreement allows "full cumulation of origin" among the GAFTA members. According to that principle, materials obtained from a member country, and incorporated into a product made in another member country, may be considered as if they were obtained entirely in the second country.

Finally, the program also underlines the necessity to harmonise rules of origin with the Euro-Mediterranean free trade agreements.

It must, however, be stressed that the precise Protocol on detailed rules of origin has not been agreed upon so far.

Duty drawback is prohibited, as non-originating materials used in the manufacture of products originating in the Arab member states shall not be subject to drawback or exemption from customs duties in any of the Arab member countries.

Moreover, the provisions concerning this prohibition of drawback shall not apply during the transitional period for establishing the GAFTA. (Art. 14 of the Protocol on Rules of Origin).

## 3.5. Present iImplementation and comments

GAFTA's legal framework is provided by the Agreement for Facilitation and Promotion of Trade that was signed on the 17th of February 1981, with the adjunction of the Executive Programme. It came into force on the 1st of January 1998.

The schedule consists of a 10% annual reduction in the tariffs applied on the 1st of January 1998. The complete suppression of tariffs on goods exchanged within the area should therefore be reached on the 31st of December 2007.

In addition to duties, the program calls for a reduction of non-tariff barriers. However, these barriers have not been tackled so far. A committee on non-tariff barriers has been set up to start negotiations for their elimination. For the time being, its role has been to determine a list of goods whose imports are prohibited for religious, health, environmental, and national security reasons, that is to be reviewed every year.

# 4. Euro-Mediterranean Partnership

The EU is a crucial partner for Morocco, as its market accounts for more than 80 percent of the Kingdom's agricultural exports (around 90 percent for tomatoes, 80 percent of oranges).

A specificity of trade between the two entities is that, during the implementation period of the Uruguay Round, Morocco's access to the EU fruits and vegetables market is governed by the Entry Price System as well as by the bilateral agreement.

## 4.1. Date of entry into force and membership

The Euro-Mediterranean Partnership, or Barcelona Process encompasses a host of dimensions pertaining to political, economic, and social relations between the Member States of the European Union and their Partners of the Southern Mediterranean. The establishment of a free-trade area, to which the third chapter of the Barcelona Declaration is devoted, is but one of those dimensions.

Moreover, the Barcelona Process is not meant to be applied immediately. On the contrary, it provides the basis for complementary negotiations of bilateral agreements between the EU and each of its partners. In the field of trade, the Barcelona Agreement provides that the EU negotiates Euro-Mediterranean Association Agreements with each of its Mediterranean Partners to replace the 1970s Cooperation Agreements. Broadly speaking, the Euro-Mediterranean Free-Trade Area foresees free trade in manufactured goods, the progressive liberalisation of trade in agricultural products, and eventually the liberalization of trade in services and capital, although the GATS remains the basis for trade in services..

In addition to bilateral trade agreements with Europe, the Mediterranean Partners are committed to implement free trade among themselves, through South-South negotiations. The Agadir initiative, to which the next section is devoted, is the result of such South-South negotiation.

The Euro-Mediterranean Partnership, or Barcelona Process, was launched at the Euro-Mediterranean Conference of Ministers of Foreign Affairs, held in Barcelona on the 27th and 28th of November 1995.

The specific agreement between the EU and Morocco was signed in Brussels on the 26th of February 1996. It came into force on the 1st of March 2000. It provides for the gradual establishment of an industrial free-trade area by 2012 and progressive liberalization of trade in agriculture. It reinforces the arrangements for free trade in industrial products, dating from the late 1970s.

Since the latest EU enlargement, which occurred on the 1st of May 2004, the Euro-Mediterranean Partnership comprises 35 members, that is to say 25 EU Member States and 10 Mediterranean Partners (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia, and Turkey).

With the future enlargements of the EU, the number of countries involved in the partnership may eventually increase to up to forty. Moreover, Libya has observer status since 1999.

## 4.2. Object

The ultimate objective set by the Barcelona Declaration is to create a Euro-Mediterranean Free-Trade Area (EFTA) between the members of the EU and their Mediterranean Partners. As the EU negotiates Euro-Mediterranean Association Agreements with each of its Mediterranean Partners, the provisions of those agreements may differ from one Mediterranean Partner to the other. They however share some broad features.

In particular, as regards trade, the European Union requires all its partners to adopt its competition policy rules, and all agreements provide for the elimination of non-tariff-barriers and antidumping rules. Accordingly, any State subsidy which distorts or threatens to distort competition is incompatible with the Agreement[9]. All agreements also feature the right to implement safeguard mechanisms in case of balance of payments difficulties or increased imports for both parties. However, Mediterranean countries are offered the possibility to take non-reciprocal safeguard measures to protect their infant industries.

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[9] For a period of five years as of the date of entry into force of the Agreement, Morocco is allowed to subsidise the restructuring of the steel industry.

## 4.3. Scope

The agreement's general principle is the abolition of duties and charges of equivalent effect applicable on imports into Morocco of products originating in the EU (Article 11 of the agreement with Morocco) and vice versa (Article 9 of the agreement with Morocco).

As regards services, the agreement simply reaffirms the principles of the GATS (Articles 31.1 and 31.2 of the agreement with Morocco), which is widened to include the right of establishment and the provision of services to customers (Article 32 of the agreement with Morocco).

In principle, all products that appear in Chapters 1 to 97 of the Harmonized system are covered. As for Morocco, this disposition chiefly applies to three types of goods defined in the agreement.

The first class consists of manufactured goods imported from the EU by Morocco.

Regarding those goods, Morocco's dismantling of tariffs distinguishes the products that are exempt from trade restrictions upon the date the Agreement entered into force; products for which tariffs will be phased out over three years as of the entry into force of the Agreement at an annual rate of 25 percent; and products for which tariffs will be phased out at an annual rate of 10 percent over 12 years, with a three-year grace period, at an annual rate of 10 percent. (WTO Report)

The second class is a list of processed agricultural products originating in the EU and imported by Morocco. The industrial component of duties on those products should be dismantled at an annual rate of 25 percent upon entry into force of the Agreement for a first list of products; and at an annual rate of 10 percent for a second list of products, three years after entry into force of the Agreement. (WTO Report).

The third class consists of agricultural imports from the EU, which are subject to preferential tariff quotas. 125 tariff lines are accordingly subject to lower customs duties. Moreover, MFN tariff rates apply to crustaceans and molluscs originating in the EU.

Exceptions however exist. A set of used goods, defined in "circulaire de base n∞4617/222" published on the 15th of February 2000 and updated yearly, is excluded from the list of manufactured goods. Duties defined in the common law are accordingly applied to those goods.

The EU commits to importing products originating in Morocco free of customs duties (Article 9). Article 7 however states that products referred to in Annex 1 to the treaty establishing the European Community (broadly speaking, agricultural products, are exceptions to the general principle. However, an agricultural component may be retained on imports by the EU of products that incorporate agricultural products. (Moroccan customs)

## 4.4. Rules of origin

The criterion determining whether an import is eligible for preferential trade under the agreement is twofold. That import should originate from a partner country but also be imported directly from its country of origin.

To be considered to originate from a partner country, a product should either be entirely produced in that member country, or have undergone a sufficient transformation in that member country. Those products that may be considered to have been entirely produced in a member country are mineral ores collected on that country's territory, agricultural products harvested in a that country, animals born or raised in that country, products from the sea fished and transformed on that country's ships, used goods that may only serve as material for recycling, and any product produced from the aforementioned products.

In the agreement, sufficient transformation is here defined according to a "process criterion". Namely, a sufficient transformation is as a transformation that results in a change of classification in the Harmonized System with respect to the materials used for production. This general principle is complemented by a list of transformations that give the transformed product an origin corresponding to the country of transformation (see Document 2 of circulaire 4617/222 of 15/02/2000). For a last set of exceptions (Chapters 84 to 91 of the circulaire), the origin can be chosen by the exporter.

Finally, cumulation of origins is allowed between contracting countries, namely Morocco and EU members. It is also theoretically allowed with products originating from Tunisia and Algeria. However, the implementation of this provision requires rules of origin to be consistent between the participating countries. This is however not the case, since sufficient transformation is defined thanks to a percentage criterion (namely a forty percent added value in a member country) for trade between Morocco, Tunisia, and Algeria.

**It is noteworthy that this rule of origin is a provision of GAFTA, in which Tunisia and Morocco participate. This results in a conflict between the two agreements to which Morocco is part.**

## 4.5. Present implementation and comments

The schedule of implementation of the agreement differs between manufactured and agricultural goods.

For Moroccan exports, the Agreement provides for exemption from customs duties with or without quota limits; exemption from customs duties subject to reference quantities or agreed reduced entry prices within quota limits; and exemptions from customs duties not subject to quota limits. For EU agricultural products, Morocco's concessions are duty reductions within quota limits ("octroi de preferences au titre du droit d'importation dans le cadre de contingents" cf. liste n∞8 de l'annexe I de la circulaire de base).

The Agreement contains an appointment clause to provide for more extensive liberalization in agricultural trade. These negotiations are under way.

As regards manufactured goods, the Agreement provides for free access for Moroccan industrial products in exchange for the phased dismantling, over a period of 12 years, of duties on EU products, according to lists drawn up on the basis of product sensitivity.

The way to free trade is marked by two successive stages. Thus, as soon as the agreement comes into force (on the 1$^{st}$ of March 2000), imports on equipment goods and spare parts should be free of import duty.

The import duty on raw materials and intermediary goods should be cut down by twenty-five percent each year (List I Annex I of circulaire de base n∞4617/222 of the 15$^{th}$ of February 2000). This measure also applies to the industrial component of transformed agricultural products.

Finally, reference prices applied on products listed in circulaire n∞4546/413 of 5 October 1998 should be either eliminated or cut down by twenty-five percent.

The second stage starts on the 1$^{st}$ of March 2003, that is, on the fourth year of the application of the agreement. On that day, the import duty on locally produced goods should decrease by ten percent each year. Additionally, the dismantling of the import duty on a list of vehicles should also start, at a pace of three percent each year for four years, then by fifteen percent per year, until complete suppression.

Regardless of the general objective of reducing protection, Article 14 allows "exceptional measures of limited duration Ö in the form of an increase or reintroduction of customs duties", should an industry be facing "serious difficulties, particularly where these difficulties produce major social problems". That article however specifies that "these measures may not exceed 25% ad valorem and shall maintain an element of preference for products originating in the community".

It should also be noted that for agro-industrial products, the agricultural component should be separated from the industrial component, the latter being phased out.

As regards exports from Morocco to the EU, the reduction in protection started on the entry into force of the agreement.

Finally, the Agreement specifies that the EU and Morocco shall gradually liberalize a greater share of their trade in agricultural and fisheries products. With this end in view, additional negotiations began on the 23$^{rd}$ of January 2002. Respective offers of concessions were subsequently submitted on the 18$^{th}$ of June 2002. (WTO Report)

The association agreement signed between the EU and Morocco in February 1996 postponed negotiations on the agricultural component of the partnership between the

two parties until January 2000. Due to the delay in the ratification of the agreement it did not enter into effect until March 2000, and it was not until the beginning of 2002 that the negotiations on agriculture actually opened.

*The main requests of the two parties in the negotiations are the following:*

The EU insists that Morocco must open its market to European products under preferential conditions and in substantial proportions. Its position rests on the principle of reciprocity, which must form the basis of the liberalization of trade between Morocco and the EU.

The Moroccan negotiators consider that the first step must be to assess the experience gained from the current agreement in two key aspects:

The first question concerns the difference in interpretation of the provision of the association agreement on the mutually agreed entry price quota for tomatoes. The Moroccan party considers that the quota that has been indicated for this product concerns only the quantities that are marketed at the preferential entry price but that the quantities that can enter the market at the WTO entry price must not be counted in the quota in question. The EU contests this approach considering that the quota indicated is the single valid quota which must not be exceeded irrespective of the market access conditions in which it is realized.

The second question concerns some Moroccan products which were more or less "omitted" in the previous negotiations and whose access to European market has thus been placed at a disadvantage even compared to the conditions they enjoyed before the 1995 agreement (gherkins, dehydrated vegetables, concentrated tomatoesÖ).

Morocco considers that once these two issues have been settled, the two parties can open negotiations.

The reduction of MFN tariff rates agreed on in the framework of the Uruguay Round agricultural agreement inevitably eroded the rate of preference which Morocco and various other EU trade partners have been enjoying.

# 5. Quadripartite and Agadir agreements

The Agadir Agreement was formally signed on the 25th of February 2003 by Egypt, Morocco, Tunisia and Jordan in the city of Rabat, although it was introduced in May 2001 in Agadir, hence its name. The participating states expressed their intention to set up a Free Trade Area among themselves.

The scope of the agreement includes customs, services, certificates of origin, government purchases, financial dealings, preventive measures, intellectual property, standards and specifications, dumping and mechanisms to resolve conflicts.

The agreement was supervised by the EU and is related to EMFTA. It is open to new partner countries and therefore stipulates that "any Arab country, member of the Arab League and the Arab Free Trade Zone and linked to the EU through an Association or Free Trade Agreement can adhere to the Agadir Agreement, after the consent of the member countries, at the level of the Foreign Ministers Committee".

Prior to the signature of the Agadir Agreement, Morocco, Egypt, Jordan, and Tunisia had signed a quadripartite free-trade agreement on the 11$^{th}$ of January 2003. That agreement calls for the progressive dismantling of customs duties on industrial products, with a view of reaching complete suppression on the 1$^{st}$ of January 2006. By that date, duties should have been cut down by 65 percent on the date of signature, 80 percent by the 1$^{st}$ of January 2004, and 90 percent by the 1$^{st}$ of January 2005.

Besides, trade policy on agricultural products should follow the scheme laid down by the Arab League.

# 6. Other agreements

## 6.1. General system of preferences

The General System of Preferences was designed as an exception to the MFN clause implied by the GATT, with the aim of fostering the development of developing countries via trade. It was adopted at UNCTAD II in New Delhi in 1968. It was originally introduced as a ten year transient waiver to Article 1 of the GATT, and subsequently perpetuated on the 28$^{th}$ of November 1979.

Under that scheme, products originating in developing countries are granted reduced or zero tariff rates over the MFN rates, on a non-reciprocal basis. Each preference-giving country drafts its own GSP schemes. Partial or full exemption of duties is granted by preference-giving countries, according to their schemes. Rules of origin are also defined by preference giving countries.

As of June 2001, Morocco was given preference under the GSP by the European Community and the following countries: Belarus, Bulgaria, Canada, Czech Republic, Hungary, Japan, New Zealand, Norway, Poland, Russian Federation, Slovak Republic, and the United-States.

The products that come under the scope of the GSP are the following: manufactured goods, semi-finished goods, certain agricultural products including products of fisheries, and certain handcrafted goods.

## 6.2. Maghreb Arab Union

The Maghreb Arab Union was created in Marrakech on the 17$^{th}$ of February 1989, between Morocco, Algeria, Libya, Mauritania, and Tunisia.

Although its aim is broad, encompassing a common unit of account and even a process of political integration, the MAU's objectives remain mainly trade oriented in the short term. It therefore targets the free movement of goods and persons and a revision of customs regulations.

To this end, it has set up a ten-member court to settle disputes between parties originating in member countries. It has also instituted the Maghreb Advisory Body that consists of an assembly of fifty members of parliament.

## 6.3. Bilateral agreements with Egypt, Jordan, and Tunisia

Previous to the conclusion of the Agadir Agreement and the quadripartite agreement, Morocco had signed bilateral free trade agreements with Egypt, Jordan, and Tunisia.

The agreement with Egypt had been concluded on the 27th of May 1998, and entered into force on the 29th of April 1999. The agreement with Jordan had been signed on the 16th of June 1998 and entered into force on the 21st of October 1999. Finally, the agreement with Tunisia was signed and came into force on the 16th of March 1999.

One may also note that another agreement was also signed with the United Arab Emirates on the 25th of June 2001, but it has not come into force yet.

The scopes of the agreements are similar. They provide for the establishment of a free-trade area within 12 years for all products, but the dismantling process is postponed for agricultural products, unless they are already exempt from duty.

A few additional exemptions are also included in the agreements. More precisely, the agreements with Egypt and Jordan do not cover products originating in one of the countries' free zones, nor agricultural products listed in chapters 1 to 24 of the harmonized system. Negative lists complement those exemptions.

The agreement with Tunisia sets up three lists of Moroccan exports and four lists of Tunisian exports to which the agreement applies. A negative list is also included in the agreement.

Depending on the type of product considered, the exemptions of duties will take place either immediately or according to a preset scheme. However, total dismantling of duties on concerned products should occur no later than ten years after the agreements' coming into force.

The rules of origin foreseen in the three agreements are similar. They rest on the forty percent criterion, in addition to considering that all products obtained entirely on one of the signatories' territory originates in that country.

## 6.4. Other regional and multilateral agreements

In addition to the agreements listed above, Morocco has concluded other regional agreements of lesser importance that are listed below.

### 6.4.1. Morocco-EFTA free trade agreement

EFTA is an agreement between Iceland, Liechtenstein, Norway and Switzerland. The Morocco-EFTA free trade agreement was signed on the 19th of June 1997 and entered into force on the 1st of March 2000.

That agreement covers industrial products listed in Chapters 25 to 97 of the Harmonized System, fish and other marine products listed in Chapters 3, 15 and 23 of the Harmonized System, and processed agricultural products defined in Protocol A.

The agreement provides for the exemption from customs duties and charges having equivalent effect for products originating in Morocco, as from the date of the Agreement's entry into force. In return, tariffs, on EFTA-originating industrial products should be dismantled starting on the date of the Agreement's entry into force and over a period of 12 years (phasing out according to the scheme laid down for EU-originating industrial products).

The agricultural component of the agreement consists of bilateral arrangements between contracting parties. For agro-industrial products, it is planned to separate the agricultural and industrial components.

Morocco may keep some protection but implement no new one.

Fisheries are granted a specific treatment under the agreement. Morocco benefits from total exemption of trade restrictions on most exports. For EFTA, a list of products exempt from customs duties and charges having equivalent effect as from the date of the Agreement's entry into force was set. It was complemented by lists of products to be progressively liberalized over a period of four, six, and nine years.

The definition of a product's origin rests on the process criterion. Moreover bilateral cumulation of origin between parties is allowed.

### 6.4.2. Trade preference system among Islamic countries

The Trade Preference System among Islamic countries entered into force in 2003. Its members are the 56 members of the Organization of the Islamic conference.

### 6.4.3. Global system of trade preferences

The Agreement on the Global System of Trade Preferences among Developing Countries was established in 1988 as a framework for reciprocal trade preferences among developing countries.

Membership in the GSTP is limited to members of the Group of 77 and China. For the time being, the system has 43 member countries (Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Democratic People's Republic of Korea, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Romania, Singapore, Sri Lanka, Sudan, Thailand, Trinidad and Tobago, Tunisia, Tanzania, Venezuela, Vietnam and Zimbabwe).

The GSTP is based on the principle of mutuality of advantages but recognizes the specificity of LDCs. It therefore allows preferential measures in their favor.

The GSTP must be renegotiated on a periodic basis. However, member countries must bind their tariff preferences.

### 6.4.4. Community of Sahel and Saharan states

CEN-SAD was established on the 4th of February 1998. Besides Morocco, CEN-SAD includes Benin, Burkina Faso, Central Africa, Chad, Djibouti, Egypt, Eritrea, Gambia, Libya, Mali, Niger, Nigeria, Senegal, Somalia, Sudan, Togo, and Tunisia. Other countries are in the process of joining the Organization.

CEN-SAD's scope is very broad. Among others, it aims at liberalising trade among the contracting countries, as well as movements of persons and capital among Member States.

## 6.5. Other bilateral and unilateral agreements

Morocco's trade policy is complemented by a set of bilateral and unilateral trade agreements. It has thus signed bilateral agreements with Algeria, Libya, Mauritania, Republic of Guinea, and Saudi Arabia. Bilateral agreements with Chad and the Republic of Guinea have also been signed but are not in force yet.

Furthermore, Morocco has signed a set of trade agreements extending the MFN clause to countries that are not members of the WTO. Morocco's partners in those agreements are the Democratic People's Republic of Korea, Equatorial Guinea, Iraq, Iran, the Russian Federation, Seychelles, Sudan, and Yemen.

Finally, Morocco has also signed a unilateral trade and tariff agreement with Senegal, which it unilaterally applies while awaiting an agreement with the West African Economic and Monetary Union.

# Part 2: Compliance of Morocco's trade policy with its commitments

Overall, Morocco's nexus of multilateral, regional, and bilateral agreements is a signal of its commitment to liberalising trade. Nevertheless the superposition of agreements of various types and various scopes may in itself create difficulties in the management of Morocco's trading system. In particular, Morocco may have committed to policies that are contradictory or mutually defeating.

In what follows, some such areas where Morocco's trade policy conflicts with its commitments or prevents it from making the most of its trading potential are emphasized.

## 1. Some applied rates remain higher than the bound rate

In its assessment of Morocco's trade policy, the WTO Secretariat notes that 5887 tariff lines, equivalent to one third of Morocco's tariff lines, still exceed the bound rate.

A possible explanation to this phenomenon is that Morocco has replaced its quantitative measures by tariff measures of equivalent effect, which resulted in a surge in applied duties. Moreover, the fiscal levy on imports was included into customs tariffs in 2000, which also caused declared tariffs to rise.

## 2. Some subsidies may not be in accordance with Morocco's commitments

Morocco still subsidizes both the production and consumption of some goods, which are considered socially vulnerable. Although those subsidies tend to be eliminated, they may not only clash with Morocco's multilateral commitments, but also be mutually defeating.

The cereals subsector provides an example of such a seemingly inconsistent policy. Thus, *ad valorem* tariff rates of up to 53.5 percent are levied on products such as durum wheat for sowing, common wheat for sowing, and other cereals, so as to protect that subsector. Moreover, variable duties are also applied to products such as durum wheat, common wheat, barley, maize, rice, and sorghum.

On the other hand, in order to compensate the impact of that policy, a consumer subsidy is also granted for domestic flour made of common wheat intended for the underprivileged sectors of the population.

One may accordingly conclude that the elimination of the abovementioned production subsidies would allow a reduction in consumption prices that may make the consumption subsidy either unnecessary or more efficient.

# 3. The application of variable tariff lines is incompatible with WTO

The last trade policy report by the WTO Secretariat detects forty tariff lines that are subject to variable tariffs, which are explicitly ruled out by WTO. Those tariffs are functions of the product's import price and of a minimum threshold price. Two types of such tariffs exist in Morocco.

A first type of variable tariff consists of two different rates. A high rate is applied when the declared value of the product under consideration is lower than a minimum threshold. A lower rate applies when the product's declared value exceeds that minimum threshold price. Such variable tariffs are for instance applied to agricultural products such as wheat, rice, soyabeans, colza, rape and sunflower seed, or sugar.

A second type of variable tariff results from the adjunction of a fixed and a variable rate. More to the point, the rate applicable to some products is constant when those products' declared value is equal to or greater than a fixed threshold, and a function of the product's declared value when that value is smaller than the threshold. Under those circumstances, the variable rate rises from the constant rate to a possibly infinite value when the declared value decreases. Such variable tariffs are for instance applied to durum wheat other than seed for sowing or common wheat other than seed for sowing.

# 4. Specific measures awarded to specific firms

Some tariff reduction or exemptions have been negotiated directly between specific firms and the Moroccan government. One may wonder whether those derogative agreements are consistent with Morocco's various commitments.

For instance, the Moroccan Government and Fiat Auto SpA signed an agreement whereby Fiat Auto Maroc is exempt from import duties on the CKD series, and raw materials and inputs needed to manufacture economy vehicles, as well as a VAT reduction of 7 percent on sales of economy vehicles in Morocco, on integrated local components and the raw materials and inputs needed for their manufacture. Under that agreement Fiat produces private vehicles in the plants of the Moroccan Automobile Construction Company (SOMACA) until 30 June 2003.

