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Recent Trade Agreements Strengthen the Relationship Between the United States and Morocco

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The United States and Morocco share a deep-rooted political, economic and security relationship which dates back to Morocco's recognition of an independent United States in 1777. The economic- and trade-related strategic partnership between the two countries centers around a 2004 Free Trade Agreement ("FTA") designed to reduce trade barriers and bolster economic relations between the two countries. The FTA eliminated most duties on goods and services, and also implemented socio-political reforms to make Morocco a more desirable market for foreign investment. Since taking effect on January 1, 2006, the FTA has had a substantial impact, with trade between the two countries increasing over 300 percent in that span. As one of the few open markets and stable political regimes in Northern Africa, Morocco continues to be an important regional partner for the United States' economical and national security interests.

Within the last year, the United States and Morocco have announced two additional agreements further strengthening their emerging bilateral economic and trade relationship and encouraging U.S. businesses to expand trade and investment in Morocco. The two agreements, a Customs Mutual Assistance Agreement ("CMAA") and a Trade Facilitation Agreement ('TFA"), represent the United States' continued commitment to one of its strongest allies in the region.

Customs Mutual Assistance Agreement

As the volume, speed, and complexity of international trade continues to increase, the need for heightened security and oversight at the United States' borders and ports also grows. It has ordinarily been the U.S. Customs and Border Protection's ("CBP's") basic responsibility to collect duties on imported goods and control the flow of goods and passengers. In recent years, the globalization of trade has required CBP's role to expand in order to ensure accurate collection of duties and to combat transnational crime. However, customs officials often operate with minimal information; goods arrive with little or no external support or background information to assist them with their controls, other than Customs declarations and accompanying documents. Accordingly, the United States has entered into CMAAs with other countries to reduce the risk of customs offenses. CMAAs provide a legal framework for the exchange of information between custom officials in different countries and territories, thereby enabling customs administrations to prevent, repress, and, investigate customs offenses.

On November 21, 2013, the United States entered into a CMAA with Morocco; the 68th agreement that the United States has entered into with another country or territory and only the 6th CMAA with an African country. The collaboration between the United States and Morocco will improve the detection, investigation, and enforcement of customs violations, including smuggling, money laundering, trade fraud, and other financial crime. Acting Secretary of Homeland Security Rand Beers explained that the CMAA with Morocco "provides a framework for information sharing and cooperation between our customs administrations as they combat transnational crime and endeavor to protect our respective national frontiers."

Trade Facilitation Agreement

The U.S. and Morocco also signed a TFA on November 21, 2013 building on the commitments contained in the 2004 FTA to further reduce trade barriers and increase cooperation between customs authorities.

Article 1 of the TFA provides for greater transparency, requiring each country to publish on the internet any laws, regulations, procedures, and other information affecting trade. The TFA also attempts to expedite the release of goods through simplified customs procedures, greater use of information technology, and express shipping procedures. For instance, under the TFA parties may submit and process customs information prior to the goods' arrival, and customs duties and other charges may be paid for electronically. Additionally, under Articles 9-11, neither country may require a consular transaction, use of a customs broker, or pre-shipment activities, all of which may impede trade. In conjunction with the CMAA discussed above, the TFA addresses border security by requiring implementation of risk management systems that enable customs officials "to focus its inspection activities on high-risk goods." Finally, the TFA expands on the procedural safeguards contained in the original FTA, providing the right to review and appeal customs determinations and clarifying the right to impose civil, administrative, and criminal penalties.

Morocco became the first country in the region to enter into a bilateral TFA. U.S. Trade Representative Michael Froman, signatory to the TFA, noted that the agreement "will make doing business both easier and more transparent for both American and Moroccan companies." The two countries vowed to continue working on future bilateral agreements to improve trading and investment opportunities, and in support of this vow the U.S. Commerce Department's Commercial Service announced plans in April 2014 to increase staffing levels at its offices in Morocco and other African countries in order to help U.S. businesses seeking to navigate Moroccan investment and trade opportunities.

Market Challenges and Trade Compliance Considerations

Despite strong economic and trade relations between the United States and Morocco, U.S. businesses seeking to expand into the Moroccan market should consider certain market challenges and compliance concerns prior to entering into any agreements with new trade partners. For example, corruption issues remain an issue in Morocco. According to the Corruption Perceptions Index 2013: Middle East and North Africa report published by Transparency International, Morocco ranks 91 out of 177 countries with respect to perceived levels of public sector corruption. While Morocco has a broad body of anti-corruption laws and regulations, the U.S. Commerce Department notes that U.S. businesses operating in Morocco may be vulnerable to corruption “due to loopholes and poor enforcement of rules of ethics, transparency and financials control.” As a result, U.S. businesses should develop, implement and enforce effective international trade and anti-corruption compliance programs designed to identify their potential exposure to international trade compliance risks -- pursuant to both U.S. and international law -- under export controls, economic sanctions, anti-corruption and anti-bribery laws and regulations.

Questions or Assistance?

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