Moroccan American Center

EXCEEDING EXPECTATIONS: THE US-MOROCCO FTA

May 2017

Produced by the Moroccan American Center for Policy
http://moroccoonthemove.com

Authors:
David S. Bloom
Director of Research & Policy Analysis
Andrew Lubrano
Research Associate

April 2017

TABLE OF CONTENTS

ABSTRACT

On January 1st, 2017, the US-Morocco FTA (Free Trade Agreement) began its 12th year enforcing liberalized commercial exchange between two historic allies. The FTA has surpassed moderate expectations for its economic impact, and has been a success story for both sides. This paper will describe how Morocco became the US's first free-trade partner in Africa, and evaluate its economic and political impact compared to expectations. Finally, avenues for improving the FTA and general US-Morocco economic cooperation will be evaluated.

OVERVIEW

The removal of trade barriers is a core tenet of trade liberalization, part of the "Washington consensus" that has been a guiding force for US foreign policy and economic development promotion for several decades. In some cases—the US-Morocco FTA included—a bilateral FTA can also serve as primarily political tool, granting access to US markets for relatively minor trade partners as a reward for political or military support and to encourage reform agendas.

Many countries across the industrialized world, including the US, have recently experienced surging support for popular movements that cast doubt on the value of FTAs and other instruments of liberalized and organized multilateral trade. As the "Washington consensus" stumbles, many countries are obliged to reconsider the costs and benefits of implementing and maintaining these instruments. Therefore, this report will evaluate how it is that the US and Morocco came to be FTA partners, and precisely what value it has provided to both economies, and specifically for US interests.

As the first country to recognize the United States—in the midst of the Revolutionary War in 1777—and a country situated at an historic trading crossroads between Europe and Africa, Morocco was a logical choice for the US's first FTA on the African continent.

Unlike some other US FTAs, this one doesn't receive significant study, commentary, or controversy as it continues to pass through milestones. This speaks to the similarly quiet nature in which the deal itself was negotiated and codified into law. The voices both for and against this FTA agreed that this pact had less to do with actual trade and more to do with a political gesture to a strategic ally. In something of a paradox, both sides of the relatively muted debate cited the diminutive trade flows between the two countries in support of their respective arguments. And while some in Congress cautioned that an influx of Moroccan imports would reverse the trade balance and harm the middle class, economic impact studies predicted minimal disruption for either market. Only a handful of US trade groups voiced minor concerns about potential negative impacts on their respective industries. Altogether, this was a relatively uncontroversial FTA.

Despite all of this, the US-Morocco FTA has quietly proved itself to be an economic success story. Both countries' exports experienced an immediate jump in value in the first year, as

bilateral trade shot up 47 percent[1]. By the following year, US exports had already surpassed growth estimates[2], led by surges in agricultural products, transportation equipment, computer and electronic products, and chemicals, among others. States such as Texas, Washington, Louisiana, California, Ohio, Missouri, and Wisconsin experienced huge boosts in their exports to Morocco—in most cases more than doubling their 2005 export value in the first year of FTA implementation. Overall, US exports to Morocco have now increased by 286 percent[3]. Moroccan exports to the US also grew, albeit more modestly at 125 percent[4], resulting in an expanding trade relationship between the two countries while maintaining a positive trade balance for the US.

Meanwhile, the FTA has helped to advance the US-Morocco bilateral relationship—one of the principal goals of those supporting the pact—enabling the US to encourage and support Morocco's progressive reform trajectory.

FORMULATION OF THE US-MOROCCO FTA

In 2002, King Mohammed VI and President George W. Bush confirmed their intention to negotiate a Free Trade Agreement. The US Trade Representative (USTR), the agency responsible for developing and coordinating American trade, described the impetus for the US to seek out this agreement:

> *First, USTR officials stated that a trade agreement with Morocco would further the executive branch's goal of promoting openness, tolerance, and strong economic growth across the Muslim world. Second, Morocco has been a strong ally in the war against terrorism. Third, the FTA would ensure strong Moroccan support for U.S. positions in WTO negotiations. Fourth, USTR officials maintained that an FTA would help Morocco strengthen its economic and political reforms. Fifth, the agreement is expected to provide U.S. exporters and investors with increased market access[5].*

While an economic benefit for US consumers and exporters was indeed an essential driving force for the FTA, the itemized list clearly puts economic considerations secondary to political aims. This FTA was "viewed by the [Bush] Administration as a tool to support a moderate Muslim state in the region," and a "concrete signal to countries in the Middle East about the benefits of closer economic and political ties with the United States[6]." Among the many historic

---

[1] Data via the International Trade Administration (ITA).

[2] The United States International Trade Commission (USITC) in its report, "U.S.-Morocco Free Trade Agreement: Potential Economywide and Selected Sectoral Effects" predicted that, "US exports to Morocco are likely to increase by $198.6 million after full implementation of the FTA." Using this figure, the estimated prediction would total $1,216,733,152—whereas the 2007 US export figure was $1,294,157,002.

[3] Data via ITA. Comparing average pre-FTA US exports to Morocco (2003-2005) with average recent US exports to Morocco (2014-2016).