# 5. Safeguard measures

Morocco applies specific protection measures when imports threaten to hurt a domestic industry or may delay its development. Those tariff or non-tariff measures may be imposed when a sizeable surge in imports is observed, or when the price of imports decreases. Such measures may also be imposed in an emergency before a definitive policy has been implemented.

Those safeguard measures apply mainly to agricultural products. For the time being Morocco only applies safeguard measures on the imports of fresh bananas.

However, one may wonder whether those safeguard measures are compatible with the RTAs in which Morocco participates.

# 6. Consistency of rules of origin

Comparison of the rules of origin that Morocco applies according to its various trade agreements reveals that these rules may be contradictory. A prominent example of such a conflict in rules origin can be found between GAFTA and EMFTA.

Namely, EMFTA allows, cumulation of origins between contracting countries, that is Morocco and EU members, and also with products originating from Tunisia and Algeria. This possibility however remains theoretical since it necessitates that rules of origin be consistent between the participating countries. This is however not the case, because sufficient transformation is defined thanks to a percentage criterion (namely a forty percent added value in a member country) for trade between Morocco, Tunisia and Algeria, because their GAFTA membership, whereas it is defined with the process criterion by EMFTA.

This results in a conflict between the two agreements to which Morocco is part, which may cost it a better access to the EU market.

# 7. Compatibility of Morocco's commitments under GAFTA and EMFTA

Another interference appears between GAFTA and EMFTA. Namely, GAFTA provides that no party-state may grant any preferential advantages to a non-Arab state that exceeds those granted to party-states (Article 7.5 of the Agreement). If the pace of liberalisation between Morocco and the EU within the Euromed partnership exceeds GAFTA's, free trade may be reached with the EU before it is obtained with members of GAFTA, which will put Morocco in contradiction with its obligations contracted under GAFTA.

# 8. Compatibility of Morocco's policy with production incentives

As stated in the last WTO trade policy report, "Moreover, the mixed overall escalation of tariffs, subject to incentives, does not encourage certain production activities (particularly of semi-finished goods), for which Morocco appears to have a comparative advantage".

# Part 3: Potential effects

## 1. The Consequences of spaghetti regionalism

Morocco's participation in a complex network of several regional trade agreements of various kinds and a plethora of bilateral agreements is as likely as any to correspond to what is called spaghetti regionalism by international economists[10]. That expression was precisely coined by Jagdish Baghwati (1993) to describe the ongoing tendency of most countries to embark on a number of sometimes overlapping regional trade agreements. Bagwhati's original concern was to wonder whether such regional activity was likely to lead to multilateral trade liberalization or to hinder free trade. From the point of view of a single country, the question of the compatibility of its various regional trade agreements also arises.

To sketch the consequences of its multiple regional trade agreements on Morocco's economic welfare, one should first recall the general arguments regarding the desirability of regional integration for a country (1.1.) before turning to the specific issue posed by multiple regional trade agreements (1.2.).

### 1.1. The cost-benefit analysis of regional trade agreements

The standard textbook economic analysis of regional trade agreements challenges the intuitive view that regional integration should stand halfway between complete protection and full liberalization in terms of welfare.

The basic rationale for that argument rests on the idea that reducing protection on a partner's products may artificially lower those products' relative prices. Consumers may then prefer tax-free products originating in the partner country to their substitutes originating in other countries, even though the latter would be cheaper if they were not taxed. Imports of third countries' products would accordingly be replaced by costlier imports from the partner country. This phenomenon is deemed trade diversion in the literature. Viner (1950) demonstrated that if the creation of a custom union resulted in such trade diversion, it may result in an overall welfare loss because the importing country would import more expensive goods than before the trade agreement was adopted.

It can be argued that spaghetti regionalism may reduce the probability of trade diversion because it increases the number of countries whose imports are free of taxation or less heavily taxed. That argument must however be qualified. It only holds if the country's multiple regional trade agreements are signed with partners whose comparative advantages differ. Otherwise, the risk of trade diversion is as likely with multiple bilateral agreements

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[10] A cursory inspection of the 2003 WTO trade policy report allows counting at least eight regional trade agreements and about twenty bilateral agreements.

as with a single one. For instance, Morocco's bilateral free trade agreement with Jordan is unlikely to reduce the trade diversion caused by its bilateral agreement with Egypt, because the two countries have fairly similar comparative advantages.

Regional trade agreements can however be advocated as a means to achieving a second best outcome. Namely, where multilateral trade liberalization is not feasible, it can be argued that regional integration, possibly through spaghetti regionalism may raise welfare. It is in particular the case when trade creation dominates trade diversion, namely when the benefit of raising trade in some sectors exceeds the distortions imposed on the participating countries by trade diversion in other sectors of the economy.

Moreover, the existence of economies of scale creates an additional incentive to integrate markets, regardless of the way in which comparative advantages are exploited. In other words, the benefit of cutting down production costs by producing for a wider market may outweigh welfare losses due to trade diversion.

The last two arguments however call for increased caution when designing trade agreements. Extra care should accordingly be spent on the choice of the sectors to be liberalized and the partners with whom trade in those sectors should be liberalized. The comparative advantage of trading partners and the existence of economies of scale should carefully be taken into account.

It can also be argued, as Ibarra-Yunez (2003) does, that the main benefits of regional trade agreements are not to be found in the economic realm but in the political realm. Thus, improving the country's security is often mentioned as a goal of regional trade agreements. Schiff and Winters (1998) accordingly claim that free trade agreements could play a role in calming the political and military tensions between countries.

It is also argued that participating in a regional trade agreement is a means of achieving an improvement of the country's bargaining power. Bargaining power must be understood here as pertaining both to trade negotiations and general international relations. It has therefore an economic as well as a purely diplomatic component.

The possibility of increasing Morocco's security and improving its bargaining power may thus be seen as a chief benefit of its participation in the Arab League. Unfortunately, those benefits cannot easily be weighed against economic benefits and costs, let alone quantitatively assessed.

The motive of political cooperation is consonant with that of policy lock-in. It is thus argued that contracting the obligation to liberalize trade is a means to both achieving and signalling the credibility of a reform package. A country thereby signals its commitment to reforms and openness to trade to foreign investors and entrepreneurs. Commitments can even be made part of regional trade agreements. This fosters the increased attractiveness of a country's participation in a free trade agreement with respect to Foreign Direct Investment as Baldwin (1992) contends.

If signalling the country's commitment is one of regional trade agreements' benefits, then signing several such agreements may be more visible. This accordingly creates an incentive for spaghetti regionalism, as Ibarra-Yunez (2003) suggests. He refers to this motive as the "strategy of being noticed". That argument has been put forward in support of Mexico's participation in NAFTA. It is to a large extent applicable to southern countries' membership in the Euromed process. Thus, participating in that process signals that one country's policy will be supervised by the European Union.

Finally, Ibarra-Yunez (2003) also underlines the possibility of a "negotiation learning curve". He suggests that the experience that a country's administration acquires in negotiating a multiplicity of regional trade agreements results in a greater capacity to negotiate subsequent regional trade agreements. This phenomenon may also be a political cause of spaghetti regionalism.

## 1.2. Specificities of spaghetti regionalism

However, the piling up of multiple regional trade agreements also entails complexities of its own that are often overlooked in the literature on regional integration. The first of those is the issue of the compatibility of regional trade agreements. From a legal point of view, each new trade agreement adds a new set of rights and obligations for participating countries. Due to the complexity of those agreements, those rights and obligations may well contradict each other.

A chief example of such contradiction is to be found in rules of origin. Those rules determine the official origin of traded goods, which in turn determines whether they come under the scope of the trade agreement or whether they remain subject to trade restrictions. Those rules are necessary when goods are produced in several countries. It is frequent for different agreements to provide for different rules of origin. Those different rules of origin may then be incompatible.

As regards Morocco, it appears that the rules of origin provided for in GAFTA may prevent the country from reaping the full benefits of its participation in the Euromed process. Thus, under Euromed, legal origins are defined according to a process criterion. They are on the other hand defined according to a percentage criterion in GAFTA. According to both criteria a product is considered as having been produced in the zone when it has undergone sufficient transformation in the zone. However, sufficient transformation is defined according to a list of specified operations in the former, whereas origin is conferred when a sufficient share of value added was created in the zone in the latter.

This may not necessarily be an issue if the Euromed agreement did not provide for cumulation of origins among southern countries, but it does. Namely, the operations necessary to confer origin in the zone may have been carried out in several member countries instead of one. This should increase the range of goods that could benefit from

tariff exemptions since it allows the production of those goods in several countries instead of one. Nevertheless, this would require a uniform definition of rules of origin among southern partners to the Euromed agreement. Since they are committed to applying different rules within GAFTA and the Euromed, they cannot benefit from cumulation of origins to which they would be entitled in the latter.

Moreover, it has been argued that existing regional trade agreements may increase the economic cost of adhering to subsequent regional trade agreements. This finding is obtained by Grossman and Helpman (1995), Panagaryia and Findlay (1996), and Levy (1997), and Krishna (1998). Their arguments follow a common thread. They rest on the fact that groups who need protection tend to lose from trade agreements, whereas groups that are competitive benefit from them. When the first trade agreement is negotiated, the former only lose preferential treatment in their home market. However, when subsequent trade agreements are signed, they lose preferential treatment in larger zones. By contrast, the marginal benefit of signing an additional agreement to those who benefit from trade follows no particular pattern. Indeed, that benefit depends on the size of the partner's market that is independent from the number of existing regional trade agreements.

One may therefore expect an increasing marginal cost of signing new regional trade agreements whereas the marginal benefit is constant. This may reduce the attraction and the political sustainability of signing regional trade agreements that may yet be optimal from an aggregate point of view.

True, this argument can be weighed against the idea that a free trade area becomes more attractive to new members as it gets larger. However, Bond and Syropoulos (1996) and Yi (1996) argue that member countries have an incentive to limit participation to a finite number of partners. Although Freund (2000) shows that this argument does not apply to bilateral agreements, it again underlines the importance of the order in which agreements are signed. This should attract attention to the order in which regional trade agreements are signed. It should also be borne in mind when different agreements clash and it comes to choosing between two sets of obligations, as it is partly the case between the Euromed and GAFTA agreements.

## 2. Impact of the Euromed agreement on Morocco

Many descriptions of Morocco's trade reveal that it exhibits an unexploited trade potential. In that context, the implementation of the Euromed accord may be a means to tap that potential. In this section, we first comment on estimates of the gap in Morocco's trade, and then we provide an evaluation of the effects of that agreement.

## 2.1. Morocco's untapped trade potential with the European Union

Unlike trade integration with other regions of the world, like the former socialist European countries, the process of trade integration between Mediterranean countries, Morocco included, and the rest of the world has remained slow. In that context of low integration in world trade, trade relations between those countries and the European Union stand as an exception. That exception may be explained by historical factors and cultural links between the two areas. They are also largely the consequence of geographic proximity and of the complementarity of their comparative advantages.

However, as Ferragina et al. (2004) underline, trade between the European Union and Maghreb countries remain both asymmetric and concentrated. Namely, those countries' trade with the European Union represents a much larger share of their GDPs than the European Union's trade with them does in its own GDP. Overall, the European Union's trade with its Mediterranean partners hardly amounts to 3% of its GDP. In contrast Morocco's imports from the European Union amounted to 54% of its GDP in 200[11].

As a consequence, Morocco's trade is also very concentrated. Thus the European Union is the destination of 72.5% of Morocco's exports[12]. Those considerations suggest that Morocco may not make the most of its trade potential with the European Union. To get a more precise insight on that issue, a yardstick is needed. In other words, Morocco's actual trade must be assessed against a benchmark measuring what could be expected if existing impediments to trade were abolished. This is usually done by estimating a gravity model and comparing predicted and actual trade. The gravity model estimates the relationship between bilateral trade and its main determinants, that is geographic distance and size. For instance, the IMF (2002) used that method to assess the MENA region's trade potential over the 1995-1999 period. It found that MENA was the second region of the world in terms of unexploited trade possibilities, behind South-East Asia. In a similar exercise, based on 1992 figures, Miniesy et al. (2004) also observe that MENA countries do not make the most of their trade potential. Strikingly, they find that this is particularly true for trade with the European Union.

However, there is to our knowledge only one study that provides specific estimates for Morocco. Thus, Ferragina et al. (2004) used a gravity equation to estimate the trade potential of MENA and CEEC countries with Europe. In so doing, they compute a predicted to actual trade ratio for Morocco over the 1995-2002 period. Apart from the fact that their study is the only one that allows an evaluation of Morocco's trade potential, it is also the only one to provide an estimation of the evolution of that country's trade potential,

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[11] That figure reached 62.6% if other European countries were included.
[12] Europe in general was the destination of 75.5% of Morocco's exports.

thanks to a panel data analysis. The results of their econometric exercise are striking. Thus Ferragina et al. (2004) observe that the ratio of exports or imports ranged from 3.5 to 4 in 2002, depending on the European partner under consideration. This means that the potential for fostering trade relations between Morocco and its partners is still to be exploited. This is even true for a country like France, with which Morocco's potential to actual trade is of similar magnitude as for other European Union countries, in spite of those countries' historical links.

More striking still, is the fact that Morocco's potential to actual trade ratios exhibit a constant trend. This is observable for Morocco's trade with the European Union as a whole and with countries such as Italy, Germany, and France. Only do Spain and the United Kingdom stand as exceptions and exhibit a slightly downward trend. This means that recent efforts to integrate Morocco's economy had not yet been successful over Ferragina et al. (2004)'s period of study, or only met very limited success.

Finally, a third result that appears in Ferragina et al. (2004)'s study is that the ratio of Morocco's potential to actual exports to the EU systematically exceeds the ratio of Morocco's actual to potential imports from the EU, although the difference is smaller than for other MENA countries. This finding may mean that there are more impediments to Moroccan exports to the European Union than for the European Union's exports to Morocco. As there exists consistent evidence of an untapped trade potential between Morocco and the European Union, one may want to estimate the possible impact of trade liberalization on actual trade. This is the focus of the next section.

## 2.2. An Estimation of the impact of the Euromed agreement on Morocco's trade

The existence of a gap between Morocco's trade volume predicted by a gravity equation and its actual trade with the European Union suggests that the present process of trade integration between the two partners may result in an increase in trade. However, it does not help in determining by how much trade may be raised. One may nevertheless consider that predicted trade volumes provide an estimation of the upper bound of what could be achieved. If one was to interpret Ferragina et al. (2004)'s results, one would conclude that as the potential to actual trade ratio is equal to 3.5, up to a three-fold increase of trade between Morocco and the European Union may result from the Euromed process.

That lofty figure may however seem overly optimistic, even unrealistic. Moreover, other impediments to trade exist in addition to formal legal barriers that may prevent trade to reach such a level. To name but a few, the quality of infrastructure (Longo and Sekkat, 2004) or the institutional environment (MÈon and Sekkat, 2004) have been shown to influence trade.

A more careful examination of the impact of liberalization of Moroccan trade with the European Union is therefore warranted to provide more reliable estimates. To our knowledge, the most comprehensive analysis is provided by Rutherford et al. (1997). These authors use a general equilibrium model to investigate the consequences on the Moroccan economy of several trade liberalization scenarios, ranging from improved access to the European Union's fruits and vegetables market to full unilateral liberalization with the rest of the world. Before turning to commenting their results, a description of their modelling strategy is necessary to understand the robustness and reliability of their estimates of the consequences of Morocco's trade integration.

Rutherford et al. (1997)'s basic framework is what is referred to as a generic computable general equilibrium model. It describes the equilibrium of a single economy, namely Morocco, and its reaction to exogenous shocks, consisting here of trade liberalization shocks. Following de Melo and Tarr (1993) and Harrison et al. (1993), Rutherford et al. (1997)'s model consists of three groups of non-linear equations that respectively describe the equilibrium between supply and demand for goods and factors markets (including foreign transactions), the equality between income and expenditures, both for the private and public sectors, and the equality between prices and costs for producers. Consistent with the latter equilibrium condition is the assumption that all sectors are competitive. Goods are produced with both labor and capital under constant returns to scale technologies.

There are 39 production sectors, based on the social accounting matrix constructed by Mateus et al. (1988) for the World Bank. The drawback of that matrix is that it is based on 1980 data. Rutherford et al. (1997) argue that this drawback may not be as restrictive as one may think. Indeed, these authors underline that sectoral shares did not significantly change over the 1980s. They moreover updated their protection data to 1991 levels, which partly makes up for the drawback of using a somewhat dated social accounting matrix. The social accounting matrix that they use has on the other hand the advantage of distinguishing the main sectors that may be affected by trade liberalization in Morocco. Namely, the citrus fruits, vegetables, sugar, meat and dairy products, textiles, apparel, fishing, and phosphates sectors appear separately in the social accounting matrix.

All those sectors are supposed to produce goods that are differentiated according to their origin. That is, domestic and foreign goods are supposed to be imperfect substitutes. Two important sectors for the Moroccan economy however stand as exceptions: the meat and dairy sector and the sugar sector. These sectors are assumed homogeneous. Those assumptions are embodied in the model thanks to the specification of the representative consumer's utility function.

On the production side, labor is assumed perfectly mobile across sectors. This assumption makes it possible to investigate the impact of different policy packages on the allocation of labor.

Finally, government revenue is assumed to be obtained from value added taxes, employment and corporation taxes on factor employment, excise taxes on production output, and last but not least, import tariffs. This allows the study of the consequences of trade policies on government revenues.

With that model, Rutherford et al. (1997) investigate six policy scenarios against a common benchmark. The scenarios under study are 1) a full trade agreement with the European Union (FTA), 2) unilateral elimination of import protection against EU imports (EULIB), 3) free access for Moroccan fruits and vegetables to the European market (ACCESS), 4) elimination of protection against non EU imports (LIBROW), 5) elimination of protection on all imports (i.e. EU and non-EU: LIBALL), and 6) full free trade agreement with the European Union complemented by the elimination of protection of non-EU imports at the same time (FTAALL). One easily sees that scenario 1 is a combination of scenarios 2 and 3. By the same token, scenario 6 is a combination of scenarios 1 and 4. Moreover, comparisons of scenarios 4, 2, and 5 and of scenarios 1 and 4 allows to gauge the possible trade diversion effects that may accompany the process of regional trade integration with the European Union.

All those scenarios are weighed against the status quo. This is modelled as a situation where Morocco imposes no non-tariff barrier on its imports, and its exports of fruits, vegetables, trousers, and canned sardines are taxed. All simulations rest on the assumption that trade protection creates a price distortion equivalent to eight percent of the actual price of fruits and vegetables. Trade liberalization can therefore be taken into account as an eight percent increase in the prices of Morocco's exports and a fall in import prices. On the flip side, trade liberalization implies a loss of revenue for the Moroccan government. As all simulations assume a constant balanced budget, they all also assume that lost import duties are exactly compensated for by increases in VAT. VAT revenues are therefore endogenous in the model.

As all scenarios imply a variation of the relative prices of imports, exports, and domestic products, they all result in demand shifts that in turn affect the allocation of labor and capital across sectors. The results of the simulations therefore depend on the elasticity of supply and demand of each traded good and factor. The findings that are displayed in the following graphs are therefore related to three scenarios, based on a high, medium, and low elasticity of supply in resource sectors. We will mainly focus on the medium elasticity scenario in our comments. In fact, it appears that the quantitative results depend to a great extent on the elasticity of supply in the resource sectors, insofar as the greater the elasticity, the greater the expected impact of liberalization in terms of both output and welfare. However, a consistent pattern appears in the comparison of the different scenarios of trade liberalization.

**Figure 1a: changes in welfare as a percentage of GDP**
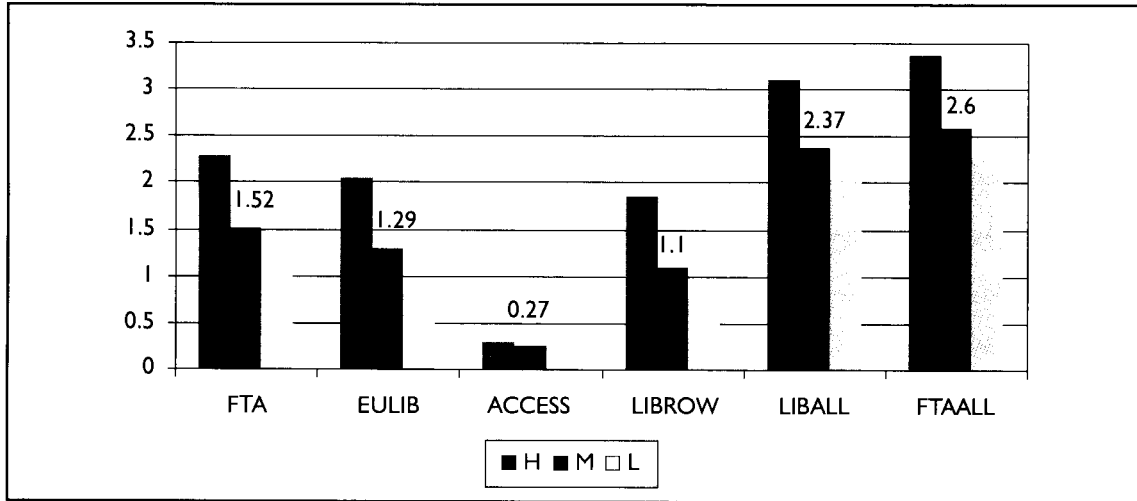


**Figure 1b: changes in VAT rates (in percentage)**
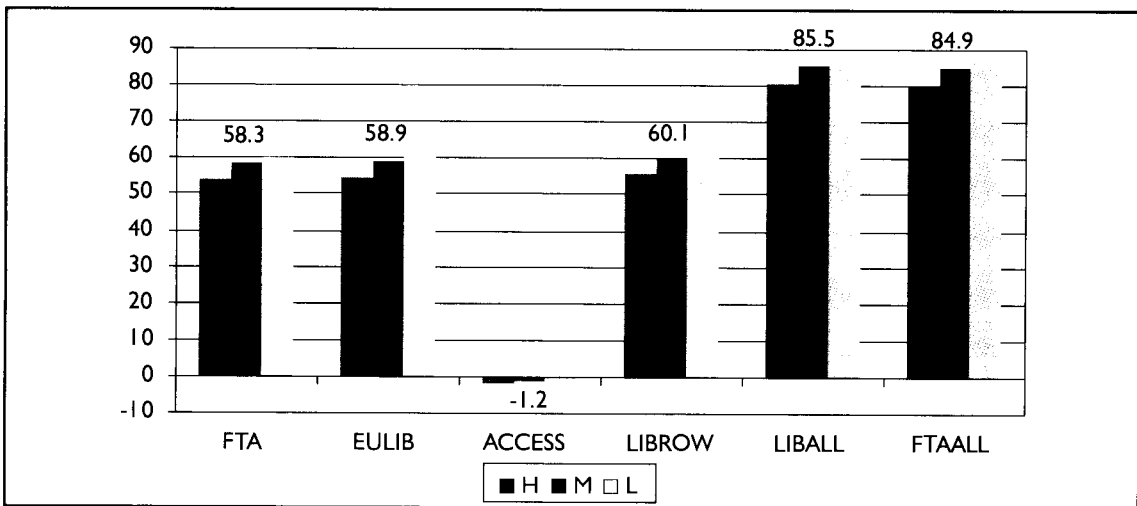


**Figure 1c: Percentage of labor that changes job**
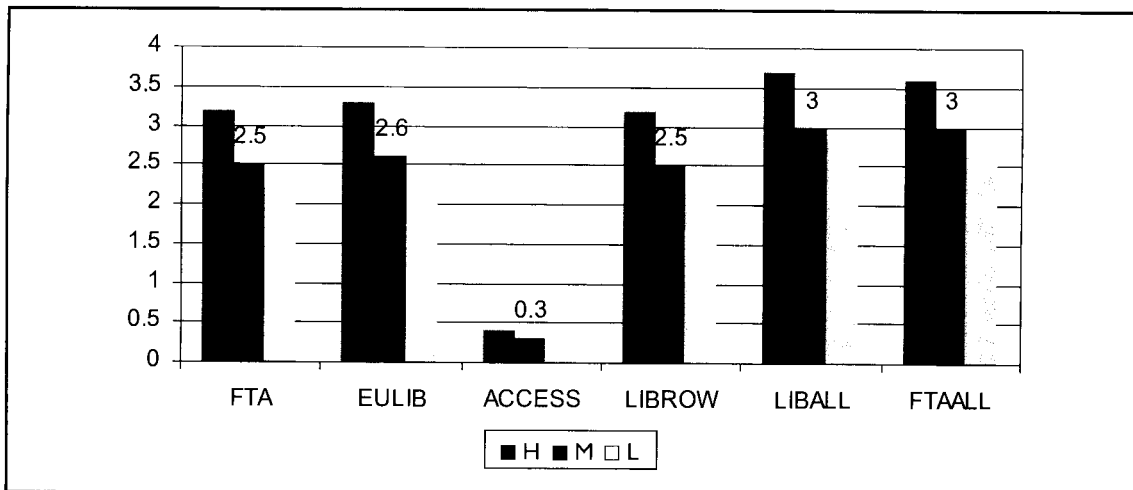


Source: Rutherford et al. (1997).

