U.S.–Morocco Free Trade Agreement Agriculture Provisions

General Trade Profile

In 2003, the U.S.-Morocco trade balance in agricultural products was a surplus of about $82 million. That year, the United States exported over $152 million in agricultural products to Morocco. During the same period, the United States imported about $70 million of agricultural products from Morocco.

Key Elements of the Agreement

Export Subsidies. The United States and Morocco have agreed to not use agricultural export subsidies in each other's markets, unless the exporter believes that a third country is subsidizing its exports into the other FTA country's market. In such cases, special provisions provide for measures to counter the third country's subsidies.

Export State Trading Enterprises. The United States and Morocco have agreed to work in the World Trade Organization (WTO) toward an agreement that: (1) eliminates restrictions on the right to export; (2) eliminates special financing granted directly or indirectly to state trading enterprises that export for sale a significant share of that country's exports of an agricultural good; and (3) ensures greater transparency in the operation and maintenance of export state trading enterprises.

Agricultural Trade Forum. The United States and Morocco affirm their desire to provide a forum for addressing agricultural trade issues, working through the Joint Committee established under the Agreement.

Rules of Origin. The Agreement contains strong but simple rules of origin, consistent with other U.S. free trade agreements in the region. The general rules of origin are designed to ensure that only U.S. and Moroccan goods benefit from the preferential market access commitments. More detailed provisions apply to a few agricultural goods.

Sanitary and Phytosanitary Measures. Under the Agreement, the United States and Morocco affirm their existing rights and obligations under the WTO SPS Agreement. In addition, they forego recourse to the Agreement's dispute settlement procedures for any SPS issues arising under the SPS Section of the agriculture chapter, and affirm their desire to create a forum on SPS matters through the Joint Committee.

Moroccan Commitments on Market Access:

The Agreement enhances access to the Moroccan market for U.S. agricultural products, while at the same time complementing Morocco's agricultural reform efforts and preserving the economic and social stability in a sector of the Moroccan economy that employs almost half of the population.

Morocco will provide preferential market access on all agricultural products according to schedules negotiated on a product-specific basis. Preferential tariff phase-outs on most products will occur in equal annual installments over the following phase-out periods: immediate, five years, eight years, ten years, 12 years, 15 years, and 18 years. Tariffs on other products will be phased out using non-linear formulas applied over six years, 18 years, 19 years and 25 years. Additional tariff cutting formulas apply to certain items on which Morocco will establish preferential tariff-rate quotas (TRQs).

The Agreement establishes preferential TRQs for high quality and standard quality beef, whole birds, leg quarters, durum wheat, non-durum wheat, almonds, and apples. The details of the preferential TRQs vary by product, but in general, the imported product receives a preferential duty reduction for a specific quantity that expands over time. Volumes imported over the specific amounts have higher tariffs. The lower in-quota tariffs are eliminated, except for common wheat, as are the higher over-quota tariffs, except for durum wheat, non-durum wheat, and standard quality beef. In addition, the Agreement contains a provision ("preference clause") that will afford U.S. exporters of products such as wheat, beef, poultry, corn, soybeans, and corn and soybean products any better market access Morocco gives other trading partners, thereby giving U.S. exporters a new tool to compete with Europe and others in Morocco's market.

U.S. Commitments on Market Access:

The United States will provide preferential market access on all agricultural products according to specific schedules negotiated on a product-specific basis. Preferential tariff phase-outs will be immediate, five years, eight years, ten years, 12 years, 15 years, and 18 years. Except for products in the 18-year period, U.S. tariffs will be reduced in equal annual installments over the phase-out period. Tariffs in the 18-year period will be phased out using a non-linear formula.

The Agreement establishes preferential TRQs for Morocco for beef, dairy products, peanuts, cotton, tobacco, sugar and sugar-containing products, tomato products, tomato sauces, dried onions, and dried garlic. Under these TRQs, the imported (Moroccan) product receives a zero duty for a specific quantity that expands over the implementation period. Volumes imported over the specific amounts have higher tariffs. The higher tariffs are gradually eliminated over 15 years, except for sugar and sugar-containing products that have an 18-year phase-out period. Sugar and sugar-containing products also are subject to a net surplus exporter methodology.