[4] Data via ITA. Comparing average pre-FTA Moroccan exports to US (2003-2005) with average recent Moroccan exports to US (2014-2016).

[5] *CRS Report for Congress: Morocco-U.S. Free Trade Agreement*. Congressional Research Service. 2005.

[6] Ibid.

and political reasons, Morocco's selection as America's free trade poster child was largely "intended as a reward for its support[7]" in the war on terrorism.

A US trade publication quoted a US Chamber of Commerce official who questioned Morocco as an ideal partner on purely economic terms, considering that the US "does not do a lot of business with Morocco," and that Egypt or Turkey would be more suitable partners[8]. Perhaps the Administration saw this as an advantage, intending to overcome general anti-free trade opposition to FTAs by selecting a partner with a smaller economy less likely to disrupt US markets, and instead focusing their messaging on the strategic political ends. As "an integral part of President Bush's strategy to create a Middle East Free Trade Area," this FTA was intended to lead off a new series of trade deals in the region, building on the existing US-Jordan FTA[9] that was negotiated and signed under the Clinton Administration. It is likely that Morocco was selected as an ideal choice for a smooth passage to advance this elaborate endeavor, given their historically strong bilateral relations.

Still, the economic case was indeed made and supported, despite the moderate expectations. Thirty trade advisory committees, including The Advisory Committee on Trade Policy and Negotiations (ACTPN) "virtually all expressed the view that the U.S.-Morocco FTA is in the economic interest of the United States and stated their support for the FTA[10]." Support was particularly strong from the Industry Sector Advisory Committees on aerospace equipment, capital goods, and lumber and wood products, who saw specific opportunities in their respective sectors. The Labor Advisory Committee was less enthusiastic, warning more generally about a deteriorating US trade balance and, "citing NAFTA," the loss of domestic jobs, while expressing concerns about Morocco's labor laws and enforcement[11].

INDUSTRY SUPPORT

A US-Morocco FTA coalition was formed to support the deal, led by Co-Chairs representing Time Warner Inc. and CMS Energy. The group included approximately 100 members, supported by the Business Council for International Understanding (BCIU) and the National Foreign Trade Council. The Coalition lauded the agreement's provision of access for American firms to Morocco's service sector and singled out opportunities in telecommunications, tourism, banking, energy, express delivery, finance, and insurance, amongst others. In press releases and letters to Congress, the Coalition also supported provisions protecting intellectual property. The Coalition proclaimed that this FTA "includes the best market access package of any U.S. FTA with a developing country[12]."

---

[7] Ibid.
[8] *CRS Report for Congress: Morocco-U.S. Free Trade Agreement*. Congressional Research Service. 2005.
[9] The first US FTA with a "reforming Muslim Arab country" was with Jordan, implemented in December, 2001.
[10] *United States Employment Impact Review of the U.S.-Morocco Free Trade Agreement.* US Department of Labor. July 2004.
[11] Ibid.
[12] *Letter to Senator Max Baucus.* U.S.–Morocco FTA Coalition. April 6, 2004.

While this was the focal point of private sector rallying behind the FTA, other industries voiced support individually. US agriculture producers like the American Soybean Association encouraged the swift removal of tariffs in the deal[13]. The National Cattlemen's Beef Association also chimed in, seeing opportunities in "increased market access to Morocco's hotel and restaurant industry[14]." An article in *Food Chemical News* cited broad support of that industry for the FTA[15].

INDUSTRY OPPOSITION

A few industry groups—all based in agriculture and food products—voiced opposition. The American Dehydrated Onion and Garlic Association (ADOGA) submitted a response to the US Government's call for public comment on the prospective deal[16]. ADOGA lamented a lack of export opportunities in Morocco's market and warned of an "unacceptable risk of transshipments through Morocco of lower-than-fair-value products from China." Regardless, ADOGA recommended placing specific protections on transshipments and phased-in tariff reductions rather than attempting to annul the FTA entirely. USTR accordingly promised to include ADOGA's recommendations in the FTA.

A second and final reply to the call for public comment was by the California Olive Association, which was concerned about lower production costs by Moroccan olive exporters[17]. They were also given an extended tariff phase-out period and safeguards. The American sardine industry separately expressed similar concerns[18], though the impact was not anticipated to be major. US sardine production had long since been in decline, as by 2005 there was only one working sardine production plant in the country[19].

THE DEBATE IN CONGRESS

Negotiations for the FTA ensued in 2003, and after eight rounds led by US Trade Representative Robert Zoellick and Moroccan Minister Taieb Fassi-Fihri, the agreement was concluded by March 2004.