The most limited policy scenario is the free access of Moroccan goods to the European Union market. In that scenario, welfare increases by about a quarter of a point of GDP. As the impact remains limited, it is not surprising to find that only a small share of the labor force has to relocate to adapt to the trade policy shock. That scenario is however the only one to result in a reduction of VAT, although the reduction is admittedly of limited magnitude. As production increases whereas imports remain taxed, the increased access of Moroccan products to the European market raises tax revenues, which allows a reduction in VAT.

The symmetric policy scenario is a unilateral removal of Moroccan tariffs on European imports. This policy's welfare impact amounts to one to two percents of GDP, which is up to seven times greater than the previous one's. Unsurprisingly, its impact on the allocation of labor is also greater, as it concerns 2.6% of the labor force when the elasticity of supply in resource sectors is of medium magnitude. Moreover, the impact in terms of tariff revenue is also much larger and positive. VAT rates have to be raised to compensate for the loss of tariff revenues by as much as 60%, depending on the elasticity of supply in resource sectors.

A free trade agreement between Morocco and the European Union is the sum of the two previous scenarios. Its impact is approximately equal to the sum of the impacts of those scenarios. Namely, welfare is raised by 1.52% of GDP when the elasticity of supply takes its medium value.

If trade policy removies tariffs against the rest of the world, EU excepted, most effects seem dampened when compared to those involving the European Union, although they are qualitatively similar. This finding reflects the fact that the EU is by far Morocco's chief trade partner. The next two scenarios allow the investigation of trade diversion effects of trade integration with the EU. This further move increases welfare with respect to a similar move from the European Union by only about one percentage point of GDP. Unsurprisingly, VAT needs to be increased further.

What is more intriguing is the fact that the figures for the relocation of the labor force are of similar magnitude as the previous ones. Still, if openness to trade with the rest of the world in addition to the European Union created new opportunities for trade, exports would increase, which should make it necessary to reallocate more production factors. The only possible explanation is that some trade with the rest of the world simply replaces some trade with the European Union. In a nutshell, privileged trade with the European Union diverted some trade. However, as Rutherford et al. (1997) stress, trade diversion is not dominant, as it does not prevent welfare from increasing when the FTA with the European Union is implemented.

Finally, a trade scenario consisting in a free trade area with Europe complemented by a liberalization of imports with the rest of the world, which would combine LIBALL and ACCESS,

would further increase welfare. Overall, it appears that increased liberalization is always associated with greater welfare. However, only the first move toward liberalization (be it with the European Union or the rest of the world) produces a sizeable reallocation of labor.

As it is a difficult exercise to model a whole economy, one should legitimately wonder whether the results obtained are sensitive to the assumptions on which they rest. We have already commented on the impact of different values of the elasticity of output. Rutherford et al. (1997) go further and also investigate the sensitivity of their results to different values of the elasticity of substitution between domestic consumption and imports and different values of the elasticity of substitution between imports from different sources. In both cases, they observe that their results remain qualitatively, though not quantitatively, unchanged.

**Figure 2: Sensitivity analysis of the welfare effect of various integration schemes**
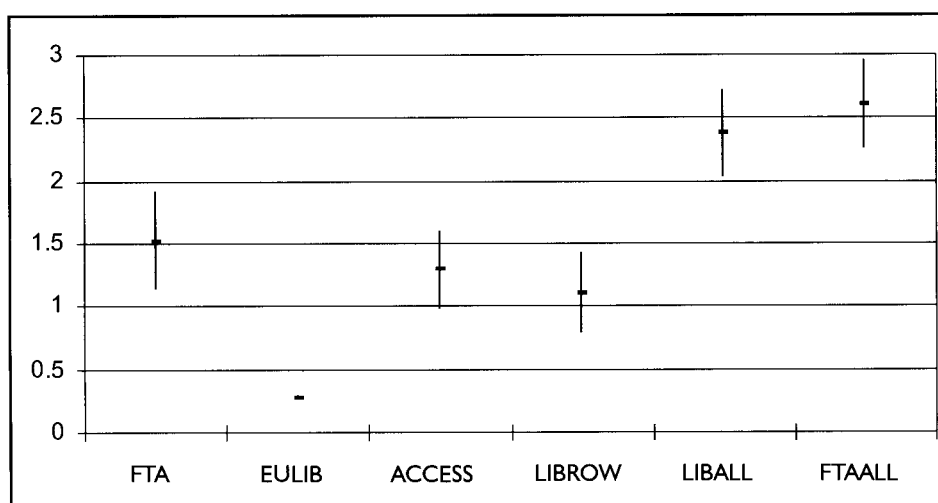


Source: Rutherford et al. (1997).

As regards the impact of elasticity of substitution of domestic and foreign production, they observe that it is positively related with the welfare benefits of trade integration. On the other hand, they find that when the elasticity of substitution between EU imports and imports from the rest of the world increases, the benefits of preferential trade agreements decrease. This is due to a greater loss as a result of trade diversion. In accordance with that finding, the elasticity of substitution between imports of various origins is unrelated to the welfare impact of multilateral trade liberalization since it creates no trade diversion.

Rutherford et al. (1997) conclude their simulations by a sensitivity analysis. Namely, they run their simulations on a large number of combinations of parameters values (i.e. 1000). That procedure allows them to provide confidence intervals for their point estimates of the effects of their different scenarios. Figure 2 above displays the point estimates and bounds of the 95% confidence interval of the welfare effects of those scenarios. As the confidence interval never hits the horizontal axis, one can conclude that the qualitative

results of Rutherford et al. (1997)'s simulations are fairly robust. Namely, one may be 95% confident that all integration processes increase welfare, although the exact amount by which they do is uncertain. Figure 2 also allows us to establish the significance of the ranking of the different scenarios considered by Rutherford et al. (1997). More precisely, whereas the ranking of FTA, EULIB, and LIBROW cannot be established with certainty, because their confidence intervals overlap, ACCESS clearly appears as the least welfare-improving scenario. Finally, LIBALL and FTAALL seem to dominate other scenarios, but cannot be ranked with respect to each other, since their confidence intervals overlap.

# 3. Impact of GAFTA

The Greater Arab Free Trade Area (GAFTA) is the most recent step taken by Arab countries to develop trade between them. Although the Arab League was created on the 22nd of March 1945, and several attempts of regional integration have been made under its auspices, GAFTA is considered to be the most significant move toward trade integration to date. Indeed, it represents 90% of Arab foreign trade and 95% of intra-Arab trade[13]. The project was given impetus during the 1996 Cairo Arab summit, was agreed upon on the 19th of February 1997, and came into force on the 1st of January 1998. It is due to produce its full effects in 2008. Before investigating its potential effect (3.2.), the present situation of intra-Arab trade must be assessed. It is on all accounts a situation of very limited integration (3.1.).

## 3.1. The Arab missing trade

As Devlin and Page (2001) emphasize, very little attention has been so far paid to Arab regional trade. The diagnosis of lower than normal trade therefore rests on crude statistical analysis and on only one systematic statistical investigation. Available evidence, however tentative, is nevertheless edifying.

A cursory look at Arab trade statistics reveals that intra-regional trade is limited in the Arab region. This is highlighted in Figure 3 that displays the geographic destination of Arab exports. Arab countries' first exports destination is by far industrial countries, which buy 54% of Arab countries' exports. The second destination of Arab products is Asia, which imports 29.1% of Arab exports. Other Arab countries are only the third destination of Arab countries' exports. Intra-Arab exports amount to 11 billion US dollars, which represents 8.2% of their total exports. Those figures become more revealing when they are compared to equivalent statistics for other regional groupings. Thus, intra-regional exports amount to 56.8% in the European Union and 51% in NAFTA. Sure, these examples may sound too specific and far from the reality of Arab trade. Nevertheless, intra-Arab trade seems low even in comparison with regions that are more similar in terms of development and income. Namely, countries

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[13] Arab trade must be understood to refer to the trade of the twenty-two members of the Arab League.

of the Southern Cone (Argentina, Brazil, Chile, Paraguay, and Uruguay) make 25.5% of their exports among them. The same figure amounts to 11.4% for members of the Andean Pact (Columbia, Ecuador, Peru, and Venezuela).

One may rightfully argue that those figures are somewhat biased because of oil exports. As most Arab countries are producers of oil, this mechanically raises their exports to the rest of the world, and shrinks their regional to total trade ratios[14]. Devlin and Page (2001) provide statistics corrected for oil exports. They thus find that Arab regional non-oil exports totalled 19% of total Arab exports in 1996. This figure sounds less pessimistic than the previous one. Moreover, the importance of oil in Arab countries' trade seems to have followed a downward trend. Besides, non-oil intra-regional trade has persistently exceeded intra-regional oil trade since the early 1980s, as Devlin and Page (2001) show. These facts must however be put in perspective, as intra-Arab non-oil exports only amounted to 2% of Arab countries' GDPs.

Moreover, since 1970, regional Arab trade has only marginally increased. It already amounted to 5.2% of the region's total exports in 1970. In comparison, intra-regional trade rose from 1.7% to 11.4% of the region's trade in the Andean Pact, and from 11.4% to 25.5% in the Southern Cone between 1970 and 1998.

**Figure 3: Direction of Arab trade, 1998 (billions of US dollars)**
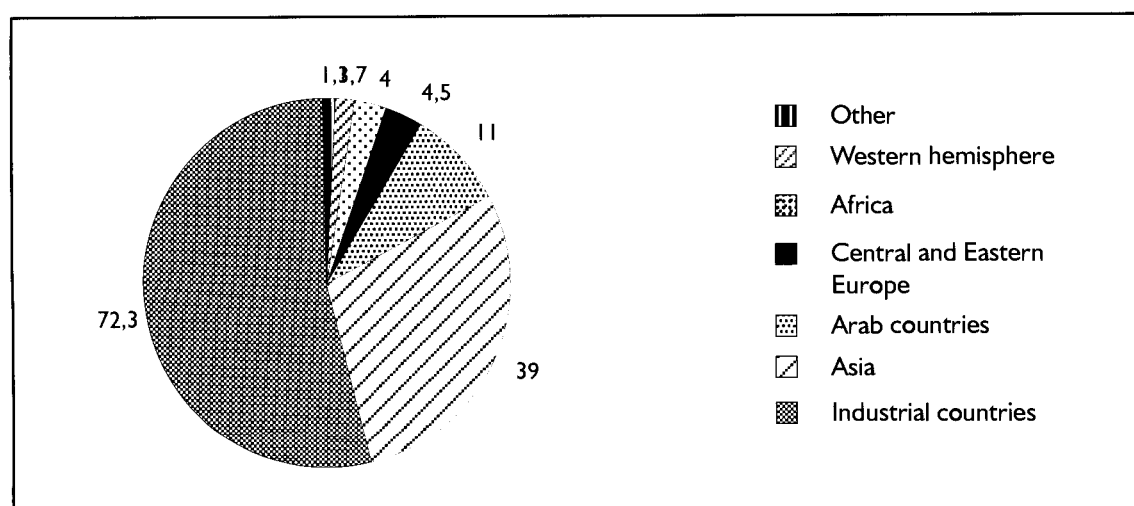
In addition, aggregate statistics must be interpreted with care, as they hide wild sub-regional discrepancies. Thus, compared to other members of the Arab League, Maghreb in general and Morocco in particular seem to take a smaller part in intra-Arab trade. This is revealed by Figure 4 that displays the direction of Maghreb's exports to other Arab countries. It reveals that Maghreb countries are by far the main recipients of Maghreb exports to Arab countries. Intra-Maghreb exports totalled one billion dollars in 1998, which amounted to 63.2% of Maghreb's exports to Arab countries.

---

[14] This argument however does not apply to Morocco, which does not export oil.

**Figure 4: Direction of Maghreb's exports to other Arab Countries, 1998 (billions of US dollars)**



0,001

0,5

0,1

1

- ▨ Maghreb
- ◩ Gulf Cooperation countries
- ▨ Mashreq countries
- ■ Other
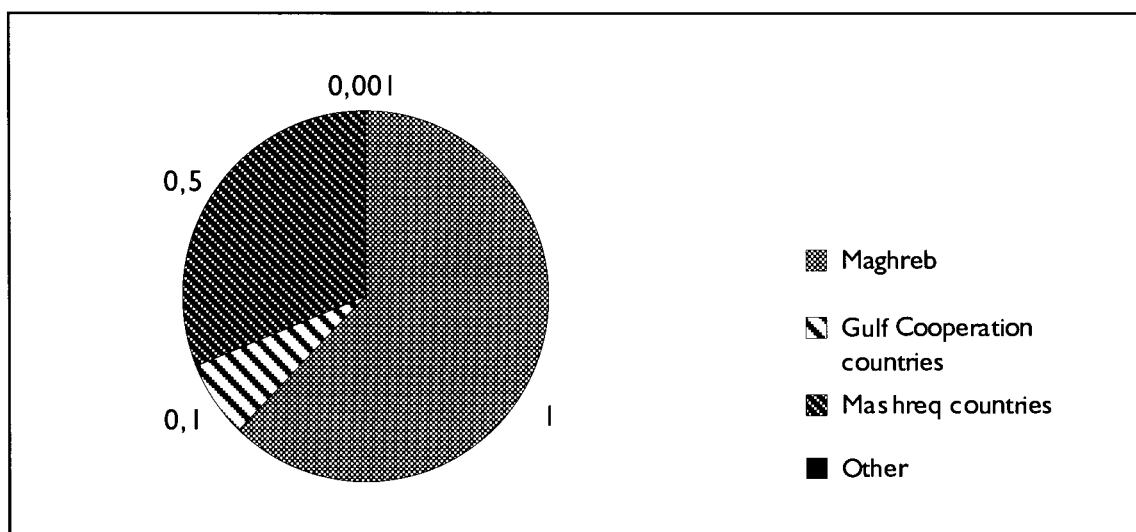
As regards Morocco more specifically, it appears relatively weakly involved in intra-Arab trade. Thus, Devlin and Page (2001) remark that intra-regional non-oil exports only amount to 3% of Morocco's exports, whereas they reach 30 to 40% in Syria or Lebanon. On the positive side, Morocco's exports are better diversified in the Arab world than other Arab countries', as Figure 5 shows. Namely, although Saudi Arabia (29.7%), Algeria (24.8%), Syria (12%) are clearly Morocco's three main Arab trade partners, none of them buys more than one third of the Kingdom's exports. In comparison, Morocco alone is the destination of 60.9% of Algeria's Arab exports, 66.8% of Bahrain's Arab exports are shipped to Saudi Arabia, which is also the recipient of 82.2% of Yemen's Arab exports, 69.4% of Oman's Arab exports, and 44.2% of Egypt's Arab exports.

**Figure 5: Direction of Morocco's exports to other Arab Countries, 1998 (thousands of US dollars)**



19,2

41465,75

46389,55

550,3

22468,1

4870,9

7401

137,5

55544,75

- ▨ Algeria
- ■ Bahrein
- ▨ Egypt
- ◪ Jordan
- ▥ Oman
- ▣ Saudi Arabia
- ☐ Syria
- ▨ Tunisia
- ▤ Yemen
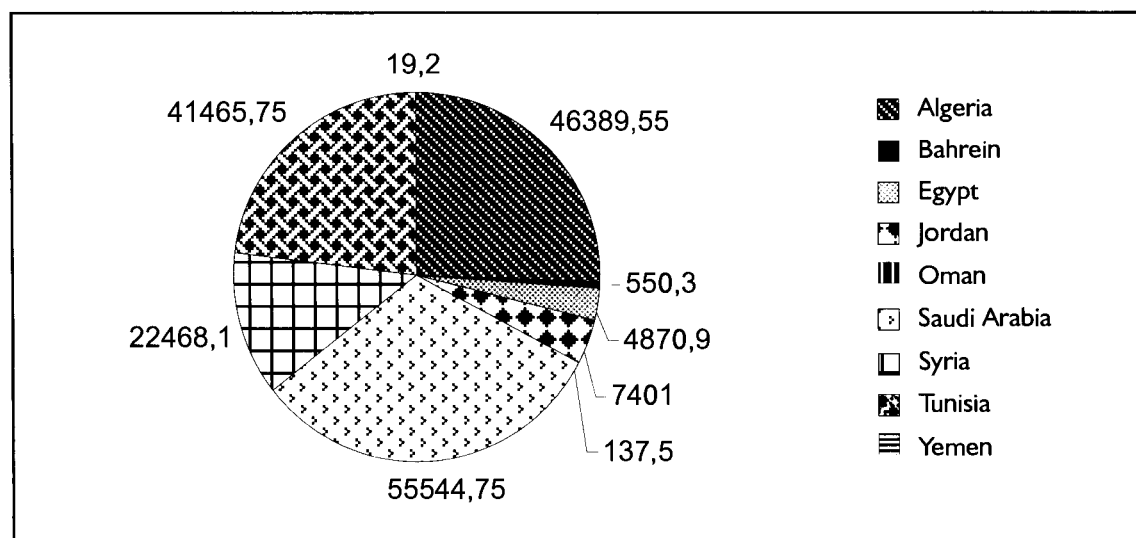
However, those statistics could be misleading if they were not assessed against a benchmark. This is what Al-Atrash and Yousef (2000)'s analysis allows. As usual, it is based on a standard gravity model. Their model is estimated on a sample of 18 Arab countries and 43 non-Arab countries, over the 1995-1997 period. All variables are averaged over the period so that the gravity equation can be estimated as a cross-section. Al-Atrash and Yousef (2000) focus on estimating their equation on imports to control for the impact of oil exports. They control the usual size and distance variables, and introduce dummies accounting for Arab trade. They in particular use an intra-Arab trade dummy that is meant to capture the impact on bilateral trade of the two partners being Arab countries. That variable therefore measures the excess or deficit of bilateral trade with respect to the benchmark provided by the gravity model.

Unsurprisingly, Al-Atrash and Yousef (2000) find that dummy variable to be significantly negative. This means that intra-Arab trade is statistically lower than what it should be when the size and proximity of Arab countries are taken into account. Most of all, the coefficient of that variable allows to provide an estimate of the gap between actual and potential Arab trade. According to Al-Atrash and Yousef (2000)'s estimates, imports of one Arab country from another is on average one half (52.2%) of what it should be given their sizes and proximity.

Those authors subsequently refine their analysis by introducing more specific regional dummies, controlling for intra-Maghreb and intra GCC trade. They find that intra-GCC imports are less than 2% of what they should be, whereas intra-Maghreb imports are one half of their predicted value. Finally, when those sub-regional effects are controlled, they find that intra-Arab trade should be about 10 to 15 percent higher than what it is.

Those figures are sizeable. They should however be taken with care as they result from a single cross-section equation, with the usual limitation of that type of exercise. Further investigation is therefore warranted, but one may be fairly confident in the fact that intra-Arab trade is lower than what it may be. The question is now to determine how GAFTA may help in filling that gap.

## 3.2. An estimation of GAFTA's impact

Unfortunately, there is to our knowledge no analysis that may provide estimates of the impact of GAFTA on Morocco's trade with the same accuracy as Rutherford et al. (1997)'s analysis of the effects of the Euromed agreement. To get a gross impression of what may be expected, one can either analyse the country's scope for increased trade with its Arab partners, based on the complementarities of their productive structures, or extend the results of other studies and apply them to Morocco. These are the two routes we are going to follow.

First, some commentators of Arab trade have expressed their scepticism on the capacity of Arab regional trade agreements to be very effective. Their first argument rests on the magnitude of trade costs in the region. Al-Atrash and Yousef (2000) underline that intra-Arab trade may be hindered by the difficulty of the geographic terrain and by the distance between Arab countries. Specifically, it appears that several countries are indeed geographically closer to their non-Arab partners than to the rest of the Arab League. This in particular is true of Morocco, which is without doubt closer to the European Union than to Mashreq countries for instance.

As gravity equations show, distance is a significant impediment to trade. One may on the other hand argue that gravity equations also demonstrate the role of cultural distance in shaping trade flows. In that respect, the Arab world's linguistic and cultural proximity may to some extent make for physical distance.

Second, doubts have been expressed on the complementarity of Arab countries' productive structures, for Instance by Fischer (1993). It is thus argued that Arab countries' endowments in natural resources and factors of production are broadly similar. Those countries therefore share the same comparative advantages, which limits the scope for mutual inter-industry trade, according to the traditional theory of international trade. On the other hand, it can also be argued that those countries lack a diversified export base of manufactured goods. This may in turn reduce the potential for intra-industry trade, which might have compensated for the lack of mutual comparative advantage.

This view can however be challenged. Closer inspection of Arab countries' trade thus reveals that complementarities exist. For instance, Havrylyshyn (1997) computed a "complementarity index" that shows that the Arab region's product complementarity is of the same order of magnitude as those of MERCOSUR and APEC. Moreover, Devlin and Page (2001) study the revealed comparative advantages that Arab trade exhibits[15]. They observe that comparative advantages can be revealed even if one narrowly focuses on intra-Arab trade. They thus observe that Morocco in 1996 had a revealed comparative advantage on the rest of the Arab countries in 62 sectors, and a comparative disadvantage in 164 sectors. Among the 62 sectors in which Morocco exhibited a comparative advantage vis-á-vis the rest of the Arab League, it had a "strong" comparative advantage in 44 sectors[16]. In other words Morocco had a comparative advantage in 27.4% of the goods that it traded with its Arab partners, while it conceded a comparative disadvantage in the remaining 72.6%. By contrast, at the same time, it demonstrated a comparative advantage with only 17.9% of its traded goods with the EU.

A closer inspection of Arab countries' revealed comparative advantages shows that complementarities may clearly exist. For instance four of the top ten Moroccan revealed comparative advantages with the rest of the Arab region are related to the textile industry ("other woven textile fabrics", "knitted fabrics", "textile articles", "textile clothing accessories"). At the same time, the "vegetable fibres (cotton excluded)" sector is Egypt's largest revealed comparative advantage. A complementarity could be exploited here. Alternatively, Jordan's chief comparative advantage with respect to the Arab zone is to be found in the "raw fur skins" sector, while the leather sector exhibits Morocco's third largest revealed comparative advantage. There again, a complementarity could be exploited.