U.S. and Moroccan Market Access Commitments on Specific Products:

<u>Beef.</u> The Agreement provides for new access to a market previously closed to U.S. beef. Morocco's tariffs on beef are as high as 275 percent. The Agreement includes two preferential TRQs, one for high quality beef and a second for standard quality beef.

High Quality Beef. High quality beef is defined by tariff line and other common U.S. industry standards such as grading (prime or choice). The initial in-quota quantity for the TRQ on high quality beef will be 4,000 metric tons, and will expand by four percent annually. The in-quota tariff will be reduced initially to 45 percent and subsequently phased out in equal annual increments by year five. The over-quota tariffs will be eliminated in 18 years in equal annual installments. Morocco may establish an import licensing system for high quality beef, and the Agreement contains provisions to ensure that any such import licensing program and procedures do not impede the orderly fill of the TRQ. Imports of U.S. beef will be sold to and in certain hotels and restaurants.

Standard Quality Beef. The initial in-quota quantity for the TRQ on standard quality beef will be 2,000 metric tons, and will expand by two percent annually after five years. The in-quota tariffs will be eliminated in equal annual installments over ten years. Over-quota tariffs will remain in place unless Morocco negotiates a reduction with another trading partner, which the United States would receive under the preference clause described above.

Morocco agreed to accept export certificates from the United States Department of Agriculture's Food Safety and Inspection Service (FSIS) as the means for certifying compliance with standards on hormones, antibiotics, and other residues.

The United States will establish a preferential TRQ for 15,000 kilograms of beef from Morocco at zero duty, with the in-quota quantity growing by four percent a year. Overquota tariffs will be phased out over 15 years in equal annual installments.

<u>Poultry and Poultry Products.</u> Morocco's tariffs on most poultry are 124 percent. Morocco will create four preferential TRQs for U.S. exports of poultry.

Chicken Leg Quarters and Wings. The initial TRQ in-quota quantity for leg quarters will be 4,000 metric tons and will expand by 200 metric tons each year until the over-quota tariff is eliminated. Morocco will immediately lower the inquota tariffs to 60 percent, and phase out the tariffs by year ten in equal annual increments. The over-quota tariffs will be phased out by year 25 using a nonlinear formula. Morocco has recourse to a quantity-based safeguard on these products. The safeguard allows for specified tariff increases after import quantities increase to levels specified in the Agreement. No later than year 24, Morocco and the United States will evaluate the need for a post-transition safeguard. If implemented, the post-transition safeguard allows a tariff of 25 percent of the prevailing applied MFN rate to be imposed on imports that exceed 105 percent of the previous year's imports.

Whole Chickens and Turkeys. The initial TRQ in-quota quantity for whole birds is 1,250 metric tons, and will expand by 100 metric tons each year until the overquota tariff is eliminated. Morocco will immediately lower the in-quota tariffs to 60 percent, and phase out the tariffs by year ten in equal annual increments. The over-quota tariffs will be phased out by year 19 using a non-linear formula. During the transition period, Morocco has recourse to a quantity-based safeguard on these products. The safeguard allows for specified tariff increases after import quantities increase to levels specified in the Agreement. The safeguard on these products will expire when tariff protection has been phased out.

Frozen Chicken Thigh Meat and Other Frozen Poultry Meat. Morocco also will create two separate TRQs for non-mechanically de-boned frozen meat from chickens. The in-quota tariff for the thigh meat TRQ will be phased out in equal annual increments over five years; the TRQ in-quota quantity will expand from 125 to 185 tons as the over-quota tariff is phased out over ten years in equal annual increments. The in-quota tariff for the other frozen poultry meat will be phased out in equal annual increments over ten years; the TRQ in-quota quantity will expand from 75 to 172 tons over 18 years as the over-quota tariff is phased out by year 19 using a non-linear formula.

Morocco will immediately eliminate its tariffs on mechanically de-boned chicken and chicken nuggets, strips, and patties. Morocco will phase out its 124 percent tariff on nonmechanically de-boned chicken breasts and line tenders and its 52 percent tariff on chicken sausages in five years in equal annual increments. Morocco will phase out its 124 percent tariff on chicken livers and offals and its 50 percent tariff on certain processed turkey products in ten years in equal annual increments.

Morocco agreed to accept export certificates from the United States Department of Agriculture's Food Safety and Inspection Service (FSIS) as the means for certifying compliance with standards on hormones, antibiotics, and other residues.