On July 21, 2004, the US Senate voted 85-13 (85 percent in favor) to pass the United States-Morocco Free Trade Implementation Act. Of the 13 who voted against, eight were Democrats and five were Republicans. On July 22, 2004, the House of Representatives voted in favor of the United States-Morocco Free Trade Agreement 323-99 (74 percent in favor) with 12 abstaining. Of those opposed, 80 were Democrats and 18 were Republicans. Despite the large margins in favor of the agreement, several Senators and Representatives argued against and debated its merits. Most of the arguments against the FTA reflected a general opposition to free trade and

---

[13] *CRS Report for Congress: Morocco-U.S. Free Trade Agreement*. Congressional Research Service. 2005.
[14] Ibid.
[15] Ibid.
[16] *Potential Economywide and Selected Sectoral Effects.* United States International Trade Commission. http://www.sice.oas.org/TPD/USA_MAR/Studies/pub3704_e.pdf
[17] Ibid.
[18] Ibid.
[19] *One U.S. sardine plant left.* The Seattle Times. May 6, 2005.

were less focused on Morocco as a partner or the parameters of the deal as negotiated by USTR.

Vocal critics in Congress, mostly Democrats, focused their concern on two main issues: first, the possibility that the FTA would reduce American employment and create a larger trade deficit; and second, that weak labor protections and enforcement would create an unfair advantage to the detriment of workers on both sides of the agreement. Others were more specific, raising the possibility that the FTA would spur price hikes of generic medication in Morocco. The general anti-free trade sentiment reflected broader perceptions of NAFTA and concerns with other trade deals being negotiated at the time.

Senator Byron Dorgan (D-ND) exemplified this general antagonism to free trade agreements, when he opened his remarks: "I do not know that a trade agreement with Morocco is going to cause new problems but I do know that in trade agreement after trade agreement over a good many years, we have caused more problems, none of which ever get fixed."

Supporters in both the House and the Senate countered that the agreement increases demand for certain US goods and that would help strengthen relations with a moderate Muslim nation, often referencing Morocco's long history of friendship with the United States. Led by members of the bipartisan Congressional Morocco Caucus, including Rep. Lincoln Diaz-Balart (R-FL), Rep. Phil English (R-PA), Rep. Chris John (D-LA) and Rep. John Tanner (D-TN), the final FTA votes were overwhelmingly in favor.

Interestingly, both supporters and opponents of the FTA used its relatively small economic impact as evidence in their arguments. Those in favor pointed out that the political gains from strengthening US-Morocco relations would greatly outweigh the minor, if even existent, economic downsides of the deal. Conversely, opponents such as Jim McDermott (D-WA), argued that Morocco is a "little tiny country, with little trade with the United States" and that there are better ways than an FTA to build on US-Morocco relations, which they believed would only support economic elites in Morocco.

OTHER CRITICS

Outside of Congress, most scholars and media figures were in favor of the agreement. Rather than focusing on the possible labor consequences, critics primarily echoed the concern about burdening Moroccans with higher medical costs. In July 2004, Nobel Prize winning economist Joseph Stiglitz wrote an op-ed in the *New York Times* claiming that the US-Morocco FTA could harm aspects of the Moroccan economy. Specifically, he expressed concerns that the FTA "will make generic drugs needed in the fight against AIDS even less accessible" in Morocco than they already are, criticizing the United States for "using its economic muscle to help big drug companies protect their products from generic competitors[20]." He added that while the

[20] Though pharmaceutical drug prices have remained high since the FTA was enacted, it is unclear if this is due to a lack of generic drugs or other factors specific to Morocco. Stiglitz' concern that HIV/AIDS medication would

political goals of the FTA were admirable, the terms of the deal were far more advantageous to the US.

FTA RESULTS: EXPECTATIONS VS. REALITY

BROAD IMPACT

Despite the overall modest expectations for the FTA, several studies offered glimpses into its anticipated economic impact. The United States International Trade Commission (ITA) produced a report in 2004, *Potential Economywide and Selected Sectoral Effects*, which analyzed "all 22 chapters of the US-Morocco FTA including its annexes and associated side letters," to assess the likely effect on the US economy "as a whole and specific economic sectors" through quantitative and qualitative analyses[21].

In broad terms, the ITA report predicted that US exports were "likely to increase by $740.0 million, and US imports from Morocco are likely to increase by $198.6 million after full implementation of the FTA[22]." US exports were able to hit this target by 2007, in just its second year of implementation. Through mostly sustained improvement up to 2016, US exports to Morocco have actually increased by about $1.4 billion[23], amounting to a 286 percent boost.