A final argument in favor of GAFTA's effects being sizeable is the fact that its members' trade policies have been so far restrictive. In 1995, government revenue shares generated by trade taxes

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[15] Revealed comparative advantages are measured by the Balassa index. It is defined as the ratio of a sector's share in a country's exports to that sector's share in world or regional trade. If the ratio is greater than one for a sector in a country, the country is an above-average exporter of the good considered. He therefore has a comparative advantage in that sector.

[16] What Devlin and Page (2001) name a strong comparative advantage is an advantage that is revealed by a Balassa ratio greater than 2.25.

were almost three times as high in the zone as in Latin American and Asian countries, as Devlin and Page (2001) remark. As a result, Arab countries' openness remains smaller than what it should be according to their sizes and development levels, which is observed by Al-Atrash and Yousef (2000). For Morocco, the ratio of its actual openness to the openness predicted by Al-Atrash and Yousef (2000) on the basis of its GDP and GDP per capita is only 21.52%. This can be viewed as a sign of the Kingdom's trade policy's restrictiveness. Removing existing legal impediments to trade may therefore positively affect its participation in regional trade.

Predicting the magnitude of that effect is however more difficult. To our knowledge, there is no study available that assesses the quantitative effects of GAFTA on Morocco's exports. However, it may be possible to use the results of previous work on African trade to derive the effect of that agreement. This is what we do in the rest of this section.

Our strategy rests on the assumption that distance imposes costs, and that it is these costs that reduce trade when distance increases between two partner countries. If one could express the cost of tariffs into their "kilometric" equivalent, one could derive the impact of the elimination or reduction of those tariffs on the volume of trade. Of course, tariffs are a fixed cost. When that cost is compared with transport costs, which increase with distance, it should be relatively smaller for countries that are further from the exporting country. The impact of the tariff reduction on bilateral trade should therefore not only depend on the magnitude of the tariff reduction but also on the proximity of the two partner countries. The simulations that follow are based on this intuition. The exact method that we used is described in Appendix 4.

As we used two estimates of transport costs and of the average tariff, we studied four scenarios that were all compared with the true value of Morocco's exports to the rest of the Arab region. Scenario 1 corresponds to a situation where both the transport cost and the initial tariff take high values. In scenario 2, only transport costs assume their high value. Scenario 3 describes a situation where both parameters have a low value. The transport cost is low but the tariff is high in scenario 4.

Figure 6 below compares the implications of the four scenarios in terms of aggregate Moroccan exports to the rest of GAFTA countries. All four are based on 1998 values of exports and are weighed against the true value of exports in that year.

**Figure 6: Predicted exports fom Morocco to its Arab partners (thousands of US dollars)**
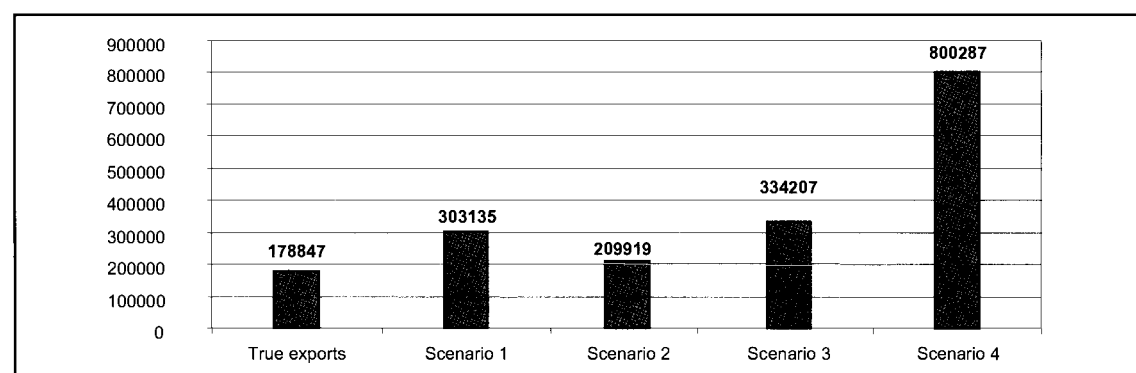
Unsurprisingly, all scenarios imply a increase in Morocco's exports with respect to the status quo. It shows that the results of the estimation are sensitive to the values assumed by the parameters. More to the point, the lower the transport cost and the higher the initial average tariff rate, the larger the effects of trade liberalisation. In the most favorable scenario, where the transport cost is low and the initial tariff is high, Moroccan exports can even increase fourfold. In the most restrictive scenario, Morocco's exports to its Arab partners still increase by 17%. As the comparisons of different scenarios depend directly on the value of the parameters, we will not comment on them any further. The reader may use the formula displayed in Appendix 4 to test other scenarios.

What may be more interesting is the distortion in intra-Arab trade that GAFTA may generate. Indeed, as the magnitude of the tariff duty relative to overall transport costs diminishes when the partner country is more distant, one should expect trade liberalisation to impact exports to neighbouring countries more than distant ones. Estimated distortions depend on the value of the parameters. We therefore display the results of our computations for our four scenarios, in addition to the benchmark case.

The results clearly show that exports to closer countries stand to benefit the most from trade liberalisation. If one focuses on Morocco's four main trade partners, one is led to conclude that the shares of the Kingdom's exports to Algeria and Tunisia increase, while the shares of its exports shipped to Syria and Saudi Arabia both shrink.

**Figure 7a: GAFTA's geographic distortion of trade**
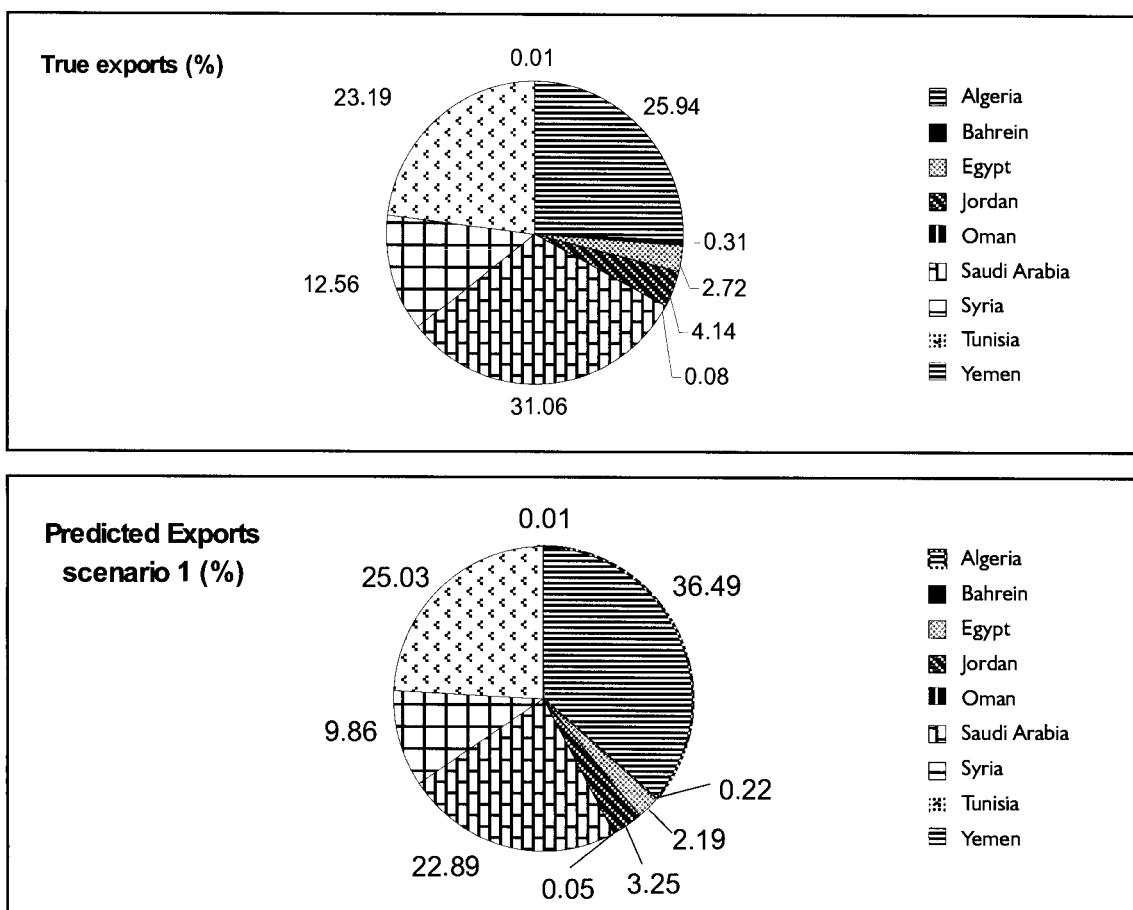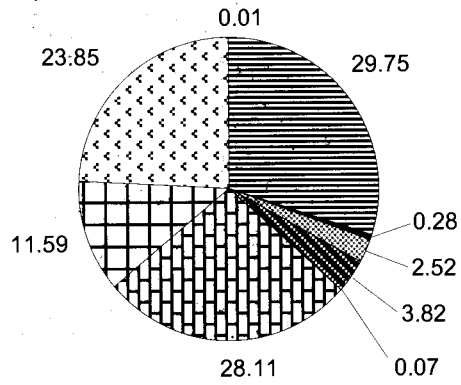


True exports (%)

0.01
23.19      25.94
0.31
12.56      2.72
4.14
0.08
31.06

■ Algeria
■ Bahrein
▨ Egypt
▩ Jordan
▮▮ Oman
▥ Saudi Arabia
▤ Syria
▦ Tunisia
▤ Yemen



Predicted Exports
scenario 1 (%)

0.01
25.03      36.49
9.86
0.22
22.89      2.19
0.05   3.25

▨ Algeria
■ Bahrein
▨ Egypt
▩ Jordan
▮▮ Oman
▥ Saudi Arabia
▤ Syria
▦ Tunisia
▤ Yemen

Predicted Exports scenario 2 (%)

0.01
23.85
29.75
11.59
0.28
2.52
3.82
28.11
0.07

Legend:
- Algeria
- Bahrein
- Egypt
- Jordan
- Oman
- Saudi Arabia
- Syria
- Tunisia
- Yemen



Predicted Exports scenario 3 (%)

0.01
25.28
37.90
9.50
0.21
2.12
3.13
21.80
0.05

Legend:
- Algeria
- Bahrein
- Egypt
- Jordan
- Oman
- Saudi Arabia
- Syria
- Tunisia
- Yemen



Predicted Exports scenario 4 (%)

0.01
26.69
45.92
7.44
15.60
0.15
0.03
1.71
2.45
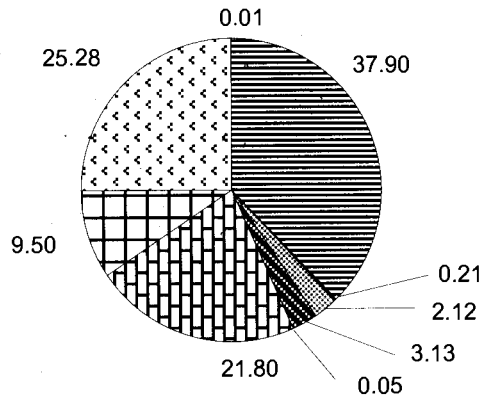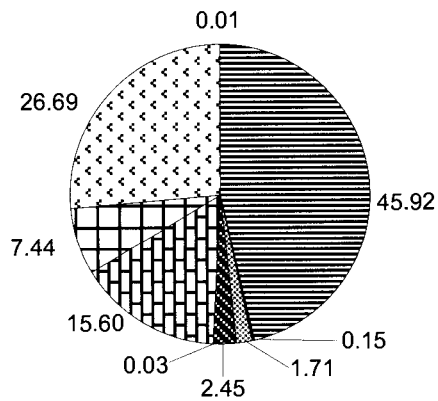
Legend:
- Algeria
- Bahrein
- Egypt
- Jordan
- Oman
- Saudi Arabia
- Syria
- Tunisia
- Yemen

**Figure 7b: A Ranking of the four scenarios**

50,00
45,00
40,00
35,00
30,00
25,00
20,00
15,00
10,00
5,00
0,00

Algeria  Bahrein  Egypt  Jordan  Oman  Saudi Arabia  Syria  Tunisia  Yemen

■ True exports  □ scenario 2  ⊞  ■
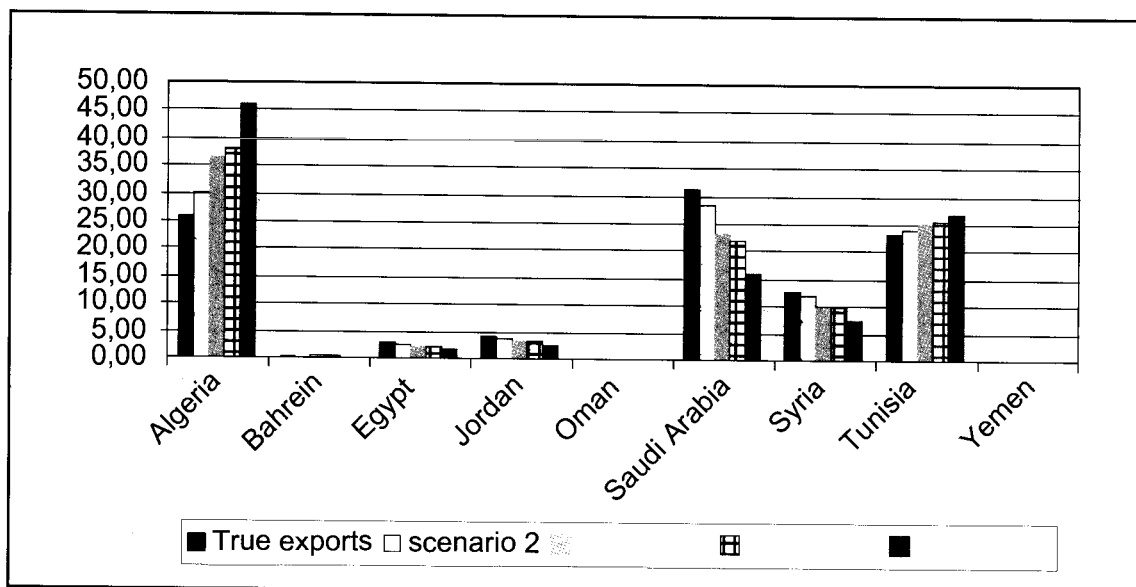
These results stem from the fact that Syria and Saudi Arabia are more distant from Morocco than Tunisia and Algeria. For the latter, duties presently amount to a much larger share of the cost of trade with Morocco. Removing such barriers to trade should therefore provide a greater impetus to these countries' imports from Morocco. The theory of international trade supports this line of reasoning. It shows that intra-industry trade should be more sizeable between neighbouring countries while being more sensitive to trade costs at the same time. The reduction of tariffs that is provided for in the GAFTA agreement may therefore allow countries that are close to each other to develop such trade. More distant countries do not have the possibility to develop intra-industry trade and therefore focus on inter-industry trade that is spurred by the exploitation of comparative advantages, namely marked differences in production costs, and is therefore less sensitive to transport costs. As the volume of trade increases between neighbouring countries, one should therefore also observe a variation in the composition of traded goods. More precisely, the share of intra-industry trade in total trade should accordingly increase.

# 4. Sector impact of trade integration with the European Union

Two strategies are available to estimate the impact of the Euromed agreement on Morocco's industries. The first one is to simulate the trade liberalisation shock in a calibrated model of the Moroccan economy. This is the route followed by Chater (2004) and that we present in subsection 4.1. The second route consists of using available estimates of the sensitivity to price differences of Moroccan exports. This is what we do in section 4.2.

# 4.1. A Simulation based on a computable general equilibrium model

Chater (2004) studies the impact of an elimination of Moroccan protection on imports from the European Union. With this end in view, he builds and uses a computable general equilibrium model of the Moroccan economy. Although the range of trade-policy scenarios that he studies his more limited than that of Rutherford et al. (1997), his model incorporates several improvements with respect to Rutherford et al. (1997)'s. We must therefore present his modelling strategy before presenting his chief results.

Chater (2004)'s model decomposes the Moroccan economy in thirteen production sectors that correspond to Morocco's national accounting's sectors. Agriculture is split in three sectors that differ with respect to their trade with the European Union. The manufacturing industry is decomposed in four sectors, along the lines of Moroccan national accounting (food industry, intermediary goods, capital goods, and final goods). The construction and public works industry is represented by one sector, like are non-marketable services. Marketable services, that include tourism, are described by a single sector. However, the banking and insurance industry is excluded from that sector and considered independently. The remaining sectors are the mining sector, which includes phosphates, and the energy sector.

All sectors use labor and capital as their inputs. The former is heterogeneous. Namely, three levels of skills are required in the production process. Labor is mobile between sectors but capital is not.

However, sectors differ in two ways that are Chater (2004)'s model's two main specificities. Namely, the model allows the introduction of imperfect competition of the economy and the possibility of increasing returns in some sectors. More precisely, all manufacturing sectors, the mining sector, the energy sector, and the banking and insurance sector exhibit increasing returns to scale. Moreover their structure is not competitive. Instead, firms of those sectors behave in a Cournot-Nash way. The other sectors are competitive and exhibit constant returns to scale.

Finally two differences with Rutherford et al. (1997)'s model remain. First, although it is static in nature, it allows considering capital accumulation and investment. Second, the loss of tariff revenues is not assumed to be compensated by increases in other taxes. The model therefore allows one to investigate the impact of the applied policy on Morocco's public deficit.

Chater (2004)'s main scenario consists in a complete elimination of Morocco's restrictions on the European Union's imports of goods and services. It is assessed against the status quo. That policy's global impact is displayed in Table 1 below.

It appears that production is slightly adversely affected by trade liberalisation. This, in turn, reduces available income but not consumption. Indeed, the reduction of available income is compensated by the fall of the price of imported goods. As production diminishes, labor demand is also negatively affected. This effect is stronger on skilled labor than on unskilled labor. This reflects Morocco's comparative advantage in lower technology productions with respect to the European Union.

## Table 1: Economy-wide effects of the elimination of duties on EU exports

| Main aggregates | Variation (%) | Government budget | Variation (%) | Labor market | Variation (%) |
|---|---|---|---|---|---|
| Production | _1.6 | Tariffs | | Labor demand | _2.3 |
| Available income | _3.4 | Direct taxes | _54.7 | Unskilled lab. demand | _1.1 |
| Consumption | 0.7 | Indirect taxes | _4.2 | Skilled labor demand | _3.2 |
| Gross investment | _10.1 | Tax income | _5.6 | | |
| Imports | 1.3 | | _12.0 | | |
| Imports EU | 7.25 | | | | |
| Imports RoW | _6.25 | | | | |
| Exports | 1.1 | | | | |

Source: Chater (2004).

Unsurprisingly, the government budget also faces a negative shock. This is mainly due to the loss of tariff revenues but also to the reduction of production that affects indirect taxes. The loss in government revenue and available income concur in reducing investment.

But the policy's most ironic impact can be observed in the balance of payments. Surprisingly, the removal of all protection on imports from the European Union only results in a mild increase in imports that is almost covered by an increase in exports. The reason for that result is to be found in the evolution of imports from the rest of the world. Namely, while European imports soar, imports from the rest of the world shrink. These countervailing effects leave the balance of trade virtually unchanged. However, this result suggests that a preferential liberalisation of trade with the European Union may cause considerable trade diversion.

Those aggregate results may hide sizeable differences between sectors. This is why Table 2 below displays Chater (2004)'s estimates of the effects of trade liberalisation.

## Table 2: Industry effects of the elimination of duties on EU exports

| | Production (% variation) | Imports EU (% variation) | Imports RoW (% variation) | Exports (% variation) |
|---|---|---|---|---|
| Agri. 1 | -2.7 | 41.7 | -4.4 | _0.5 |
| Agri. 2 | -5.5 | 31.2 | -6.1 | _2.9 |
| Agri. 3 | -2.6 | _2.6 | -2.6 | _0.001 |
| Mining | -0.3 | 7.1 | -3.4 | 0.5 |
| Energy | -0.1 | 26 | -4.7 | 2.8 |
| Food | -0.4 | 22.2 | -4.7 | 2.1 |
| Manuf. goods | 0.2 | 12.1 | -8.9 | 3.3 |
| Interm. goods | -0.3 | 11.7 | -4.7 | 2.2 |
| Capital goods | -5.1 | _8.8 | -11 | 0.4 |
| Construction | -8.8 | | | |
| Service | -0.7 | 0.7 | -2.1 | 0.3 |
| Banking | -1.4 | | | |
| Public | 0 | | | |
| **Total** | **-1.6** | **7.25** | **-6,2** | **1.1** |

Following Chater (2004), the sector effects of trade liberalisation can be summarised by considering three groups of sectors. The first group consists of the two first agricultural sectors. The second group is made of the two sectors that produce investment goods (capital and construction). The third and last group gathers all the other marketable sectors.

The first group was heavily protected. The removal of existing protection is therefore associated with a reduction of their production due to a massive increase in European imports. However, the reduction of their production remains limited. The investment goods sectors are more negatively affected. They suffer from the reduction of national savings, both private and public. All the other sectors are only moderately affected by the trade policy shock. The production of final goods even marginally increases.

Globally, apart from the three agricultural sectors, all sectors increase their exports. Associated with the fall in imports from the rest of the world, this dampens the impact of increased European imports on the balance of payments.

To sum up those results, almost all sectors, including agricultural sectors that were nevertheless the most exposed to EU imports, cope reasonably well with the trade policy shock. The two sectors that are the main losers of the policy package are the two sectors that produce investment goods, namely the construction sector and the capital goods sector. These two sectors are more vulnerable because they are hit by the reduction of national savings.

Those results deserve some qualifications and comments. Indeed, they rest on the hypothesis that Morocco reduces its trade protection vis-à-vis the European Union without receiving any trade concession in exchange. A simultaneous reduction in European trade restrictions may help Moroccan industries to increase their exports and cope better with the policy shock.

Furthermore, the scenario that has been presented so far assumes that the Moroccan authorities just cut down protection on European exports without taking any accompanying measure. This is unlikely. Chater (2004) therefore investigates other scenarios, including a fiscal reform, an increase in competition, an improvement of Moroccan firms' productivity, and an active exchange-rate policy. He then shows that those policies could be instrumental in helping Morocco to make the most of its trade policy reform.

## 4.2. An Estimation based on econometric results

The previous section assessed the effects on Morocco's trade of a reduction of its own trade protection. Now, the Euromed process entails a reduction of trade restrictions on both sides of the Mediterranean. To gauge the possible effects of a reduction of the European Union's trade protection we resort to the estimates of sectors' sensitivity to relative costs computed by Achy and Sekkat (2003).

These authors estimated exports equations for eleven sectors of five MENA countries, namely Algeria, Morocco, Tunisia, and Egypt, and Turkey. Among other determinants of exports to the European Union, they investigated the impact of the real exchange rate. In other words, their

analysis provides an estimate of the elasticity of exports of MENA economies to the European Union to the relative costs between the exporting country and the importing zone. If one assumes that trade liberalisation implies a diminution of the relative cost of Moroccan products vis-à-vis their European substitutes, this figure can be used to assess the impact of the Euromed agreement on Morocco's exports.

In their paper, Achy and Sekkat (2003) estimate several specifications of their exports equation. Those different specifications lead to different estimates of the elasticities of exports to the real exchange rate. For each sector, we picked up the smallest and the largest significant coefficient. Those coefficients give us the upper and lower bounds of the sensitivity of Morocco's exports to the reduction in relative costs in the event of an elimination of the European Union's tariffs. They are displayed in Table 3.

**Table 3: Estimated elasticities of Moroccan exports to the real exchange rate**

| Sector | Low elasticity | High elasticity |
|---|---|---|
| Energy | 0.4 | 1.69 |
| Food and agriculture | 0.58 | 0.93 |
| Textiles | 1.41 | 2.32 |
| Wood and paper | 0.49 | 1.38 |
| Chemicals | 0.24 | 0.93 |
| Iron and Steel | 1.03 | 1.16 |
| Nonferrous | 0.99 | 1.03 |
| Mechanical | 0.98 | 1.77 |
| Vehicles | 1.7 | 3.66 |
| Electrical | 1.01 | 3.05 |
| Electronic | 0.61 | 2.29 |

Source: Achy and Sekkat (2003).

Those figures may be difficult to interpret as such. We therefore summarize the information of Table 3 in Figure 8 below. In that figure, sectors are ranked by order of increasing elasticity to the real exchange rate. By elasticity here, we mean the average of estimated elasticity in Achy and Sekkat (2003)'s various specifications, when the estimated coefficient was statistically significant. Each average point estimate is complemented by the two extreme values assumed by the estimated parameter.

**Figure 8: Estimated elasticities to the real exchange rate of Morocco's exports sectors**

Although some uncertainty exists as to the true values of the parameters, a general pattern seems to emerge from Figure 8. Some sectors appear to be much more sensitive to the real exchange rate than others. Those differences may be explained by the homogeneity of the exported goods and by the size of the exporter's comparative advantage. The more homogeneous a product, the more sensitive its exports will be to differences in prices. On the other hand, if the exporter's comparative advantage is large enough, variations of the real exchange rate will not suffice to compensate it.

However, the point here is not to explain why some sectors are more sensitive to price differences than others but to investigate the impact of those differences on Morocco's trade. It is reasonable to assume that more sensitive sectors will benefit more from the reduction of the European Union's trade protection. If all sectors benefit from the same relative reduction of their price on the European market, those sectors whose elasticity to the real exchange rate is larger than one should see their share in Morocco's exports increase. Those sectors whose elasticity to the exchange rate is lower than one should see their share in Morocco's exports diminish.

If we focus on the average estimates of exports sensitivities to the real exchange rate, one may thus infer that the shares of the energy, iron and steel, mechanical, electronic, textiles, electrical, and vehicles sectors in Morocco's exports to the European Union should increase with trade liberalisation. On the opposite, the chemicals, food and agriculture, and wood and paper sectors should represent a lower share of the kingdom's exports after trade liberalisation. The non-ferrous sector, whose elasticity is close to one, should keep a constant share of the country's exports to the European Union.

To get an intuition of what those results may imply for Morocco's trade, Figure 9 below plots the estimated sensitivity of Morocco's exports against each sector's actual share in the country's exports to the European Union.

That figure reveals that there is no linear relationship between a sector's share in Morocco's exports and its sensitivity to relative price differences. Among Morocco's three leading exporting sectors, two, i.e. the chemical and the food and agriculture sectors, exhibit an elasticity that is lower than one. Only does the textiles sector exhibit an elasticity that is greater than one. As it is Morocco's main exporting sector, and totals 46% of the country's exports, the liberalisation of exports to the European Union may further increase Morocco's specialisation in the textiles industry.

**Figure 9: Sensitivity to the real exchange rate versus actual share in trade**
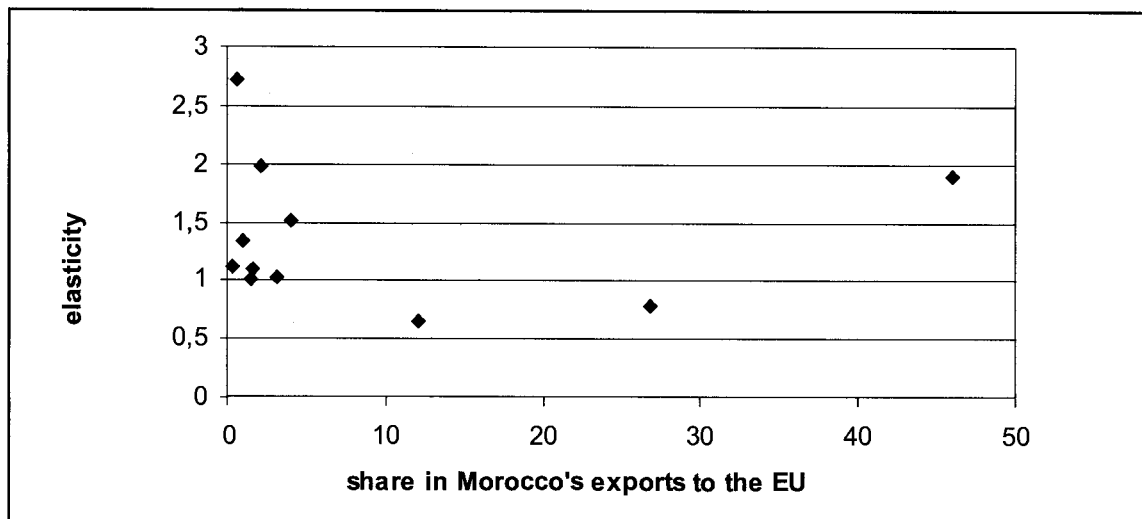


Besides, it appears, that the electronic sector, which is Morocco's fourth exporting sector, also happens to be sensitive to price differences. It may therefore reap an above average benefit from trade liberalisation. On the other hand, that sector's elasticity is lower than the elasticity of the textiles sector. It will therefore only marginally contribute to reduce Morocco's specialisation in the textile industry.

Those contentions should however be taken with care. Indeed, the impact of the Euromed trade agreement not only depends on the elasticity of each sector's exports but also on the level and reduction of tariffs that impede that sector's exports. Depending on the speed and nature of the European Union's trade concessions, the results may differ markedly.

Moreover, the evolution of Morocco's exports will not only depend on the revisions of the European trade policy spurred by the Euromed process, but on the evolution of the Union's trade policy as a whole. In particular, the end of the MultiFibre Agreement in 2005 will automatically affect the competitiveness of Moroccan exports to a great extent. As the Moroccan textile industry already benefits of a quasi-free access to the European market, the abolition of the MFA will in fact represent a "de-protection" of Moroccan exporters. Namely, for the Moroccan textile industry, the end of the MFA simply means that Chinese textiles can be imported without impediment on the European market. It will therefore only result in increased competition for Moroccan exports that may in fact decrease after 2005. At best, the Euromed process may help limit the decrease of Moroccan exports.

# 5. Conclusion

This report has briefly reviewed the existing literature on Morocco's trade and trade policy, and interpreted available evidence to provide rough estimates of the possible effects of the process of multiple regional trade integration to which the country is participating. It appears that multiple trade agreements cannot be assimilated to a sum of separate agreements. Instead, they may produce specific effects, both economic and political, that exceed the simple addition of separate agreements. The number of existing agreements, the order in which they are signed, and the compatibility of their provisions matter in determining the consequences of a country's trade policy.

Because of the complexity of the issues involved, we had to study the effects of Euromed and GAFTA separately. Inspection of the present state of Morocco's trade with both Europe and its Arab partners reveals that its volume is probably lower than what it could be. It is at any rate lower than what is observed among other partners of similar characteristics. This finding suggests the existence of a potential for increasing the Kingdom's exports by taking part in regional trade agreements.

Yet, it is not clear whether trade integration will suffice in filling Morocco's trade gap. However, available estimates, though of limited reliability, suggest that trade integration may be beneficial.

Other effects should also be expected. Namely, available results indicate that the Euromed agreement may cause trade diversion. In other words, increased trade with the European Union may be associated with lower trade with the rest of the world. As regards GAFTA, our analysis suggests that it may alter the geographic repartition of trade inside the Arab area. In the case of Europe, available evidence allowed to investigate the consequences of the Euromed process at the sectoral level. Our analysis implies that the industry composition of Morocco's exports may be altered by the elimination of European barriers to trade.

In any case, those conclusions must be interpreted with utmost care. Indeed, the actual evolution of Morocco's trade, and its impact on the country's economy and welfare, will eventually depend not only on its trade policy but also on the evolution of the trade policy of the rest of the world. Furthermore, the benefits and costs of Morocco's trade policy will depend on the accompanying measures that it will implement.

Those concluding remarks therefore mean that further research is warranted. To obtain more reliable estimates of the costs and benefits of Morocco's trade policy, more specific scenarios, involving different accompanying policies, should be investigated. Moreover, the issue of spaghetti regionalism should be tackled directly. This calls, among others, for an analysis of the compatibility and the economic consequences of different rules of origin.

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# Appendices

**Appendix 1: Moroccan trade-related legislative texts in force (March 2003).**

| Area | Legislative text | Date of entry into force |
|---|---|---|
| **Import and export of goods** | Law No. 13-89 on Foreign Trade | 1992, amended in 1997 |
| | Implementing decrees for Law No. 13-89 on Foreign Trade | 1993, 2000 |
| **Customs regulations** | Customs and Indirect Taxation Code | 1977, amended in 2000 |
| | Seven implementing decrees for the Customs Code | 1977, 1995, 1996, 1998, 1999, 2000, 2002 |
| | Finance Law (simplification of customs clearance procedures) | 1995 |
| | Decree determining the procedures for implementing the new free industrial warehouse customs regime established under the Finance Law | 1957, 1961, 1998 |
| | Two Dahirs determining the rate of the customs tariff on imports and the amount of import duty; Decree amending the amount of duty imposed on the import of certain goods | 2002 |
| | Decree suspending import duties and value added tax on the import of certain types of barley | 1997, 1998, 1999,, 2000, 2001 |
| | 16 Decrees amending the amount of customs duty imposed on the import of certain products | 2001 |
| | Two Decrees suspending import duties and value added tax on the import of certain products | 1985 |
| | Law No. 30-85 on value added tax (establishment of value added tax) | 1986, 1992, 1994, 1996, |
| | 10 Decrees implementing Law No. 30-85 on value added tax. | 1999, 2000, 2001, 2002 |
| **Parafiscal import tax** | Decree establishing the parafiscal import tax for economic financing and the inspection of exports at a rate of 0.25 percent *ad valorem* | 1994 |
| | Decree determining the products exempt from the parafiscal tax | 1995 |

| Area | Legislative text | Date of entry into force |
|---|---|---|
| **Veterinary sanitary inspection upon import and export** | Decree determining the rate of veterinary sanitary inspection fees for the import of animals, animal foodstuffs, freshwater and marine products | 1996 |
| **"Industrial" fish** | Dahir establishing the special tax on "industrial" fish. | 1952 |
| **Dried beet pulp** | | |
| **Commercial Code** | Law No. 15-95 containing the Commercial Code | 1996 |
| **Pricing and competition** | Law No. 06-99 on Pricing Freedom and Competition and its implementing decree | 2001 |
| **Free export zones** | Law No. 19-94 on Free Export Zzones and its implementing decree | 1995 |
| | Decrees Nos. 2-96-511 and 2-96-512 on the creation of the Tangiers and Nador free export zones | 1997 |
| | Decree No. 2-98-99 granting the concession for the development and management of the Tangiers free export zone to the "Tanger Free Zone" company | 1998 |
| | Decree-Law No. 2-02-644 creating the Tanger-Méditerranée Special Development Zone | 2002 |
| **Government procurement** | Decree on government procurement | 1999 |
| **Commercial courts** | Law establishing the Commercial Courts | 1997 |
| **SPS** | Law No. 24-89 laying down veterinary sanitary control measures for the import of animals, animal foodstuffs, products, products of animal origin, animal reproduction products, freshwater and marine products, and its implementing decree determining veterinary sanitary control measures for the import of animals | 1993 |
| | Decree No. 2-94-74 fixing the fees for veterinary sanitary inspection for the import of animals, animal foodstuffs, products of animal origin, animal reproduction products, freshwater and marine products | 1996 |

| Area | Legislative text | Date of entry into force |
|------|------------------|--------------------------|
| **SPS** | Decree No. 2-94-729 on the suspension of duties and taxes on the import of pure-bred live breeding animals of the camelidae species | 1994 |
| **New varieties of plants** | Law No. 9-94 on the protection of new varieties of plants and its implementing texts | 1997 |
| | Decree No. 2-01-2324 implementing Law No. 9-94 on the protection of new varieties of plants | 2002 |
| | Dahir No. 1-73-439 enacting the International Plant Protection Convention done at Rome in 1951 | 1974 |
| | Four Dahirs regulating the sanitary inspection of plants | 1927, 1949, 1950, 1954 |
| | Law No. 1-76-472 amending Dahir No. 1-69-69 (1969) regulating the production and marketing of seeds and seedlings | 1969, 1977 |
| | Law No. 42-95 on the control and organization of trade in pesticides for agricultural use | 1997 |
| | Dahir on the import of cotton seeds and the growing of cotton | 1939 |
| | Decree No. 2-63-369 banning the import and transit of all plants or parts thereof belonging to the eucalyptus genus Herit, Myrtacea family | 1963 |
| | Decree No. 2-97-512 on security for the proper conduct of import operations for cereals and pulses. | 1997 |
| | Dahir fixing the fee for sanitary inspection of imports and exports of plants, parts thereof, or plant products | 1933 |
| | Dahir on the control of exports of fruit and early fruit and vegetables of Moroccan origin | 1932 |
| **Labelling** | Decree fixing the labelling requirements for foodstuffs | 2002 |
| **Intellectual property** | Dahir on industrial property rights | 1916 |
| | Law No. 17-97 on industrial property protection, enacted in 2000 | Not yet in force |
| | Law No. 13-99 establishing the Moroccan Office for Industrial and Commercial Property (OMPIC) | 2000 |

| Area | Legislative text | Date of entry into force |
|---|---|---|
| | Law No. 2-00 on copyright and related rights | 2000 |
| | Decree No. 2-64-406 creating the Moroccan Copyright Bureau | 1965 |
| **Investment** | Framework Law No. 18-95 constituting the Investment Charter | 1995 |
| | Decree No. 2-00-895 implementing Articles 17 and 19 of Framework Law No. 18-95 | 2001 |
| | Decree No. 2-02-350 approving the single form for the creation of enterprises | 2002 |
| **Agricultural investment** | Dahir No. 1-69-25, as amended and supplemented by Dahir No. 1-97-171 and Dahir No. 1-01-55 constituting the Agricultural Investment Code | 1969, 1997, 2001 |
| | Decree No. 2-98-365 establishing a premium for certain agricultural investment | 1999 |
| | Decree No. 2-98-366 establishing a premium for the upgrading of citrus fruit products | 1999 |
| | Decree No. 2-98-367 supplementing Decree No. 2-85-891 determining the procedure for distribution of the financial support granted by the State in order to intensify agricultural production | 1999 |
| | Decree No. 2-85-891, as subsequently amended | 1985, 2002 |
| | Decree No. 2-69-313, as amended and supplemented by Decree No. 2-01-1966 regulating State incentives for the purchase of agricultural equipment | 2002 |
| **Special regulations:** | | |
| **Handicrafts** | Law No. 1-73-653 on technical control of the manufacture, packaging and export of Moroccan handicrafts | 1975 |
| **Cereals and pulses** | Dahir No. 1-95-8 enacting Law No. 12-94 on the organization of the National Interprofessional Cereals and Pulses Board and the organization of the market for cereals and pulses | 1995 |
| | Dahir No. 1-96-101 enacting Law No. 17-96 supplementing Law No. 12-94 | 1996 |

| Area | Legislative text | Date of entry into force |
|---|---|---|
|  | Decree No. 2-97-512, as amended by Decree No. 2-02-327 fixing the amount of security for the proper conduct of important operations for cereals and pulses | 1997, 2002 |
|  | Convention on Trade in Cereals | 1995 |
| **Pharmaceut icals** | Dahir No. 1-59-367 of 19 February 1960 regulating the exercise of the profession of physician, pharmacist, dental surgeon, herbalist, and midwife | 1960 |
|  | Decree No. 2-76-266 of 6 May 1977 on approval of authorization for the sale of pharmaceutical specialities and advertising of special medicine in dispensaries and of pharmaceutical specialities | 1977 |
| **Hydrocarbons** | Dahir No. 1-95-141 enacting Law No. 4-95 amending and supplementing Law No. 1-72-255 | 1995 |
|  | Decree No. 2-72-513 implementing Law No. 1-72-255 | 1973 |
|  | Decree No. 2-95-699 | 1996 |
|  | Dahir No. 1-99-340 enacting Law No. 27-99 amending and supplementing Law No. 21-90 on prospecting and exploiting hydrocarbon deposits | 2000 |
|  | Decree No. 2-99-210 amending and supplementing Decree No. 2-93-786 implementing Law No. 21-90 on prospecting and exploiting hydrocarbon deposits | 2000 |

*Source*: Trade and Industry Department of the Ministry of Industry, Trade and Telecommunications (undated), reprint in the 2003 trade policy review of the WTO.

## Appendix 2: MFN Duties

### Figure 2.1: Breakdown of MFN duties applied, 2002

Number of tariff lines
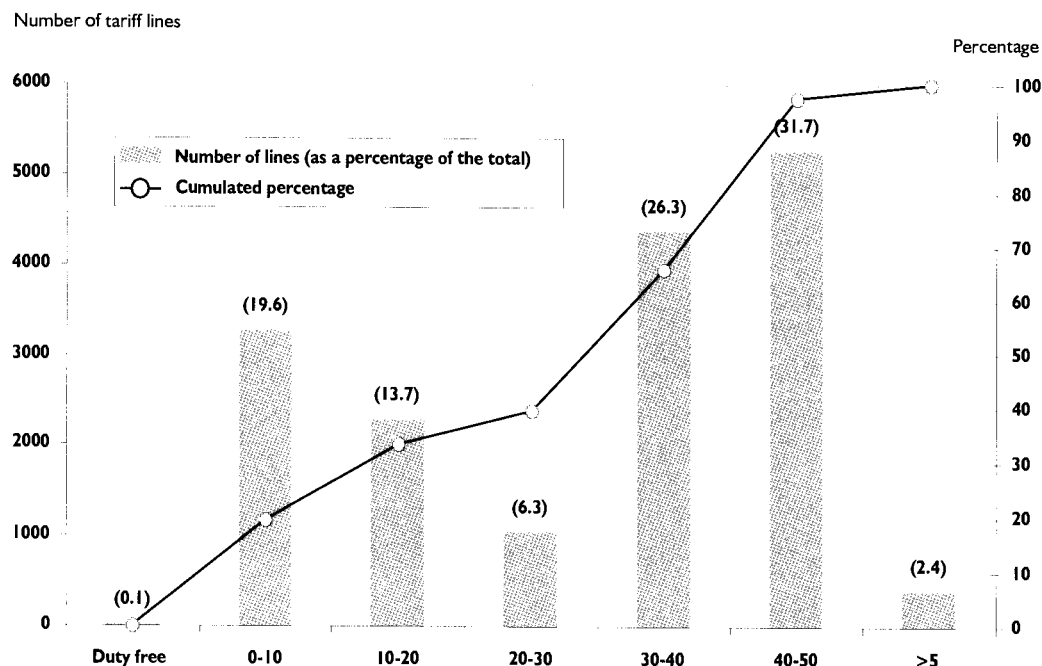


Note: The figures in brackets correspond to the percentage of total lines.

10- 20 includes tariff lines exceeding 10 per cent but not more than 20 per cent.

Source : WTO Secretariat calculations based on data provided by the Moroccan authorities. Reprinted in WTO (2003).

### Figure 2.2: Breakdown of MFN duties applied by sector (ISIC definitions) , 2002

Number of lines
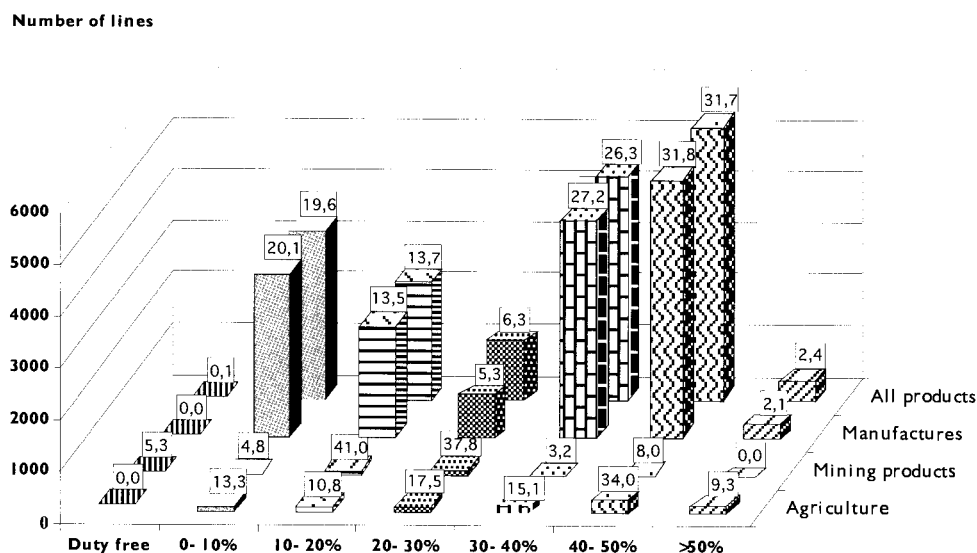


The figures in brackets correspond to the percentage of total lines.
10-20 per cent includes tariff lines exceeding 10 per cent but not more than 20 per cent.

Source: WTO Secretariat calculations based on data provided by the Moroccan authorities. Reprinted in WTO (2003)

# Figure 2.3:Tariff escalation, 2002
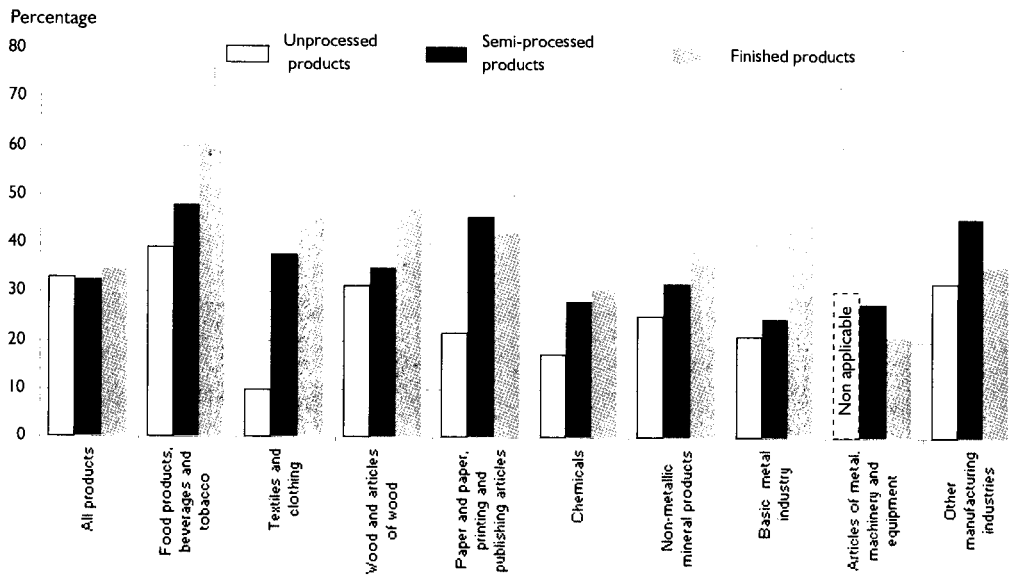


Note: The groups of products are defined by two digits in the ISIC.