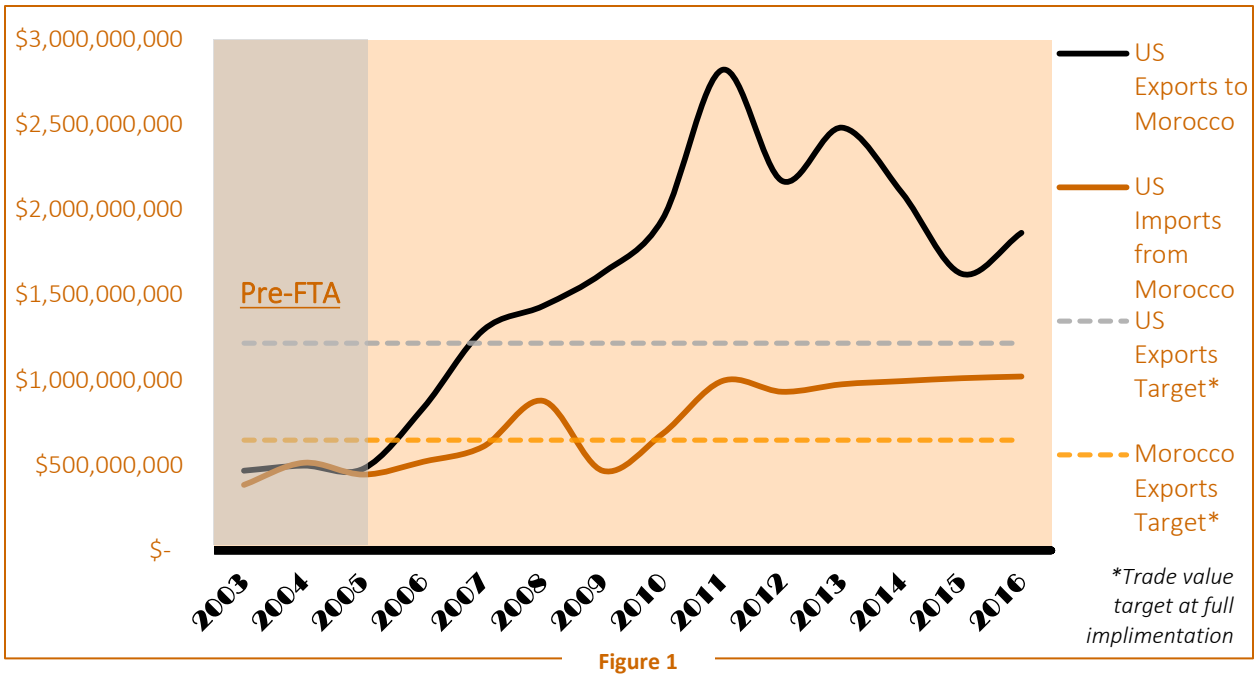

Figure 1

become too costly in Morocco in particular ended up being unwarranted, as HIV/AIDS drugs are exempted from IP protection by way of WTO rules and thus available in generic forms.

[21] *Potential Economywide and Selected Sectoral Effects.* United States International Trade Commission. http://www.sice.oas.org/TPD/USA_MAR/Studies/pub3704_e.pdf

[22] The term, "after full implementation" was not entirely defined. The FTA featured a multi-year phase-in for certain products. Additionally, the use of "after" was not defined as any specific amount of time.

[23] Data via ITA. Based on average US exports to Morocco from 2003-2005 compared to average US exports to Morocco from 2014-2016; an increase of $1,381,795,233.

Moroccan exports to the US reached their target in 2008, and although they dipped below that threshold the following year, they again surpassed expectations in 2010 and have seen consistent improvement since then. Morocco's exports to the US have grown overall by about $560 million, amounting to a 125 percent improvement[24]. Although this figure is more modest than the US export figure, Moroccan exports have experienced much less volatility.

Compared to average exports before the FTA came into effect, 34 states (including DC) have more than doubled their exports to Morocco in ten years[25]. The top ten state exporters to Morocco in 2016 were Washington, Texas, Louisiana, California, DC, Ohio, North Carolina, Illinois, West Virginia, and Georgia—together these states averaged a 706 percent boost in export value since the FTA was adopted[26]. No fewer than six states have seen a rise in their export value to Morocco over the FTA implementation period by over one thousand percent, including: Iowa (2262 percent), West Virginia (2125 percent), Texas (1865 percent), Arkansas (1382 percent), DC (1227 percent), and Michigan (1080 percent)[27].

COMPARING TO OTHER FTAS

The US-Morocco agreement was part of a wave of bilateral FTAs signed by the US. Between 2004 and 2010, six such agreements came into force: Chile (2004), Singapore (2004), Bahrain (2006), Morocco (2006) Oman (2009), and Peru (2009). Three of those countries (Bahrain, Morocco, and Oman,) were part of President Bush's "strategy to create a Middle East Free Trade area[28]" with similar objectives cited as the political impetus for the Morocco FTA. All three are middling trade partners with the US—Oman is at the top as the 59th largest importer of US products, and Bahrain is the lowest at 76th[29]—and were not major threats to disrupt US markets with their exports. Chile,