Source: WTO Secretariat calculations based on data provided by the Moroccan authorities. Reprinted in WTO (2003)

## Appendix 3: Selected indicators of agriculture

### Table 3.1: Tariff commitments of Morocco in the agriculture sector

| Product | | Base tariff (%) (1995) | Final bound tariff (%) (2004) |
|---|---|---|---|
| Cereals & flour | Soft wheat | 190.0 | 144.0 |
| | Durum wheat | 224.0 | 170.0 |
| | Soft wheat flour | 182.5 | 139.0 |
| Sugar | Raw and refined sugar | 211.0 | 168.0 |
| Oilseeds and products | Oilseeds | 146.5/192.5 | 111.0/192.5 |
| | Raw vegetable oil | 283.5 | 215.0 |
| | Refined vegetable oil | 311.0 | 236.0 |
| Meats | Bovine meat | 315.0 | 239.0 |
| | Sheep meat | 380.0 | 289.0 |
| | Poultry | 132.5 | 101.0 |
| Milk and derivatives | Liquid milk | 115.0 | 87.0 |
| | Powder milk | 115.0 | 87.0 |
| | Cheese | 107.5 | 82.0 |

Source: Morocco's WTO Schedule.

### Table 3.2: Total domestic support (millions of DH)

| Support measures | Base period (1986-88) | 1995 | 1996 | 1997 |
|---|---|---|---|---|
| Measures exempt from reduction | | | | |
| Green box | 1 576 | 1 340 | 3 296 | 3027 |
| SDT development programs | 926 | 1 261 | 1 266 | 1 474 |
| Sub-total | 2 502 | 2 601 | 4 562 | 4 501 |
| AMS[17] | 790 | 94 | 250 | 91 |
| (as % of AMS ceiling) | | (12) | (33) | (12) |
| Total support | 3 292 | 2 694 | 4 812 | 4 592 |

Sources: Morocco's WTO Schedule and notifications to WTO.

### Figure 3.1: Proportion of farms by class of size
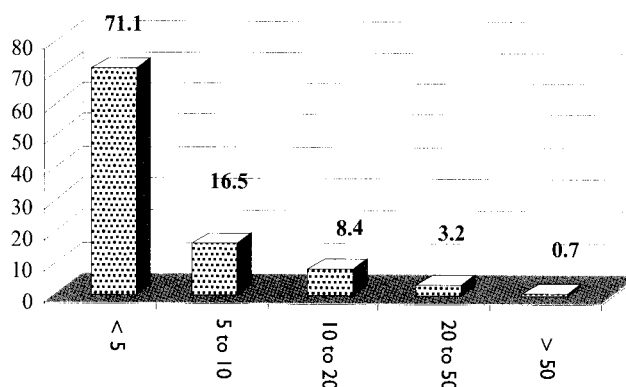


Source: General Agricultural Census (1996)

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[17] AMS: Aggregate Measure of Support includes market price supports, direct payments to producers, and input subsidies.

**Table 3.3: Irrigation**

|  | Share of irrigated farms | Share of irrigated land |
|---|---|---|
| Less than 5 ha | 40 | 19.1 |
| From 5 to 20 ha | 34.1 | 12.3 |
| From 20 to 50 ha | 35.1 | 10.8 |
| More than 50 ha | 44.5 | 16.8 |
| **All sizes** | **38.3** | **14.3** |

Source: General Agricultural Census (1996).

**Figure 3.2: Agriculture value added as a share of GDP)**
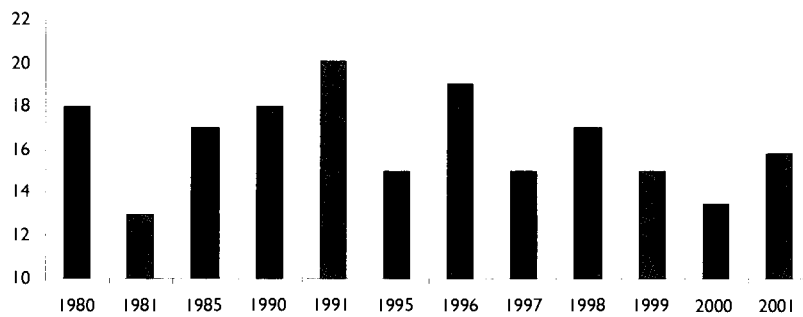


**Figure 3.3: Share of employment in agriculture**
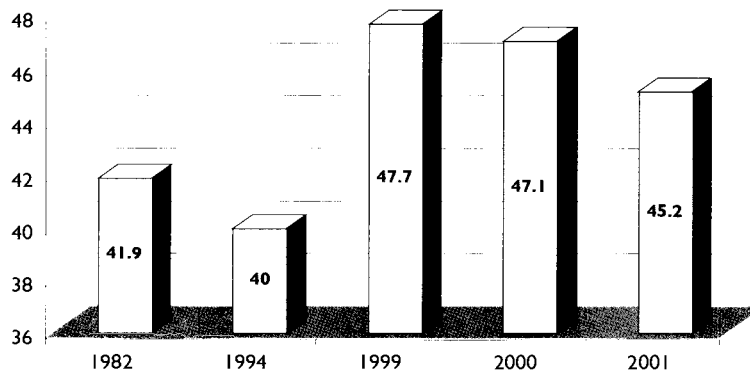


**Figure 3.4: Share of agricultural exports in the total exports and share of agricultural imports in total imports**
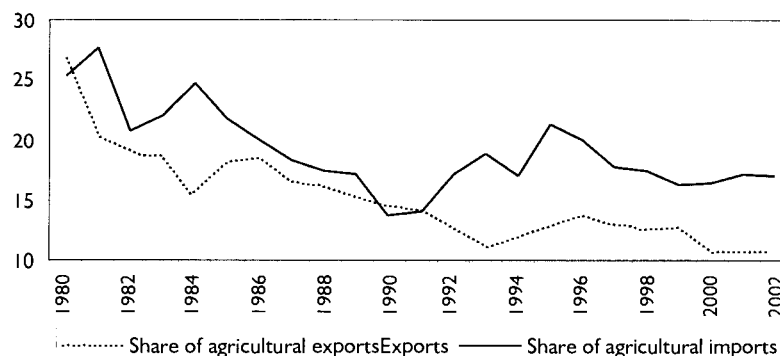
## Appendix 4: Method used to measure the kilometric equivalent of a tariff duty

Let us assume that exports initially face an ad valorem tariff named $t$. The absolute cost of the tariff for one unit of the traded good is therefore $t.P$, where $P$ is the price of the traded good.

Let us note $c$, the cost of transporting one dollar of goods over one kilometer. The cost of transporting one unit of goods over a distance d is therefore equal to $c.d.P$. Alternatively, one can say that the transport cost is $c.P$ per kilometer.

Given those assumptions, one can compute the "kilometric equivalent" of the tariff duty. It is defined as the distance over which the traded good could be transported if the cost of the tariff was used to finance additional transport instead. The kilometric equivalent of the ad valorem duty is therefore equal to $t.P / c.P = t / c$.

Once an estimate of the tariff's kilometric equivalent is available, one can use it to translate trade liberalization in terms of reduced distance. Namely, eliminating the tariff is equivalent to cutting down the bilateral distance between to partners by $t / c$. Given geographic bilateral distance $dij$, this is equivalent to a relative reduction of $(t / c) / dij$ of bilateral distance. If one notes e the elasticity of bilateral trade to distance, one can estimate the relative increase of exports from country i to country j:

$$\frac{\Delta X_{i,j}}{X_{i,j}} = e \frac{t}{cd_{i,j}} \qquad \text{(A1)}$$

This estimated percentage variation can be used to evaluate the impact of trade liberalization on the volume of Morocco's exports and also on the share of its partners in its trade.

In our estimations, the exporting country is always Morocco. The importing country can be any of its Arab trading partners. Bilateral distance is the usual direct distance between capital cities. We use the elasticity of bilateral trade to distance computed for African trade by Longo and Sekkat (2004). Its point estimate amounts to 3.14.

To calibrate our simulations, we needed a reasonable estimate of transport costs per dollar per kilometer. We found statistics of transport costs in Hummels (2001) and derived our estimates from them. However, transport costs can widely vary between sectors. As our computations are run on aggregate data, we used two values of c: 0.000192 and 0.00096.

For the same reason, we used two values of the average tariff rate: 10% and 40%.

# Appendix 5: Trade agreements and policy implications of their overlapping

## Table 5.1: Provisions of the main trade agreements

| | WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|---|
| **Purpose** | MFN treatment National treatment | Agreement for facilitation and promotion of trade among Arab countries in order to establish a free trade area by 2008 | Component of the Barcelona process. It establishes a FTA over a transitional period of 12 years and support Morocco's efforts to achieve sustainable economic and social development | Gradual elimination of customs duties on industrial products as to establish a FTA by 2005. Establish a FTA to develop economic activity, promote employment, increase productivity, and improve living standards in member countries. Harmonize macro and sectoral policies as to ensure fair competition among members. Close regulatory gap among members in order to facilitate their integration | - Free movements of goods and persons and revision of customs regulations with a view to establishing a free trade area | Desire to establish a FTA of US, Middle East and North Africa and contribute to regional integration and economic development | Gradually establish a FTA with a transitional period lasting a maximum of 10 years from the entry into force of the agreement |
| **Date of entry** | Member of the GATT since 1987 and WTO since 1/1/1995 | Pan-Arab Free Trade Area, in force since January 1st, 1998 after the decision taken in February 1997 by the Arab Economic Union (a body of the Arab League). | Signed on February 26th, 1996 and entered into force on March 1st, 2000 | Formally signed on the 25th of February 2004. Not yet ratified by the Moroccan parliament but expected to do so by the mid 2005 | 17th of February 1989 but incomplete institutional set up | Ratified by Moroccan parliament on January 18th, 2005 | Signed on April 7, 2004 and ratified by Moroccan parliament on January 14th, 2005 |
| **Membership** | Multilateral agreement Theoretically universal | Saudi Arabia, Bahrain, Egypt, UAE, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Palestinian Authority, Qatar, Sudan, Oman, Syria, Tunisia, and Yemen | Quasi similar agreement with Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian authority, Syria, Tunisia and Turkey | Morocco, Tunisia, Egypt, Jordan. Open to any Arab country member of the Arab league and the Arab FTZ and linked to the EU through an association or FTA | Algeria, Morocco, Tunisia, Libya, Mauritania | Morocco and US[18] | Morocco and Turkey[19] |

[18] Jordan has a similar FTA with US.
[19] Tunisia has signed a similar FTA with Turkey.

| | WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|---|
| **Sectoral coverage** | GATT/ GATS/ TRIPS | Free trade of manufactured goods by 2005 and progressive free trade of agricultural products by 2008. | Free trade in manufactured goods Progressive liberalization of agricultural products Eventually liberalization of trade in services and capital | Customs, services, certificates of origin, government purchases, financial dealings, preventive measures, intellectual property, standards & specifications, dumping and mechanisms to resolve conflicts | Movement of goods, services, capital, and labor | Manufactured goods, Agricultural products, services (financial services, telecommunication), Intellectual property rights, Investment Government procurement Labor, Environment. | Manufactured goods, Agricultural products. |

**Table 5.2: Tariff schedule**

| WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|
| Tariff binding coverage 100% MFN tariffs[20] (2002) Bound Applied: All 42.6 / 33.4 Agric. 60.4 / 53.2 Non agric 39.6 | Reductions in industrial tariffs over a 10-year period – 0% tariffs already in 2005 for some tariff lines. Tariffs to be abolished by the end of 2007. Six countries presented lists of products eligible for a transition period of 3 years starting from (16/9/1999). Those countries are: Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia. Tariff-like charges and taxes should be treated as tariffs. | *Manufactured goods imported from the EU by Morocco: -Products for which tariffs will be phased out over 3 years at annual rate of 25% -Products for which tariffs will be phased out over 12 years at an annual rate of 10%, with a 3 year grace period (starting date March 2003). *Agricultural imports | Progressive elimination of tariffs on manufactured products over the transition period and does not go beyond January 1st, 2005. Since the Agreement has not entered into force before 2005, there will be no transition period). The agreement is expected to enter into force by mid 2005. Tariff schedule for agricultural products (section 1 to 24 of HS) in accordance to the scheme laid down by Arab countries as to establish GAFTA. | Free trade agreement with Tunisia[23] with three groups of products (those that can be traded freely, those that are subject to a single duty of 17.5%, and products subject to gradual dismantling of customs tariffs and taxes having equivalent effect, to arrive at 0 rate by | 11 categories of products: A: duties to be eliminated on the date the agreement enters into force. B. Duties to be removed in 2 equal annual stages (year 1 & year 2) C. Duties to be removed in 5 equal annual stages (year 1 to year 5) D. Reduction of 50% of the base rate on year 1 and removal of the rest in 5 equal stages (year 2 by | Abolition of tariffs applicable in Turkey to products originating in Morocco upon the entry into force of the agreement. Similarly for products originating in Turkey and not listed in the protocol. (List I and II) |

| WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|
| 30.1<br><br>Non ad-valorem duties[21]<br><br>0.0<br><br>0.2 | Agricultural products: adoption of a calendar regime Members are allowed, however, to suspend preferential tariffs on some products (maximum of 10 products) in "harvest" season. However, this suspension cannot exceed 7 months. The maximum total exemption for all those items is 45 months.<br><br>(The Arab League's Economic and Social Council which monitors the progress made in GAFTA, decided in 2001 to move the deadline for the end of the transition period forward to early 2005)[22]. | from the EU subject to preferential tariff quotas<br><br>*Mutual trade concession entered into force in January 2004 and a "rendez-vous" clause is decided for 2007 to continue the dismantling process. | | January 1st, 2008).<br><br>Bilateral trade and tariff agreements with Algeria, Mauritania, and Libya[24] (exemption of customs tariffs and taxes having equivalent effect | to 6)<br>E. Duties to be removed in 8 equal annual stages (year 1 to year 8)<br>F. Duties to be removed in 9 equal annual stages (year 1 to year 9)<br>G. Duties to be removed in 10 equal annual stages (year 1 to year 10)<br>H. Reduction of 3% of the base rate from year 1 to 4 and removal of the rest in six equal stages from year 5 to 10<br>I. Duties to be removed in 12 equal annual stages (year 1 to year 12)<br>J. Duties to be removed in 15 equal annual stages (year 1 to year 15)<br>K. Maintain the base rate from year 1 to 6, reduction by 5.6% annually from year 7 to 12 and by 11.1% from year 13 to 18. | *List I: Tariffs will be phased out over 9 years at annual rate of 10% (textiles, leather, plastic material, electric machinery, wood and wood products)<br><br>*List II: reduction of 3% over the first 3 years and 15% starting from the fourth year; nine years after the date of entry into force of the agreement, the remaining duties will be abolished (personal cars and other personal transport machinery) |

20 Detailed data on MFN tariffs in Appendix 2.
21 (% of total tariff lines).
22 Arab Free Trade Area (www.medea.be)
23 FTA with Tunisia signed on March 16, 1999 in Rabat.
24 Commercial and Tariff agreement with Algeria (14/03/1989), Tariff and commercial agreement with Libya (29/06/1990), and Tariff and commercial agreement with Mauritania (4/8/1986).

**Table 5.3: Rules of origin**

| WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|
| Morocco applies two types of rules of origin: non-preferential (national definition) and preferential.

Goods wholly obtained in a country or goods obtained in a country using products and raw materials of foreign origin which have undergone full-scale processing (FSP) that has meant they have lost their original characteristics. FSP means working or processing that results in added | Art. 9: either entirely produced in a member country or have undergone sufficient transformation in a member country (value added >40%).

For assembly industry value added >20%.

Full cumulation of origin among GAFTA members is allowed.

The agreement underlines the necessity to harmonize rules of origin with the Euro Med. FTA | Either entirely produced in a member country or have undergone sufficient transformation in a member country "process criterion" transformation that results in a change of classification in HS with respect to materials used for production.

*Cumulation of origin is allowed between contracting parties (EU and Morocco).*

Theoretically also allowed with products originating from Tunisia and Algeria. But implementation of this provision requires ROO to be consistent among participating countries. | Rules of origin in conformity with Euro Med. rules of origin.

Process criterion. Cumulation allowed between contracting parties, EU countries, Island, Romania, Switzerland, Norway.

If a product has not undergone sufficient transformation, its origin is determined on the basis of the maximum value added. | With Algeria: natural products entirely obtained. Manufactured products for which the value added is at least 40% of the total cost (FOB) before taxes.

With Libya: products entirely obtained. Industrial products for which the value added is at least 40% of the global value of these products.

With Mauritania: animal, vegetal or mineral products entirely obtained. Industrial products manufactured with at least 60% of national inputs or for which the value added is at least 40% of the global value of the final product. | Wholly obtained in one of or both parties (Morocco, US) or the sum of the value of materials produced in the territory of one or both parties (plus) the direct costs of processing operation performed in the territory of one or both parties is not less 35% of the appraised value of the good at the time it is imported.

Specific rules of origin for textiles and apparel but also for some other products. These rules are similar to process criterion.

A party should accord preferential tariff treatment to fabric goods and apparel up to the combined annual quantities of 30 million square meters (sqm) | Process criterion. Cumulation allowed with materials originating from Algeria and Tunisia. But cumulation provisions only applicable to the extent that the same rules of origin to trade between parties (Turkey/ Algeria) and (Algeria Morocco) or (Turkey/ Tunisia) and (Morocco/Tunisi a) are identical[28] |

| WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|
| value at least equivalent to the import value of the inputs in the processing country[25]. | | | | With Tunisia: natural products entirely obtained. Industrial products for which the value added is at least 40% of the global value (exit-firm)[26] | equivalent from year 1 to year 4 and according to the schedule from year 5 to 10[27] | |

**Table 5.4: Trade flows and main imports and exports[29]**

| WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|
| (2003)<br>Trade to GDP: 52.5%<br>Merchandise exports FOB 83 887<br>Merchandise imports CAF 136 070 | Share of inter-Arab Trade in total foreign trade<br>1990  12%<br>1995  9%<br>2000  5% | Share of trade with the EU<br>M     X<br>1990  70%<br>55%<br>1995  74%<br>58%<br>2000  75%<br>52% | X (Egypt): 237 M DH<br>M(Egypt): 1182 M DH<br>X(Tunisia): 412 M DH<br>M(Tunisia): 676 M DH<br>X(Jordan): 149 M DH<br>M (Jordan): 16,4 M DH | X(Algeria): 228 MDH<br>M (Algeria): 1672 MDH<br>X(Libya): 442 MDH<br>M(Libya): 579 MDH<br>X(Mauritania): 228 MDH | X (U.S): 2347 MDH<br>M(US): 5513 MDH | X (Turkey) 469 MDH<br>M(Turkey) 2 B DH |

25 Trade Policy Review: Kingdom of Morocco (2003), WTO Secretariat..
26 In the four cases, direct transport is required..
27 United states- Morocco Free Trade Agreement, Chapter 4 Article 11. In year 5 (25,714 million sqm), year 6 (21,428 million sqm), year 7 (17,142 million sqm), year 8 (12,856 million sqm), year 9 (8,571 million sqm), and year 10 (4,285 million sqm)..
28 Free Trade Agreement between the Kingdom of Morocco and the Republic of Turkey: Protocol III, Title II, Article 4 (Cumulation with materials originating from Algeria and Tunisia).

| WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|
| | | 2003  75,7 | | M(Mauritania): 3,8 MDH | | |
| Agricultural (22%), Mining (17%), manufactures (61%) | **Main exports** Phosphoric acid and citrus (Saudi Arabia) **Main imports** petroleum oil and lubricants, and artificial plastic (Saudi Arabia), petroleum oil and lubricants (Iraq), | **Main exports** Textiles and textile products, vegetable products and mineral products **Main imports** Machinery and mechanical appliances, textiles and textile products, transportation equipment | **Main exports** Egypt: Sheet of iron, Flours of fish, fresh fish and canned fish Tunisia: Sheet of iron, paper pulp, raw lead, fruit and vegetable juices Jordan: cheese, canned fish **Main imports** Egypt: petroleum oil and lubricants, iron and steel, artificial plastic Tunisia: chemical products, pneumatic rubber tyres for cars, dates, cotton fabric, steel bars and sections Jordan: synthetic and artificial yarn, miscellaneous machinery | **Main exports** Algeria: medicine, phosphoric acid, raw lead, industrial cars Libya: dry vegetables, medicine, canned vegetables Mauritania: cement, electrical cables, citrus **Main imports** Algeria: Gas of petroleum, petroleum oil, and other hydro-lubricants, chemical products Libya: Gas oils and fuel oils, natural and chemical fertilizer, chemical products Mauritania: negligible | **Main exports** Electrical Machinery ($92 million), Salt, Sulphur, Earth and Stone (calcium phosphates) ($70 million), Woven Apparel ($49 million), Fruits and Nuts ($30 million) and Knit Apparel ($27 million). U.S. imports of agricultural products from Morocco totalled $83 million in 2003. Leading categories include: olives, mandarins, and fish. **Main imports** Aircraft ($131 million), Cereals (corn) ($75 million), Machinery ($39 million), Miscellaneous Grain, Seed, Fruit (soybeans) ($57 million), and Fats and Oils (soybean oil) ($17 million). | **Main exports** Chemical and para-chemical products, mineral products (phosphates), leather, paper and electronics **Main imports** Metallurgic products (steel bars and sections), mechanical products (cars, thermal engines...), electronic products (TV, radio), agricultural products (cereals), Textile products, chemical products (tires, glass products, cement, plastic products, paper and paper products). |

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[29] Detailed data on Moroccan foreign trade in Appendix 6.

**Table 5.5: State of Implementation and Main Issues**

| WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|
| *Some tariff lines are subject to rates in excess to bound rates (average duty applied increased from 23.5% in 1995 to 33.4% in 2002 partly as the result of converting quantitative barriers on agricultural products into tariffs)<br><br>*Some 40 lines are subject to variable rates depending on the import price and a minimum threshold price.<br><br>*TRQs not respected since all products concerned are | High heterogeneity among countries either in term of per capita income, human development or their progress in implementing economic reforms (trade liberalization, privatization of SOE...).<br><br>Political issues such as the Middle East conflict exert negative effect on the GAFTA project (first attempts for Arab economic integration started in the 50s).<br><br>Important flows of Smuggled goods (from Saudi Arabia, UAE, Libya, Algeria) that hurt local producers and official importers<br><br>Issues related no non tariff barriers in some of the countries, in addition to time-consuming administrative procedures.<br><br>There are no specific targets in many areas such as | Delays in implementation specifically in releasing industrial restructuring funds, slow progress in agricultural negotiations, the small budget allocated to Euro Med. cooperation with respect to objectives, the issue of incompatibility of rules of origin (GAFTA, bilateral trade agreements and Euro Med.) and the slow progress in South Med. integration, complex rules and procedures to export to the European market particularly for SMEs (issue mainly due to incompatible regulations and lack of mutual recognition agreements and the existence of TBT). | The agreement has not been yet implemented. Delays in ratification.<br><br>Despite the existence of bilateral trade agreement among member countries, the level of trade continues to be very low.<br><br>Existence of infrastructure problems (Road transport), visa problems, complex rules and procedures and non tariff barriers<br><br>Member countries are expected to work together in order to harmonize their regulations (Art 23) and to speed up the process of signing mutual recognition agreements. | 1992 planned FTA not established<br><br>Sahara Conflict<br><br>Low exchange of goods<br><br>- Incompatible Legislative<br><br>Bureaucratic Burdens<br><br>Weak international position | Just implemented Fears regarding agricultural sector. | Just implemented but industrial sector in Morocco seems already suffering from Turkish products in cement, ceramic and some food industries |

| WTO | GAFTA | Euro Med. Agreement | Agadir Agreement | Maghreb Arab Agreement | FTA with US | FTA with Turkey |
|---|---|---|---|---|---|---|
| subject to out-of-quota rates<br><br>* Issue of mixed escalation of customs duties)<br><br>*Issue of classification of products and customs valuation | standards, conformity assessment, mutual recognition (only reference to WTO)[30]. | | | | | |

[30] Although almost half countries in GAFTA are not WTO members.