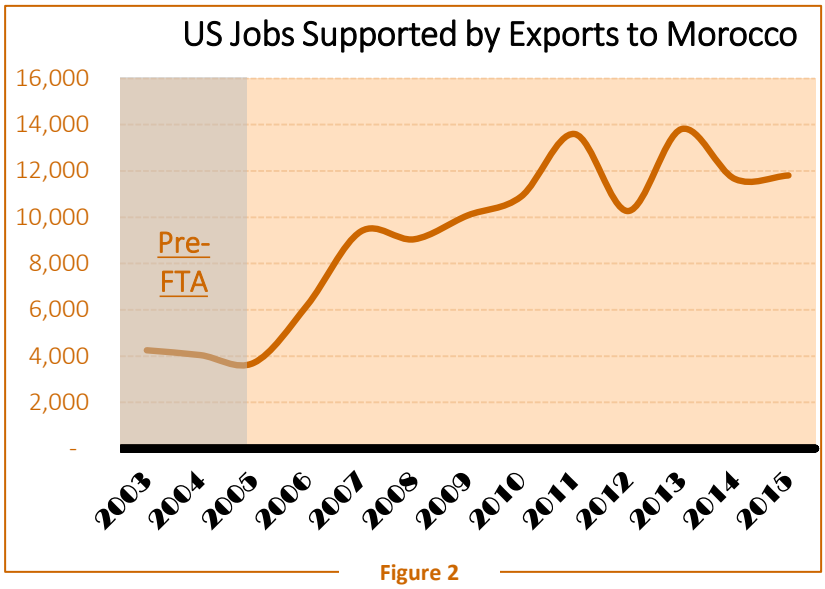

Figure 2

[24] Data via ITA. Based on average Moroccan exports to the US from 2003-2005 compared to average US exports to Morocco from 2014-2016; an increase of $560,771,996.

[25] Based on average exports by value from 2003-2005 compared against 2013-2015. Those states are: Nevada, Idaho, Montana, New Mexico, West Virginia, Utah, Texas, Kentucky, DC, Mississippi, Iowa, Arizona, Tennessee, Michigan, Arkansas, New Jersey, Missouri, Alabama, New Hampshire, North Dakota, South Dakota, Illinois, Florida, Georgia, California, Pennsylvania, Oregon, Delaware, Ohio, Louisiana, Maryland, Virginia, Massachusetts, and Colorado. Data via ITA.

[26] Data via ITA.

[27] Data via ITA. Based on average US exports to Morocco from 2003-2005 compared to 2014-2016. Only includes states averaging at least $10 million in export value over the past three years.

[28] *CRS Report for Congress: Morocco-U.S. Free Trade Agreement*. Congressional Research Service. 2005.

[29] Data via ITA. Based on average US exports from 2014 to 2016. Morocco is 61st.

Singapore, and Peru, on the other hand, are much larger trade partners with the US[30].

While all of these countries inherently feature different bilateral relationships with the US and their economies offer vastly different opportunities for exchange, Morocco's success stands out among this group. In the first two years following implementation, US exports to Morocco shot up by 118 percent, nearly double the percentage of the next most successful over a similar time period[31]. Moroccan exports to the US grew by 18 percent as total bilateral trade grew by 68 percent—the highest among this group of FTA partners. In terms of jobs, the Morocco FTA was again the top performer, with an estimated 101 percent increase in US jobs supported by exports to Morocco over the same period[32].

	Pre-FTA	*Post-FTA*	% Change
US Exports to Morocco	*$ 490m*	*$ 1066m*	118%
US Imports from Morocco	*$ 480m*	*$ 566m*	18%
US-Morocco Overall	*$ 970m*	*$ 1632m*	68%
US Jobs Supported (est.)	*3,876*	*7,791*	101%
US Exports to Singapore	*$ 16389m*	*$ 19932m*	22%
US Imports from Singapore	*$ 14970m*	*$ 15240m*	2%
US-Singapore Overall	*$ 31359m*	*$ 35172m*	12%
US Jobs Supported (est.)	*183,212*	*180,183*	-2%
US Exports to Chile	*$ 2662m*	*$ 4370m*	64%
US Imports from Chile	*$ 3745m*	*$ 5698m*	52%
US-Chile Overall	*$ 6407m*	*$ 10068m*	57%
US Jobs Supported (est.)	*30,751*	*36,961*	20%
US Exports to Bahrain	*$ 326m*	*$ 533m*	63%
US Imports from Bahrain	*$ 418m*	*$ 628m*	50%
US-Bahrain Overall	*$ 745m*	*$ 1161m*	56%
US Jobs Supported (est.)	*1,856*	*2,917*	57%
US Exports to Oman	$ 1221m	$ 1116m	-9%
US Imports from Oman	*$ 946m*	*$ 840m*	-11%
US-Oman Overall	*$ 2167m*	*$ 1956m*	-10%
US Jobs Supported (est.)	*8,091*	*6,804*	-16%
US Exports to Peru	*$ 4807m*	*$ 6027m*	25%
US Imports from Peru	$ 5542m	*$ 4733m*	-15%
US-Peru Overall	*$ 10349m*	*$ 10761m*	4%
US Jobs Supported (est.)	*26,432*	*28,848*	9%

Data (via ITA) compares 2-year pre- and post-FTA averages.

Figure 3

Not only were the US export value, supported US jobs, and overall trade value growth with Morocco the highest among this group, but the US was able to build on its trade surplus while still supporting increased exports for Morocco. Chile and Bahrain experienced more even growth but with a weaker result for the US in terms of US jobs and exports, overall trade, and the trade differential. Peru and Singapore saw decent improvement for US exports but with small or even negative impact to US jobs and the partners' respective outflows. Oman's FTA with the US saw little or negative impact for both sides.

Despite the subdued outlook for the US-Morocco FTA at its outset, this trade deal has been significantly impactful for both parties.

[30] Data via ITA. Based on average US exports from 2014 to 2016. Singapore is 13th, Chile is 22nd, and Peru is 29th.
[31] Data via ITA. Comparisons made between two-year pre-FTA implementation averages with two-year post-FTA implementation averages.
[32] Data via ITA. Comparisons made between two-year pre-FTA implementation averages with two-year post-FTA implementation averages. Employment estimations by ITA's Office of Trade Policy & Analysis.

SECTORAL IMPACT

US EXPORTS

The ITA report on expected sectoral effects cited five US industries expecting boosted exports due to the US-Morocco FTA. These included: machinery and equipment ($128.5 million); grains ($113.9 million); processed food and tobacco ($96.8 million); petroleum, coal, chemicals, rubber, and plastics ($90.7 million); and textiles and apparel ($85.7 million).

US EXPORT GROWTH BY INDUSTRY	Expected	Actual
Machinery & Equipment:	+$128.5m	+$274m
Grains:	+$113.9m	+$5.6m
Processed Food & Tobacco:	+$96.8m	+$177.5m
Petroleum Coal Chemicals Rubber & Plastics:	+$90.7m	+$492.8m
Textiles & Apparel:	+$85.7m	+$16.9m
Computer & Electronic Products:	-	+$38.8m
Paper:	-	+$40.6m
Electrical Equipment, Appliances & Components:	-	+$25.3m
Total US Exports to Morocco:	+$734.2m	+$1.4b

Data (via ITA) compares 3-year pre-FTA average with 2014-2016 average.

Figure 4

The record for these items is mixed. The biggest value increase for these sectors was in petroleum, coal, chemicals, rubber, and plastics[33]. Before the FTA, chemicals were the strongest component of this category for US exports to Morocco, and their export value doubled in the first year of implementation seeing mostly steady and sustained growth since then. A USTR report highlighted chemicals as one of four key export sectors gaining immediate duty-free access to Morocco's markets[34]. While plastics and rubber products also saw healthy growth from around $2 million per year to over $10 million per year, the major increase in this category was in petroleum and coal products, which went from a low of around $10 million to as high as $928 million in the implementation period. US energy exports have exploded since 2007, and this points to a broader trend in bilateral trade with Morocco.

The next largest increase was in machinery & equipment[35], which surpassed ITA expectations and increased in value by about $274 million, an increase of 150 percent from pre-FTA levels. The category surpassed the expected $128.5 million increase in 2008, eventually surpassing the goal by over $145 million and reaching its greatest total ever in 2016 (over $682 million). While the category is volatile—it includes airplane sales from Boeing, for example, which account for large purchases that don't necessarily occur every year—even the lowest year since implementation was about $33 million above pre-FTA levels. Boeing in particular has looked to build on its long history with Morocco, signing a deal in 2016 to encourage its own suppliers to set up shop in Morocco[36], taking further advantage of its burgeoning aerospace manufacturing industry.

[33] NCIS categories: "324--Petroleum & Coal Products," "325—Chemicals," and "326--Plastics & Rubber Products."
[34] Office of the United States Trade Representative. *Trade Facts: Free Trade With Morocco.* 2004. http://www.sice.oas.org/TPD/USA_MAR/Studies/TradeFacts_e.pdf
[35] NCIS categories: "333--Machinery; Except Electrical," "335--Electrical Equipment; Appliances & Components," and "336--Transportation Equipment."
[36] http://www.reuters.com/article/us-morocco-boeing-idUSKCN11X25V

Processed food & tobacco[37] was another strong growth sector for US exports to Morocco. While the value sharply decreased from its massive peak in 2011[38]—over three times the export value from 2014-2016—the overall sector met its ITA prediction in 2007 and never dropped below it. As this is one of the largest US export categories to Morocco, the overall 687 percent boost accounts for an over $177 million increase in value.

The final two categories, grains and textiles & apparel, both saw increased trade values but below ITA expectations. Grains[39] ended up with a 4 percent increase in value amounting to an extra $5.5 million, but year-on-year exports have been extremely volatile, likely due to climate influence on Morocco's import needs. Pre-FTA textile and apparel[40] exports were around $2.7 million, and bounced around from as low as $1.4 million to as high as $33 million. Annual figures remained erratic until sustained growth from 2012 to 2016.

One of the most significant improvements not mentioned in the ITA study was in the computer & electronic products sector, improving by over 135 percent for an increase of over $38 million in value. After more than doubling in value in the first year of the FTA, the sector has been relatively steady until a sustained growth period from 2012 through 2016, peaking at over $82 million. US exports have also strongly and steadily increased in:

- Paper (342 percent, $40 million increase); and
- Electrical equipment, appliances & components (361 percent, $25 million increase).

MOROCCAN EXPORTS

The ITA only made two specific predictions on imports from Morocco. The largest was in textiles & apparel, where there was an anticipated $164 million boost to import value. While the sector did increase by 86 percent, the current value remains well below anticipated values. This likely was caused by "rules of origin" provisions, which regulated the degree to which products could be composed of foreign materials or assembled by a third party country, using Morocco as a conduit.

The other import sector predicted to substantially increase was processed food & tobacco, which has nearly doubled in value. Although it was only predicted to grow by about $22 million, actual imports increased by over $80 million. Concerns of imports disrupting domestic production are tempered by the even higher value of US exports to Morocco in the same category.