## Table 5.6: Customs reforms

| Customs clearance procedures | Reform of the Custom Code: Law 02/99 on Customs and Indirect taxation code<br><br>Substantial reduction of customs clearance time<br>Use of a computer system for handling customs clearance<br>A multilingual customs website available for the public |
|---|---|
| Customs clearance documents | Single Declaration of Goods (DUM)<br><br>Since the 5th of October 1998, the principal method used for customs valuation has been the transaction value[31].<br>Reference prices abolished on the 1st of August 2002[32]. |

## Appendix 6: Trade and trade policy

### Table 6.1: Morocco: Structure of imports, 1994-2001[a] (US$ millions and percentage)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|
| Total imports | 7,193.7 | 8,540.5 | 8,253.5 | 7,877.5 | 10,287.3 | 10,787.6 | 11,533.4 | 11,034.0 |
| | (percentage) | | | | | | | |
| Primary products, total | 39.4 | 43.6 | 43.2 | 42.2 | 29.5 | 31.3 | 37.0 | 37.5 |
| Agriculture | 20.5 | 25.9 | 24.1 | 22.1 | 18.0 | 16.7 | 16.8 | 17.5 |
| Food products | 14.5 | 19.5 | 18.9 | 16.6 | 14.2 | 13.3 | 13.7 | 14.4 |
| 0412 Other wheat and meslin, not | 1.9 | 4.7 | 4.8 | 3.3 | 2.8 | 2.7 | 3.3 | 3.5 |
| milled | | | | | | | | |
| 0411 Durum wheat, not milled | 0.3 | 0.8 | 0.9 | 1.3 | 1.0 | 0.9 | 1.2 | 1.4 |
| 0611 Raw cane or beet sugar | | | | | | | | |
| 4211 Soyabean oil and fractions | 1.8 | 1.8 | 1.9 | 2.0 | 1.5 | 1.2 | 1.2 | 1.2 |
| thereof | 1.5 | 0.9 | 1.3 | 0.8 | 1.0 | 1.2 | 0.9 | 1.1 |
| 0449 Maize, not milled | 0.6 | 1.0 | 1.2 | 1.1 | 0.9 | 0.8 | 0.9 | 1.0 |
| 0430 Barley, not milled | 0.1 | 0.7 | 0.1 | 0.2 | 0.6 | 0.7 | 0.9 | 0.9 |
| Agricultural raw materials | 6.0 | 6.3 | 5.3 | 5.5 | 3.8 | 3.4 | 3.1 | 3.2 |
| Mining and quarrying | 18.9 | 17.8 | 19.1 | 20.1 | 11.5 | 14.6 | 20.2 | 20.0 |
| Ores and other minerals | 2.1 | 2.6 | 2.2 | 2.3 | 1.4 | 1.3 | 1.4 | 1.2 |
| 2741 All types of sulphur (except for | 1.7 | 2.2 | 1.7 | 1.9 | 1.1 | 1.0 | 1.2 | 0.9 |
| sublimated sulphur) | | | | | | | | |
| Non-ferrous metals | 1.4 | 1.4 | 1.3 | 1.3 | 1.1 | 1.0 | 1.1 | 1.2 |
| Fuel | 15.5 | 13.7 | 15.6 | 16.5 | 9.0 | 12.3 | 17.7 | 17.6 |
| 3330 Crude petroleum oil | 10.5 | 9.2 | 10.3 | 11.2 | 5.5 | 8.4 | 12.0 | 11.6 |
| 3425 Liquified butane | 1.4 | 1.7 | 1.9 | 2.1 | 1.2 | 1.5 | 2.2 | 1.9 |
| 3343 Diesel fuel | 0.0 | 0.4 | 1.1 | 0.9 | 0.5 | 0.6 | 1.3 | 1.5 |
| 3212 Other oils, including pulverized | 0.7 | 1.0 | 1.2 | 1.2 | 0.9 | 0.7 | 0.9 | 1.4 |

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[31] Prior to the 5th of October 1998, Morocco used the Brussels definition.
[32] Decree No. 2-02-347 of the 17th of July 2002 repealing Decree No. 2-98-517 of the 29th of September 1998 fixing the minimum values for goods at the customs and the list of goods to which they apply.

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|
| **Manufactures** | **60.6** | **56.3** | **56.7** | **57.8** | **70.5** | **68.7** | **62.9** | **62.4** |
| Iron and steel | 6.6 | 5.7 | 4.4 | 4.6 | 4.3 | 3.3 | 3.2 | 3.2 |
| 6726 Semi-finished products of steel | 0.5 | 0.2 | 0.4 | 0.5 | 0.4 | 0.4 | 0.9 | 0.7 |
| alloy | | | | | | | | |
| Chemicals | 12.2 | 11.9 | 12.7 | 12.4 | 10.5 | 9.4 | 8.7 | 9.7 |
| Other semi-finished products | 5.9 | 6.5 | 6.9 | 6.8 | 6.3 | 5.7 | 5.1 | 5.3 |
| Transport machinery and equipment | 27.1 | 23.3 | 23.6 | 24.3 | 28.6 | 29.8 | 27.5 | 24.4 |
| Machinery for producing energy | 1.8 | 0.5 | 0.5 | 0.4 | 2.6 | 2.8 | 0.7 | 0.4 |
| Other non-electrical machinery | 10.3 | 10.8 | 10.8 | 9.6 | 8.5 | 8.3 | 6.9 | 7.4 |
| Tractors and agricultural machinery | 1.2 | 0.6 | 1.1 | 0.6 | 0.5 | 0.4 | 0.3 | 0.3 |
| Office and telecommunications | 3.6 | 2.8 | 3.5 | 3.6 | 7.0 | 8.4 | 10.5 | 7.5 |
| equipment | | | | | | | | |
| 7643 Transmitters for radiotelephony, | 0.6 | 0.3 | 0.2 | 0.2 | 0.3 | 0.6 | 4.2 | 1.9 |
| television, etc. | | | | | | | | |
| 7763 Diodes, transistors, etc. | 0.1 | 0.1 | 0.1 | 0.1 | 3.1 | 3.1 | 2.0 | 1.8 |
| 7641 Electrical appliances for | 0.9 | 0.5 | 0.6 | 0.3 | 0.3 | 0.8 | 1.0 | 0.8 |
| telephony, etc. | | | | | | | | |
| Other electrical machinery | 3.0 | 2.8 | 2.6 | 3.0 | 2.5 | 2.8 | 2.9 | 3.4 |
| Products of the automobile industry | 3.9 | 3.7 | 4.7 | 5.4 | 4.9 | 5.0 | 4.1 | 4.6 |
| 7812 Motor vehicles for transport of | 1.2 | 1.1 | 2.2 | 2.3 | 1.5 | 1.8 | 1.4 | 1.8 |
| passengers, n.e.s. | | | | | | | | |
| 7821 Automobiles for transport of | 1.3 | 1.0 | 1.2 | 1.6 | 1.3 | 1.5 | 1.2 | 1.0 |
| goods | | | | | | | | |
| Other transport equipment | 4.6 | 2.6 | 1.5 | 2.3 | 3.0 | 2.5 | 2.4 | 1.0 |
| 7924 Aircraft, etc. > 15,000 kg. | 2.9 | 0.8 | 0.0 | 0.4 | 0.9 | 0.8 | 1.1 | 0.0 |
| Textiles | 4.7 | 4.7 | 4.8 | 4.9 | 14.0 | 13.0 | 11.8 | 12.7 |
| 6524 Other fabrics, containing at least | 1.0 | 0.9 | 1.2 | 1.2 | 2.4 | 2.1 | 1.8 | 2.2 |
| 85 percent of cotton by weight > | | | | | | | | |
| 200g/m$^2$ | | | | | | | | |
| 6552 Other knitted or crocheted | 0.2 | 0.2 | 0.2 | 0.2 | 1.4 | 1.4 | 1.5 | 1.4 |
| fabrics | | | | | | | | |
| Clothing | 0.2 | 0.1 | 0.1 | 0.2 | 1.9 | 2.2 | 2.0 | 2.3 |
| Other consumer goods | 4.0 | 4.2 | 4.2 | 4.6 | 5.1 | 5.3 | 4.5 | 4.7 |
| | | | | | | | | |
| **Other** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.1** | **0.1** |
| Gold | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |

a      The change in the method of entering sub-contracting transactions in the accounts in 1998 makes it difficult to compare statistics for the period prior to 1998 and those for later. Temporary entry imports were not entered as transactions in goods prior to 1998, but have been entered as such since then. For example, temporary entry imports without payment amounted to the following (in US$ million): 1,097.1 in 1994; 1,478.3 in 1995; 1,451.3 in 1996; and 1,647.0 in 1997.

Source:     WTO Secretariat calculations based on data taken from the Comtrade database (UNSD) (ISIC, Rev.3); data provided by the Moroccan authorities.

**Table 6.2: Morocco: Structure of exports, 1994-2001[a] (US$ millions and percentage)**

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|
| Total exports | 4,034.6 | 4,718.9 | 4,742.0 | 4,674.2 | 7,155.3 | 7,502.9 | 7,431.8 | 7,136.8 |
| | (percentage) | | | | | | | |
| **Primary products, total** | **46.5** | **48.6** | **49.7** | **50.6** | **34.5** | **34.6** | **35.9** | **35.1** |
| Agriculture | 31.8 | 34.8 | 35.4 | 33.5 | 22.8 | 22.6 | 23.5 | 22.4 |
| Food products | 28.4 | 31.4 | 32.9 | 30.9 | 21.2 | 20.9 | 21.5 | 21.0 |
| 0363 Molluscs | 8.8 | 9.8 | 9.1 | 7.8 | 5.6 | 5.3 | 7.8 | 5.6 |
| 0371 Fish preparations or preserved fish, n.e.s. | 3.9 | 3.8 | 3.7 | 3.7 | 2.7 | 2.7 | 2.7 | 3.2 |
| 0571 Oranges, etc. | 3.7 | 4.3 | 6.5 | 5.3 | 3.8 | 3.5 | 2.6 | 2.6 |
| 0567 Vegetable preparations or preserved vegetables, n.e.s. | 2.5 | 3.0 | 2.8 | 2.7 | 1.4 | 1.5 | 1.2 | 1.3 |
| Agricultural raw materials | 3.4 | 3.4 | 2.5 | 2.6 | 1.5 | 1.7 | 2.0 | 1.4 |
| Mining and quarrying | 14.7 | 13.7 | 14.3 | 17.0 | 11.7 | 12.0 | 12.4 | 12.7 |
| Ores and other minerals | 11.1 | 10.0 | 11.0 | 13.2 | 8.9 | 8.1 | 7.3 | 7.1 |
| 2723 Natural calcium phosphate | 7.0 | 6.0 | 7.3 | 9.3 | 6.4 | 6.1 | 5.2 | 5.2 |
| Non-ferrous metals | 1.5 | 1.5 | 1.6 | 1.9 | 1.3 | 1.2 | 1.4 | 1.4 |
| Fuel | 2.1 | 2.2 | 1.6 | 1.9 | 1.5 | 2.7 | 3.7 | 4.2 |
| 3341 Petrol for motors and other light oils | 2.1 | 2.2 | 1.1 | 1.3 | 0.8 | 1.3 | 1.7 | 1.5 |
| 3343 Diesel fuel | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 | 1.1 | 1.6 | 2.1 |
| | | | | | | | | |
| **Manufactures** | **53.5** | **51.4** | **50.3** | **49.4** | **65.5** | **65.3** | **64.1** | **64.7** |
| Iron and steel | 0.1 | 0.2 | 0.3 | 0.4 | 0.3 | 0.2 | 0.5 | 0.3 |
| Chemicals | 20.2 | 20.8 | 20.1 | 20.8 | 12.6 | 12.9 | 12.0 | 12.2 |
| 5223 Inorganic acids, etc. | 11.7 | 11.7 | 11.1 | 12.4 | 7.0 | 7.8 | 6.8 | 6.3 |
| 5629 Mineral or chemical phosphate fertilizers, n.e.s. | 0.2 | 0.1 | 0.6 | 2.9 | 3.7 | 3.3 | 3.3 | 4.0 |
| Other semi-finished products | 3.5 | 3.5 | 3.9 | 3.3 | 2.2 | 2.2 | 2.6 | 2.3 |
| Transport machinery and equipment | 4.1 | 3.2 | 2.9 | 3.0 | 8.8 | 10.6 | 11.0 | 10.8 |
| Machinery for producing energy | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other non-electrical machinery | 0.3 | 0.6 | 0.7 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Tractors and agricultural machinery | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Office and telecommunications equipment | 0.9 | 0.1 | 0.0 | 0.0 | 5.6 | 7.1 | 6.8 | 5.6 |
| 7763 Diodes, transistors, etc. | 0.8 | 0.0 | 0.0 | 0.0 | 4.5 | 5.3 | 6.0 | 5.3 |
| Other electrical machinery | 2.2 | 1.9 | 1.7 | 2.0 | 2.2 | 2.8 | 3.4 | 3.8 |
| 7731 Wires, cables and other insulated conductors for electricity, etc. | 1.5 | 1.5 | 1.5 | 1.8 | 1.7 | 2.2 | 2.6 | 3.2 |
| Products of the automobile industry | 0.5 | 0.5 | 0.4 | 0.6 | 0.3 | 0.3 | 0.3 | 0.8 |
| Other transport equipment | 0.2 | 0.2 | 0.1 | 0.1 | 0.5 | 0.1 | 0.3 | 0.3 |
| Textiles | 3.8 | 3.8 | 3.3 | 2.9 | 1.8 | 1.8 | 1.7 | 2.0 |
| Clothing | 18.3 | 16.9 | 16.4 | 15.5 | 35.5 | 33.3 | 32.3 | 32.8 |
| 8414 Trousers, bib and brace overalls etc. | 4.1 | 4.3 | 4.4 | 4.0 | 6.9 | 6.1 | 5.5 | 5.5 |

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|
| 8426 Trousers, bib and brace overalls etc. | 1.1 | 0.9 | 1.1 | 1.1 | 4.3 | 4.4 | 5.0 | 5.6 |
| 8454 T-Shirts and vests, knitted | 1.3 | 1.3 | 1.3 | 1.4 | 1.9 | 2.3 | 2.6 | 2.7 |
| 8453 Sweaters, pullovers, etc. | 2.7 | 2.6 | 2.9 | 3.3 | 2.8 | 2.8 | 2.4 | 2.5 |
| 8455 Brassières, corsets, etc. | 0.2 | 0.3 | 0.4 | 0.5 | 1.4 | 1.5 | 1.8 | 1.6 |
| 8415 Shirts and polo shirts | 1.7 | 1.3 | 1.0 | 0.8 | 2.3 | 1.8 | 1.5 | 1.5 |
| 8427 Ladies shirts and blouses | 0.2 | 0.1 | 0.1 | 0.1 | 1.8 | 1.6 | 1.4 | 1.2 |
| 8425 Skirts and divided skirts | 0.2 | 0.1 | 0.1 | 0.1 | 1.3 | 1.3 | 1.4 | 1.4 |
| 8458 Other clothing, not knitted or crocheted | 0.8 | 0.7 | 0.4 | 0.2 | 1.3 | 1.3 | 1.2 | 1.4 |
| Other consumer goods | 3.4 | 3.0 | 3.2 | 3.5 | 4.2 | 4.3 | 4.0 | 4.4 |
| **Other** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.1** | **0.2** |
| Gold | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 |

a   The change in the method of entering sub-contracting transactions in the accounts in 1998 makes it difficult to compare statistics for the period prior to 1998 and those for later. Temporary entry imports were not entered as transactions in goods prior to 1998, but have been entered as such since then. For example, temporary entry imports without payment amounted to the following (in US$ million): 1,566.8 in 1994; 2,158.3 in 1995; 2,140.5 in 1996; and 2,362.0 in 1997.

Source:   WTO Secretariat calculations based on data taken from the Comtrade database (UNSD) (ISIC, Rev.3); data provided by the Moroccan authorities.

## Table 6.3: Morocco: Origin of imports, 1994-2001[a] (US$ millions and percentage)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|
| **Total imports** | 7,193.7 | 8,540.5 | 8,253.5 | 7,877.5 | 10,287.3 | 10,787.6 | 11.533.4 | 11,036.7 |
| | (percentage) | | | | | | | |
| **America** | **14.2** | **12.7** | **15.1** | **14.2** | **11.8** | **11.0** | **10.7** | **9.9** |
| United States | 8.6 | 6.5 | 7.4 | 6.5 | 6.3 | 6.5 | 5.6 | 3.7 |
| Canada | 0.9 | 1.9 | 2.2 | 2.1 | 1.3 | 1.3 | 2.0 | 2.0 |
| Other countries in America | 4.7 | 4.2 | 5.5 | 5.6 | 4.3 | 3.2 | 3.2 | 4.2 |
| Brazil | 2.1 | 2.8 | 3.0 | 2.6 | 2.4 | 1.9 | 1.5 | 2.5 |
| Argentina | 1.0 | 0.5 | 1.6 | 1.7 | 1.3 | 0.7 | 0.9 | 1.3 |
| **Europe** | **62.6** | **66.4** | **61.7** | **59.8** | **69.7** | **68.2** | **64.3** | **62.6** |
| *EU(15)* | *56.5* | *56.1* | *54.1* | *52.1* | *62.7* | *60.6* | *57.9* | *54.0* |
| France | 22.6 | 21.8 | 20.8 | 20.7 | 26.3 | 25.8 | 24.0 | 22.5 |
| Spain | 8.8 | 8.5 | 8.8 | 9.0 | 10.3 | 11.1 | 9.9 | 9.5 |
| United Kingdom | 2.8 | 3.6 | 2.8 | 2.8 | 5.4 | 5.4 | 6.2 | 5.4 |
| Italy | 6.8 | 5.7 | 7.2 | 6.1 | 6.0 | 5.3 | 4.7 | 5.2 |
| Germany | 7.0 | 6.3 | 6.1 | 5.0 | 6.8 | 6.0 | 4.9 | 5.1 |
| Netherlands | 2.2 | 2.4 | 2.0 | 2.2 | 2.2 | 1.8 | 1.7 | 1.6 |
| Belgium and Luxembourg | 2.3 | 2.8 | 2.3 | 2.1 | 2.1 | 1.8 | 1.6 | 1.5 |

|  | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|
| Sweden | 1.8 | 2.1 | 1.4 | 1.5 | 1.5 | 1.4 | 2.2 | 1.3 |
| Finland | 0.5 | 0.6 | 0.6 | 0.4 | 0.3 | 0.5 | 1.0 | 0.5 |
| EFTA | 1.5 | 1.4 | 1.3 | 1.2 | 1.3 | 1.3 | 1.2 | 1.3 |
| Switzerland | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 | 1.1 |
| Eastern Europe | 3.9 | 7.8 | 5.4 | 5.6 | 4.4 | 5.1 | 4.2 | 6.1 |
| former USSR | 1.8 | 4.4 | 3.5 | 3.8 | 2.7 | 3.7 | 3.2 | 4.9 |
| Russian Federation | 1.5 | 3.3 | 2.8 | 2.4 | 1.3 | 2.6 | 2.2 | 3.4 |
| Other European countries | 0.7 | 1.1 | 1.0 | 0.8 | 1.3 | 1.2 | 0.9 | 1.2 |
|  |  |  |  |  |  |  |  |  |
| **Asia** | **15.6** | **14.8** | **14.4** | **17.5** | **13.6** | **16.3** | **20.0** | **19.1** |
| Middle East | 9.9 | 8.7 | 7.3 | 9.0 | 5.9 | 8.4 | 12.8 | 11.5 |
| Saudi Arabia | 5.4 | 5.3 | 6.0 | 6.9 | 3.3 | 3.2 | 5.0 | 4.7 |
| Iraq | 0.0 | 0.0 | 0.0 | 1.2 | 1.0 | 2.3 | 4.1 | 3.7 |
| Islamic Republic of Iran | 2.7 | 2.4 | 0.7 | 0.3 | 1.0 | 2.2 | 3.1 | 2.6 |
| Far East | 5.4 | 5.7 | 6.4 | 7.9 | 7.2 | 7.4 | 6.7 | 6.9 |
| China | 1.7 | 1.9 | 1.8 | 2.3 | 2.2 | 2.3 | 2.3 | 2.5 |
| Japan | 1.7 | 1.5 | 1.8 | 2.6 | 2.0 | 2.2 | 1.7 | 1.5 |
| Republic of Korea | 0.4 | 0.5 | 0.7 | 0.9 | 1.1 | 0.9 | 1.0 | 1.2 |
| South Asia | 0.3 | 0.4 | 0.8 | 0.5 | 0.5 | 0.5 | 0.5 | 0.7 |
|  |  |  |  |  |  |  |  |  |
| **Pacific** | **0.6** | **0.3** | **0.8** | **0.6** | **0.6** | **0.4** | **0.4** | **0.4** |
|  |  |  |  |  |  |  |  |  |
| **Africa** | **7.0** | **5.9** | **8.0** | **8.0** | **4.3** | **4.0** | **4.6** | **5.5** |
| Sub-Saharan Africa | 3.0 | 2.7 | 4.0 | 4.3 | 1.9 | 1.1 | 1.0 | 0.9 |
| Other African countries | 4.0 | 3.1 | 4.0 | 3.7 | 2.5 | 2.9 | 3.6 | 4.5 |
| Algeria | 1.7 | 1.3 | 1.2 | 1.5 | 0.7 | 1.3 | 1.7 | 1.8 |
|  |  |  |  |  |  |  |  |  |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.6 |

a       The change in the method of entering sub-contracting transactions in the accounts in 1998 makes it difficult to compare statistics for the period prior to 1998 and those for later. Temporary entry imports were not entered as transactions in goods prior to 1998, but have been entered as such since then. For example, temporary entry imports without payment amounted to the following (in US$ million): 1,097.1 in 1994; 1,478.3 in 1995; 1,451.3 in 1996; and 1,647.0 in 1997.

Source:   WTO Secretariat calculations based on data taken from the Comtrade database (UNSD) (ISIC, Rev.3); data provided by the Moroccan authorities.