MOROCCAN EXPORT GROWTH BY INDUSTRY	Expected	Actual
Textiles & Apparel	+$164.2m	+$62.1m
Processed Food & Tobacco:	+$22.6m	+$80.8m
Chemicals:	-	+$311m
Agricultural Products:	-	+$71.5m
Transportation Equipment:	-	+$57.6m
Non-Electrical Machinery:	-	+$8.5m
Total Moroccan Exports to US:	+$198.3m	+$560.8m

Data (via ITA) compares 3-year pre-FTA average with 2014-2016 average.

Figure 5

[37] NAICS categories: "312--Beverages & Tobacco Products," and "311--Food Manufactures."
[38] This 2011 peak coincides with the year of the highest overall US-Morocco trade value.
[39] NAICS category "1111--Oilseeds & Grains."
[40] NAICS categories: "313--Textiles & Fabrics," "314--Textile Mills Products," and "315--Apparel Manufacturing Products."

Morocco's chemical exports were one of its biggest successes, increasing in value by over $311 million—a 2551 percent increase from pre-FTA levels[41]. Averaging about $12 million in value before the FTA, this category skyrocketed to become Morocco's No. 1 export to the US. Moroccan exports have also strongly and steadily increased in:

- Agricultural products (876 percent, $71 million increase);
- Transportation equipment (796 percent, $57 million increase); and
- Non-electrical machinery (7941 percent, $8 million increase).

ADVANCING THE BILATERAL RELATIONSHIP & REFORM TRAJECTORY

One of the US's primary goals was to use the FTA as a vehicle to promote the bilateral relationship and Morocco's reform trajectory. Since its enactment, the US-Morocco bilateral relationship has supported this assumption by continuing to advance in several areas, particularly in development and security.

US-MOROCCO RELATIONS

In 2007, the Millennium Challenge Corporation (MCC), an independent US aid organization that promotes results-based economic development, signed a five-year, $697.5 million compact with the Kingdom of Morocco. Once Morocco achieved qualification for a compact, the MCC worked collaboratively to develop targeted programs to reduce poverty and stimulate economic growth through investments in five sectors. These strategic investments aimed to increase productivity, efficiency, and employment in high-potential sectors such as agriculture, small-scale fisheries, and artisan crafts. Small business creation and economic growth were also supported by investments in financial services and enterprise support. The compact's focus on business development dovetailed with the FTA. The compact was successfully completed in 2013—benefiting 1.7 million Moroccans—and led to the MCC issuing a second compact with Morocco in 2015. Morocco was the first country to achieve a second MCC compact—this one supporting two priorities of the Moroccan government: skills education and land productivity.

In 2011, Morocco and the US joined 28 other countries as founding members of the Global Counterterrorism Forum (GCTF)—an initiative to "reduce the vulnerability of people everywhere to terrorism by effectively preventing, combating, and prosecuting terrorist attacks and countering incitement and recruitment to terrorism." The Forum facilitates the sharing of expertise, strategies, and capacity building programs in the fight against violent extremism. This is just one of many examples of Morocco's expanding international leadership on countering violent extremism, which ranges from intelligence sharing to institutional training of foreign religious leaders in a moderate form of Islam.

Morocco and the United States also launched a Strategic Dialogue in 2012—one of about two dozen such agreements in existence. The Strategic Dialogue builds on the strong bilateral relationship by facilitating increased dialogue on the two countries' many shared values and strategic interests. The dialogue allows for these allies to advance cooperation on issues of the

[41] Data via ITA. Based on average US exports to Morocco from 2003-2005 compared to 2014-2016.

day, including security, religious freedom, and development. Following the series of high-level meetings, a joint statement is published, reaffirming and often detailing cooperation on these objectives.

In November 2013, King Mohammed VI made a historic visit to Washington to meet President Barack Obama for the first time, further strengthening the strategic partnership between the two countries. During the meeting, King Mohammed VI and President Obama discussed a range of issues of mutual interest, including "addressing regional challenges, including countering violent extremism, supporting democratic transitions, and promoting economic development in the Middle East and Africa." In a Joint Statement issued following their meeting, King Mohammed VI and President Obama "reaffirmed the strong and mutually beneficial partnership and strategic alliance between the United States and the Kingdom of Morocco, stressed that this important visit provides an opportunity to map out a new and ambitious plan for the strategic partnership, and pledged to advance our shared priorities of a secure, stable, and prosperous Maghreb, Africa, and Middle East. The two leaders also emphasized our shared values, mutual trust, common interests, and strong friendship, as reflected throughout our partnership."

REFORM

Despite concerns of those opposed to the FTA, Morocco has maintained a clear trajectory of reform to improve the labor environment. Before the FTA, Morocco had undertaken reforms improving conditions regarding child labor, overtime pay, minimum wage, and worker safety, and was a signatory to seven of the eight core conventions of the International Labor Organization[42].