## Table 6.4: Morocco: Destination of exports, 1994-2001[a] (US$ millions and percentage)

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|
| Total exports | 4,034.6 | 4,718.9 | 4,742.0 | 4,674.2 | 7,155.3 | 7,502.9 | 7,431.8 | 7,144.1 |
| | (percentage) | | | | | | | |
| **America** | **5.9** | **6.1** | **6.6** | **6.9** | **5.4** | **5.7** | **5.6** | **6.5** |
| United States | 3.5 | 3.4 | 3.5 | 3.5 | 2.8 | 3.4 | 3.4 | 3.9 |
| Canada | 0.5 | 0.6 | 0.8 | 0.7 | 0.6 | 0.6 | 0.4 | 0.4 |
| Other countries in America | 1.9 | 2.1 | 2.4 | 2.8 | 2.1 | 1.7 | 1.8 | 2.2 |
| Brazil | 0.8 | 0.9 | 0.6 | 0.9 | 0.7 | 0.6 | 0.9 | 1.1 |
| Mexico | 0.8 | 0.8 | 1.2 | 1.3 | 1.0 | 0.8 | 0.7 | 0.6 |
| **Europe** | **67.4** | **66.1** | **66.3** | **65.7** | **76.9** | **76.3** | **78.1** | **75.5** |
| **EU(15)** | **64.0** | **62.1** | **61.5** | **60.7** | **72.9** | **73.2** | **74.7** | **72.5** |
| France | 31.7 | 29.7 | 28.3 | 27.0 | 34.8 | 35.8 | 33.5 | 32.5 |
| Spain | 9.3 | 9.4 | 9.9 | 10.8 | 10.2 | 10.7 | 13.0 | 14.6 |
| United Kingdom | 3.9 | 4.5 | 3.9 | 3.8 | 9.5 | 8.9 | 9.6 | 8.2 |
| Italy | 5.7 | 5.7 | 6.3 | 6.4 | 5.0 | 5.1 | 7.1 | 5.7 |
| Germany | 4.3 | 4.1 | 3.9 | 3.4 | 6.0 | 5.7 | 5.0 | 4.7 |
| Belgium and Luxembourg | 3.4 | 3.1 | 3.5 | 3.4 | 3.1 | 2.7 | 2.8 | 2.5 |
| Netherlands | 2.9 | 2.4 | 2.7 | 2.7 | 2.0 | 1.9 | 1.7 | 2.1 |
| Portugal | 1.0 | 1.1 | 0.9 | 0.9 | 0.7 | 0.7 | 0.7 | 0.7 |
| EFTA | 1.0 | 1.2 | 1.0 | 1.2 | 0.9 | 0.7 | 0.6 | 0.8 |
| Eastern Europe | 1.2 | 1.5 | 1.8 | 2.3 | 2.2 | 1.7 | 1.7 | 1.4 |
| Former USSR | 0.3 | 0.5 | 0.7 | 1.0 | 1.3 | 0.9 | 0.9 | 0.9 |
| Russian Federation | 0.3 | 0.3 | 0.6 | 0.9 | 1.1 | 0.8 | 0.8 | 0.8 |
| Other European countries | 1.2 | 1.3 | 2.0 | 1.4 | 0.8 | 0.7 | 1.0 | 0.7 |
| Turkey | 0.8 | 1.0 | 1.6 | 0.9 | 0.5 | 0.5 | 0.7 | 0.5 |
| **Asia** | **18.0** | **18.8** | **18.7** | **19.0** | **12.2** | **12.4** | **11.5** | **10.8** |
| Middle East | 3.3 | 2.6 | 3.1 | 3.1 | 2.0 | 2.1 | 1.9 | 2.1 |
| Saudi Arabia | 1.4 | 1.3 | 1.3 | 1.5 | 0.8 | 0.9 | 0.8 | 0.7 |
| Islamic Republic of Iran | 1.2 | 0.5 | 0.8 | 0.9 | 0.4 | 0.7 | 0.6 | 0.4 |
| Far East | 8.2 | 9.2 | 8.1 | 7.3 | 5.2 | 4.9 | 4.9 | 4.0 |
| Japan | 6.6 | 7.7 | 6.9 | 5.5 | 3.8 | 3.6 | 3.8 | 3.0 |
| China | 0.4 | 0.8 | 0.4 | 1.0 | 0.8 | 0.5 | 0.5 | 0.5 |
| South Asia | 6.5 | 7.0 | 7.4 | 8.6 | 5.0 | 5.5 | 4.6 | 4.1 |
| India | 6.4 | 6.6 | 6.3 | 8.3 | 4.5 | 4.8 | 4.2 | 3.4 |
| **Pacific** | **0.6** | **0.5** | **0.8** | **1.2** | **0.8** | **0.7** | **0.8** | **1.1** |
| New Zealand | 0.3 | 0.3 | 0.6 | 1.0 | 0.6 | 0.5 | 0.6 | 0.8 |
| **Africa** | **7.6** | **8.0** | **7.3** | **6.7** | **4.4** | **4.4** | **3.7** | **4.2** |
| Sub-Saharan Africa | 1.6 | 2.2 | 2.5 | 2.6 | 2.0 | 2.1 | 1.8 | 2.1 |
| Other African countries | 6.0 | 5.9 | 4.8 | 4.1 | 2.4 | 2.4 | 1.9 | 2.1 |
| Libyan Arab Jamahiriya | 2.5 | 3.4 | 2.6 | 2.8 | 1.4 | 1.5 | 0.8 | 0.8 |
| Tunisia | 1.0 | 1.1 | 1.3 | 0.9 | 0.6 | 0.5 | 0.8 | 0.7 |
| | | | | | | | | |
| | 0.4 | 0.6 | 0.3 | 0.5 | 0.5 | 0.3 | 0.3 | 1.9 |

a       The change in the method of entering sub-contracting transactions in the accounts in
        1998 makes it difficult to compare statistics for the period prior to 1998 and those for
        later. Temporary entry imports were not entered as transactions in goods prior to 1998,
        but have been entered as such since then. For example, temporary entry imports without
        payment amounted to the following (in US$ million): 1,566.8 in 1994; 2,158.3 in 1995;
        2,140.5 in 1996; and 2,362.0 in 1997.

## Table 6.5: Morocco: binding of tariff quotas

| Description of product | HS Code | Quota (tonnes) | Bound rate applicable | Rate applied in 2002[a] (outside quota) | Final bound rate (outside quota) |
|---|---|---|---|---|---|
| Bovine meat | 0201 and 0202 | 5,000 | 82.5% | 60 and 284% | 239% |
| Sheep meat | 0204 | 3,300 | 82.5% | 339% | 289% |
| Poultry meat | 0207 | 6,400 | 62.5% | 50% - 128% | 34% and 101% |
| Milk | 0401.20 | 38,600 | 96.0% | 112% | 87% |
| Wheat | 1001 | 1,555,340 | 144.0% | 2.5% and 53.5[b] | 34% - 170% |
| Barley | 1003 | 2,770 | 113.0% | 2.5% and 36.5%[b] | 19% and 113% |
| Maize | 1005 | 204,400 | 122.0% | 2.5%[b] | 19 % and 122% |
| Rice | 1006 | 7,200 | 177.0% | 2.5% and 17.5%[b] | 19% - 195% |
| Sorghum | 1007 | 9,230 | 165.0% | 2.5%[b] | 34% and 165% |
| Soyabeans | 1201 | 17,700 | 111.0% | 2.5%[b] | 19% and 111% |
| Groundnuts | 1202 | 0 | 59.0% | 2.5% - 72.5% | 34% and 59% |
| Sunflower seeds | 1205 | 4,400 | 146.0% | 2.5% and 17.5%[b] | 34% - 158% |
| | 1206 | 0 | 139.0% | 2.5%[b] | 34% and 139% |
| Cottonseed | 1207 | 0 | 127.0% | 2.5% - 157% | 34% - 127% |
| Oil | 1507 - 1510 | 196,110 | 215.0% | 2.5% - 53.5% | 8% - 236% |
| | and 1512 - | | | | |
| | 1518 | | | | |
| Sugar | 1701 | 274,340 | 168.0% | 25% - 60%[b] | 168% |
| Cottonseed oil-cake | 2306.10 | 400 | 55.0% | 25% | 55% |
| Sunflower seed oil | 2306.30 | 1,000 | 62.0% | 25% | 62% |
| cake | | | | | |
| Colza seed oil-cake | 2306.40 | 200 | 72.0% | 25% | 72% |

a       In practice, the ex-quota rates apply to all imports of the products in question; rates within the quotas have not been
        applied.

b       Including variable rates of the type: 30% for the part of the declared value of DH 700/tonne or less, the part exceeding
        DH 700/tonne is subject to a 16% import duty.

## Table 6.6: MFN tariff statistics 2002

| HS Code | No. of lines | Description | Simple average | Range | Standard deviation | Imports 2000 (M$US) |
|---|---|---|---|---|---|---|
| | 16,676 | All products combined | 33.4 | 0 – 339 | 24.7 | 11,036.7 |
| | 2,395 | HS 01-24 | 53.2 | 0 – 339 | 45.1 | 1,622.4 |
| | 14,281 | HS 25-97 | 30.1 | 0 – 50 | 17.2 | 9,414.4 |
| | 2,290 | Agriculture (WTO definition) | 50.7 | 0 – 339 | 47.4 | 1,675.2 |
| | 14,386 | Non-agricultural products (including petroleum products) | 30.7 | 0 – 50 | 17.1 | 9,361.5 |
| | 14,358 | Non-agricultural products (excluding petroleum products) | 30.7 | 0 – 50 | 17.1 | 7,893.9 |

## Table 6.7: MFN tariff statistics by HS chapter 2002

| HS Code | No. of lines | Description | Simple average | Range | Standard deviation | Imports 2000 (M$US) |
|---|---|---|---|---|---|---|
| 01 | 71 | Live animals | 83.4 | 2.5 – 339 | 101.5 | 8.4 |
| 02 | 149 | Meat and edible meat offal | 141.2 | 50 – 339 | 110.3 | 2.1 |
| 03 | 234 | Fish and crustaceans. molluscs and other aquatic invertebrates | 49.6 | 17.5 – 50 | 3.3 | 6.4 |
| 04 | 172 | Dairy produce; birds' eggs; natural honey; edible products of animal origin. not elsewhere specified or included | 85.5 | 17.5 – 112 | 35.1 | 88.8 |
| 05 | 60 | Products of animal origin. not elsewhere specified or included | 35.8 | 2.5 – 53.5 | 14.0 | 5.3 |
| 06 | 45 | Live trees and other plants; bulbs. roots and the like; cut flowers and ornamental foliage | 29.7 | 2.5 – 50 | 20.2 | 6.7 |
| 07 | 160 | Edible vegetables and certain roots and tubers | 45.5 | 2.5 – 53.5 | 10.5 | 39.2 |
| 08 | 117 | Edible fruit and nuts; peel of citrus fruit or melons | 50.6 | 50 – 53.5 | 1.3 | 19.1 |
| 09 | 72 | Coffee. tea. maté and spices | 39.7 | 2.5 – 50 | 7.1 | 93.2 |
| 10 | 45 | Cereals | 20.6 | 2.5 – 53.5 | 14.5 | 794.4 |
| 11 | 144 | Products of the milling industry; malt; starches; inulin; wheat gluten | 53.4 | 32.5 – 105 | 14.9 | 2.3 |
| 12 | 125 | Oil seeds and oleaginous fruits; miscellaneous grains. seeds and fruit; industrial or medicinal plants; straw and fodder | 29.6 | 2.5 – 157 | 33.9 | 88.2 |
| 13 | 24 | Lac; gums. resins and other vegetable saps and extracts | 28.9 | 17.5 – 50 | 8.8 | 2.3 |
| 14 | 61 | Vegetable plaiting materials; vegetable products not elsewhere specified or included | 28.6 | 2.5 – 50 | 13.0 | 0.4 |
| 15 | 136 | Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes | 31.4 | 2.5 – 53.5 | 15.7 | 159.3 |
| 16 | 83 | Preparations of meat. of fish or of crustaceans. molluscs or other aquatic invertebrates | 50.1 | 50 – 53.5 | 0.7 | 2.9 |

| HS Code | No. of lines | Description | Simple average | Range | Standard deviation | Imports 2000 (M$US) |
|---|---|---|---|---|---|---|
| 17 | 96 | Sugars and sugar confectionery | 37.2 | 17.5 – 60 | 13.5 | 139.6 |
| 18 | 27 | Cocoa and cocoa preparations | 47.5 | 10 – 50 | 8.4 | 7.5 |
| 19 | 93 | Preparations of cereals. flour. starch or milk; pastrycooks' products | 49.5 | 32.5 – 73 | 8.4 | 8.5 |
| 20 | 270 | Preparations of vegetables. fruit. nuts or other parts of plants | 49.7 | 25 – 50 | 2.0 | 8.0 |
| 21 | 58 | Miscellaneous edible preparations | 46.0 | 2.5 – 53.5 | 8.8 | 16.9 |
| 22 | 88 | Beverages. spirits and vinegar | 50.8 | 40 – 53.5 | 1.9 | 13.3 |
| 23 | 51 | Residues and waste from the food industries; prepared animal fodder | 21.7 | 2.5 – 60 | 16.5 | 74.6 |
| 24 | 14 | Tobacco and manufactured tobacco substitutes | 23.4 | 17.5 – 25 | 3.2 | 64.9 |
| 25 | 145 | Salt; sulphur; earths and stone; plastering materials. lime and cement | 23.7 | 0 – 50 | 11.7 | 129.4 |
| 26 | 44 | Ores. slag and ash | 19.5 | 2.5 – 25 | 5.2 | 6.0 |
| 27 | 113 | Mineral fuels. mineral oils and products of their distillation; bituminous substances; mineral waxes | 22.5 | 2.5 – 50 | 8.6 | 1,945.9 |
| 28 | 395 | Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals. of radioactive elements or of isotopes | 26.0 | 2.5 – 50 | 13.0 | 138.7 |
| 29 | 742 | Organic chemicals | 18.8 | 2.5 – 50 | 6.7 | 157.3 |
| 30 | 142 | Pharmaceutical products | 23.9 | 2.5 – 50 | 11.5 | 121.9 |
| 31 | 61 | Fertilizers | 2.5 | 2.5 | 0.0 | 73.1 |
| 32 | 98 | Tanning or dyeing extracts; tannins and their derivatives; dyes. pigments and other coloring matter; paints and varnishes; putty and other mastics; inks | 26.8 | 10 – 50 | 17.3 | 80.3 |
| 33 | 84 | Essential oils and resinoids; perfumery. cosmetic or toilet preparations | 41.5 | 17.5 – 50 | 8.4 | 45.6 |
| 34 | 70 | Soap. organic surface-active agents. washing preparations. lubricating preparations. artificial waxes. prepared waxes. polishing or scouring preparations. candles and similar articles. modelling pastes. 'dental waxes' and dental preparations | 36.4 | 2.5 – 50 | 16.3 | 23.9 |
| 35 | 48 | Albuminoidal substances; modified starches; glues; enzymes | 31.4 | 2.5 – 50 | 15.1 | 20.0 |
| 36 | 31 | Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations | 38.2 | 2.5 – 50 | 13.6 | 2.0 |
| 37 | 160 | Photographic or cinematographic goods | 11.1 | 2.5 – 50 | 9.8 | 18.0 |
| 38 | 224 | Miscellaneous chemical products | 25.0 | 10 – 50 | 14.0 | 118.0 |
| 39 | 758 | Plastics and articles thereof | 42.2 | 2.5 – 50 | 13.3 | 386.1 |
| 40 | 239 | Rubber and articles thereof | 36.9 | 2.5 – 50 | 15.6 | 76.3 |
| 41 | 171 | Raw hides and skins (other than furskins) and | 27.2 | 2.5 – 40 | 17.6 | 68.9 |

| HS Code | No. of lines | Description | Simple average | Range | Standard deviation | Imports 2000 (M$US) |
|---|---|---|---|---|---|---|
| | | leather | | | | |
| 42 | 65 | Articles of leather; saddlery and harness; | 46.7 | 2.5 – 50 | 10.8 | 10.0 |
| | | travel goods, handbags and similar containers; | | | | |
| | | articles of animal gut | | | | |
| 43 | 31 | Furskins and artificial fur; manufacturers | 42.7 | 25 – 50 | 11.5 | 0.3 |
| | | thereof | | | | |
| 44 | 418 | Wood and articles of wood; wood charcoal | 34.9 | 10 – 50 | 10.8 | 178.6 |
| 45 | 33 | Cork and articles of cork | 44.8 | 2.5 – 50 | 10.5 | 0.1 |
| 46 | 36 | Manufactures of straw, of esparto or of other | 47.1 | 32.5 – 50 | 6.6 | 0.2 |
| | | plaiting materials; basketware and wickerwork | | | | |
| 47 | 53 | Pulp of wood or of other fibrous cellulosic | 21.5 | 2.5 – 32.5 | 7.7 | 19.6 |
| | | material; recovered (waste and scrap) paper | | | | |
| | | and paperboard | | | | |
| 48 | 423 | Paper and paperboard; articles of paper pulp, | 45.8 | 2.5 – 50 | 9.8 | 166.2 |
| | | of paper or of paperboard | | | | |
| 49 | 58 | Printed books, newspapers, pictures and other | 31.6 | 2.5 – 50 | 17.3 | 43.9 |
| | | products of the printing industry; manuscripts, | | | | |
| | | typescripts and plans | | | | |
| 50 | 68 | Silk | 29.0 | 2.5 – 40 | 11.0 | 8.9 |
| 51 | 124 | Wool, fine or coarse animal hair; horsehair | 27.3 | 2.5 – 40 | 15.3 | 72.1 |
| | | yarn and woven fabric | | | | |
| 52 | 853 | Cotton | 37.2 | 2.5 – 40 | 5.1 | 525.2 |
| 53 | 132 | Other vegetable textile fibers; paper yarn and | 27.9 | 2.5 – 40 | 14.9 | 24.3 |
| | | woven fabrics of paper yarn | | | | |
| 54 | 310 | Man-made filaments | 35.3 | 2.5 – 40 | 9.8 | 114.0 |
| 55 | 522 | Man-made staple fibers | 34.7 | 2.5 – 40 | 10.6 | 411.2 |
| 56 | 137 | Wadding, felt and non-woven; special yarns; | 34.9 | 2.5 – 50 | 13.1 | 57.3 |
| | | twine, cordage, ropes and cables and articles | | | | |
| | | thereof | | | | |
| 57 | 46 | Carpets and other textile floor coverings | 50.0 | 50 | 0.0 | 1.2 |
| 58 | 185 | Special woven fabrics; tufted textile fabrics; | 40.8 | 40 – 50 | 2.7 | 102.5 |
| | | lace; tapestries; trimmings; embroidery | | | | |
| 59 | 84 | Impregnated, coated, covered or laminated | 32.9 | 2.5 – 50 | 13.6 | 41.1 |
| | | textile fabrics; textile articles of a kind suitable | | | | |
| | | for industrial use | | | | |
| 60 | 101 | Knitted or crocheted fabrics | 40.0 | 40 | 0.0 | 158.3 |
| 61 | 235 | Articles of apparel and clothing accessories, | 49.3 | 17.5 – 50 | 4.5 | 126.2 |
| | | knitted or crocheted | | | | |
| 62 | 318 | Articles of apparel and clothing accessories, | 50.0 | 50 | 0.0 | 112.9 |
| | | not knitted or crocheted | | | | |
| 63 | 186 | Other made up textile articles; sets; worn | 44.1 | 2.5 – 50 | 11.6 | 11.1 |
| | | clothing and worn textile articles; rags | | | | |
| 64 | 163 | Footwear, gaiters and the like; parts of such | 50.0 | 50 | 0.0 | 36.7 |
| | | articles | | | | |
| 65 | 38 | Headgear and parts thereof | 47.6 | 10 – 50 | 9.1 | 0.8 |

| HS Code | No. of lines | Description | Simple average | Range | Standard deviation | Imports 2000 (M$US) |
|---|---|---|---|---|---|---|
| 66 | 15 | Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof | 50.0 | 50 | 0.0 | 0.6 |
| 67 | 18 | Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair | 21.1 | 10 – 50 | 18.4 | 2.0 |
| 68 | 125 | Articles of stone, plaster, cement, asbestos, mica or similar materials | 37.1 | 2.5 – 50 | 12.8 | 16.3 |
| 69 | 104 | Ceramic products | 41.2 | 2.5 – 50 | 13.7 | 32.5 |
| 70 | 242 | Glass and glassware | 35.1 | 2.5 – 50 | 13.9 | 43.3 |
| 71 | 145 | Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin | 35.2 | 2.5 – 50 | 14.6 | 14.0 |
| 72 | 614 | Iron and steel | 20.1 | 2.5 – 50 | 7.8 | 331.4 |
| 73 | 425 | Articles of iron or steel | 38.5 | 2.5 – 50 | 15.0 | 122.4 |
| 74 | 297 | Copper and articles thereof | 28.6 | 2.5 – 50 | 13.4 | 62.8 |
| | | Nickel and articles thereof | | | | |
| 75 | 88 | Aluminum and articles thereof | 19.3 | 17.5 – 50 | 7.6 | 1.2 |
| 76 | 133 | Lead and articles thereof | 33.0 | 2.5 – 50 | 15.4 | 71.0 |
| 78 | 22 | Zinc and articles thereof | 41.9 | 25 – 50 | 11.2 | 2.9 |
| 79 | 19 | Tin and articles thereof | 24.1 | 2.5 – 50 | 12.1 | 17.2 |
| 80 | 17 | Other base metals; cermets; articles thereof | 34.4 | 17.5 – 50 | 10.9 | 0.4 |
| 81 | 99 | Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal | 36.3 | 2.5 – 50 | 17.5 | 0.3 |
| 82 | 180 | | 21.8 | 2.5 – 50 | 22.5 | 34.3 |
| 83 | 106 | Miscellaneous articles of base metal | 45.3 | 10 – 50 | 9.3 | 31.4 |
| 84 | 1,078 | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 12.2 | 2.5 – 50 | 16.4 | 1,068.8 |
| 85 | 767 | Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles | 19.2 | 2.5 – 50 | 17.9 | 1,066.9 |
| 86 | 68 | Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signaling equipment of all kinds | 9.0 | 2.5 – 40 | 13.8 | 4.6 |
| 87 | 515 | Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof | 27.7 | 2.5 – 50 | 17.3 | 535.4 |
| 88 | 52 | Aircraft, spacecraft, and parts thereof | 23.4 | 2.5 – 50 | 16.4 | 22.2 |
| 89 | 24 | Ships, boats and floating structures | 3.8 | 2.5 – 10 | 2.9 | 12.6 |
| 90 | 341 | Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof | 7.0 | 2.5 – 50 | 9.8 | 128.6 |

| HS Code | No. of lines | Description | Simple average | Range | Standard deviation | Imports 2000 (M$US) |
|---|---|---|---|---|---|---|
| 91 | 95 | Clocks and watches and parts thereof | 10.9 | 2.5 – 40 | 6.0 | 11.2 |
| 92 | 28 | Musical instruments; parts and accessories of | 25.7 | 10 – 50 | 19.9 | 0.6 |
| | | such articles | | | | |
| 93 | 64 | Arms and ammunition; parts and accessories | 47.9 | 17.5 – 50 | 6.3 | 1.9 |
| | | thereof | | | | |
| 94 | 205 | Furniture; bedding, mattresses, mattress | 47.0 | 2.5 – 50 | 10.6 | 58.3 |
| | | supports, cushions and similar stuffed | | | | |
| | | furnishings; lamps and lighting fittings, not | | | | |
| | | elsewhere specified or included; illuminated | | | | |
| | | signs, illuminated name-plates and the like; | | | | |
| | | prefabricated buildings | | | | |
| 95 | 99 | Toys, games and sports requisites; parts and | 10.2 | 2.5 – 50 | 4.2 | 25.4 |
| | | accessories thereof | | | | |
| 96 | 143 | Miscellaneous manufactured articles | 44.9 | 2.5 – 50 | 12.7 | 59.7 |
| 97 | 9 | Works of art, collectors' pieces and antiques | 25.6 | 17.5 - 50 | 14.1 | 0.1 |

Source: WTO Secretariat calculations based on data provided by the Moroccan authorities.

## Appendix 7: Perceived advantages and inconveniences of the multiplicity of regional trade agreements

| Advantages | Shortcomings |
|---|---|
| Administration<br><br>- Progressive approach for liberalizing trade<br><br>- Selective approach<br><br>- Obtain reciprocal or even preferential treatment<br><br>- Better to rely on a set of strategic partners in order to progressively achieve a full integration in the world economy<br><br>- Benefit from technical and financial assistance (case of MEDA programs with the EU, assistance from US) | - Burden of managing various and sometimes incompatible or conflicting provisions<br><br>- Risks of not applying correctly provisions<br><br>- Lack of harmonization which may be harmful to both trade and FDI<br><br>- Depending on its technical capacity and negotiation power a country may be forced in a non-multilateral agreement to make far concessions in some aspects (case of Morocco with the US in TRIPS, and services)<br><br>- Multiplicity of RTAs may weaken developing countries bargaining power in multilateral negotiations. |
| **Private actors**<br><br>- Obtain preferential treatment on various markets and for a wider range of products<br><br>- Limit the extent of foreign competition by granting preferential treatment to a limited number of partners<br><br>- Possibility to engage in selected joint ventures. | - Increase the gap between MFN and preferential tariff rates which restraints trade with countries not belonging to any of the RTAs and limits trade diversification. |

Source: table constructed from interviews of a group of entrepreneurs and civil servants involved in foreign Trade activities.