Morocco guarantees the right to strike, and funds social insurance systems for pensions, disability, and unemployment[43]. The latter was reformed as recently as 2014, and the government is currently working to reform and protect its pension program and raise the minimum wage. In 2011, Morocco's new constitution expanded rights in many areas, including freedom of speech, the press, assembly, and association. That same year, workers were afforded new rights allowing for greater participation in unions. In 2016, the Moroccan Parliament enacted a new law protecting domestic workers from abuse and exploitation, raising the legal age for domestic workers to 18 and requiring written contracts when hiring workers[44].

This non-exhaustive list demonstrates Morocco's strong commitment to reform and improving workers' rights, before and after the FTA was implemented. Morocco's National Human Rights Council (CNDH) continues to be a force in spurring reform and reporting on areas for improvement.

---

[42] https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/archives/2004/june/morocco-fta-leads-progress-labor-reform
[43] Ibid.
[44] https://www.hrw.org/news/2016/08/01/morocco-new-law-advances-domestic-workers-rights

On the economic side, Morocco has also been a strong reformer. The government has undertaken unpopular yet universally prescribed subsidy reforms, seeking to reduce spending and better target economic support for low-income families[45]. Morocco has also enacted numerous business environment reforms, and heavily invested in infrastructure and education. Other examples include Morocco's Green Plan, which has pushed the country's agriculture production to be more efficient and to better serve its laborers. The MCC programs also merit consideration, as their collaborative bilateral format focuses on results-based reforms and investments that are very much shaped by the host country. In the most recent compact, Morocco is looking to drastically boost employment by reshaping the vocational training landscape in the country and putting industrial land to more efficient use.

CONCLUSION

Morocco was a well-chosen partner for the US, and in terms of both economic and political results, this FTA serves as a positive and impactful example of effective trade policy. The US experienced a $1.3 billion increase in exports that supports over eight thousand new American jobs, as well as bolstered support from an important ally on security and other important issues. The FTA also helped to support Morocco's reform trajectory and helped to strengthen a strategic ally in an unstable region.

Trade used as a political reward only works if it is rewarding, and importantly, Morocco's experience was also positive. A $560 million increase in Morocco's exports to the US, along with over $1 billion in development and investment initiatives from MCC are the highlights. But it is essential that Morocco's political and economic benefits be evident and progressively positive. For this reason, both partners must work together to continue making the FTA work for both sides.

RECOMMENDATIONS

While the US-Morocco FTA has been a surprising success and fulfilled its major goals, much more can be done to improve the agreement, spur more bilateral trade, and improve the US-Morocco bilateral relationship. Beyond the general advancement of US-Morocco political and economic relations and US development support, the following specific points would provide a significant boost:

1. **End Double Payment of Social Security Taxes.** One major missing piece to US-Morocco trade is an agreement to eliminate the double payment of social security taxes—referred to as a "totalization" agreement—wherein employees pay either US or Moroccan social security taxes rather than both, as is currently the case. This negatively impacts both countries, but is particularly onerous for US companies in Morocco that compete against companies from countries with agreements that preclude double payments.

[45] https://www.oxfordbusinessgroup.com/analysis/morocco-cuts-energy-subsidies

2. **Include Morocco in the Power Africa project.** Morocco has a lot of experience and expertise in rural electrification—it went from 71% electricity access in 2000 to 100% in 2012[46]—and yet it was not included in President Obama's Power Africa program. Under the new administration, more emphasis is likely to be placed on public-private partnerships (PPPs), which is the backbone of Power Africa. Morocco's renewable energy program is also built on PPPs and power purchasing agreements. Its broad experience would be very helpful to countries that need more cost-efficient power sources. In addition, its grid can be extended to serve ECOWAS members, and the proposed Trans-Atlantic Africa Pipeline connecting Nigeria with Morocco to Europe is another potential area of collaboration.
3. **The US should expand its engagement in triangular programs with Morocco**, building on its expertise and networks in Africa. For example, the US has asked Morocco to coach other African recipients of MCC compacts on how to implement their programs. The US should also maintain preferential treatment for textiles manufactured in Morocco sourced from AGOA member countries. Given the broad scope of bilateral agreements signed by Morocco with more than 15 African countries, the US may find it more efficient to collaborate under the umbrella of these agreements as vehicles for utilizing US foreign assistance to Africa more effectively and at a lower cost.
4. Support economic integration and greater regional stability in North Africa by **promoting durable solutions to the Western Sahara conflict**, which will spur vastly improved economic and security cooperation in the region, and support Morocco's development and investments with other members of the Arab Maghreb Union (AMU). The North African economy is an important market of 170 million people and a full third of Africa's GDP. Despite that, the lack of trade links due to political obstacles has slowed integration, development, and the idea of North Africa as a market destination. Resolving the Sahara conflict would greatly enhance prospects for regional economic integration, which will promote greater stability.
5. **Support and promote Moroccan entrepreneurs.** In 2014, Vice President Joe Biden headlined the Global Entrepreneurship Summit in Marrakech, Morocco. While this was just one event, it encouraged an already growing interest that young Moroccans have in entrepreneurship—one that is very much focused on the American experience. Moroccan entrepreneurs know US-based business incubators and angel investors by name, which serves to promote business ideas geared towards US markets and the English language. Morocco's default trade links are with the Francophone world, but an emerging entrepreneur class fixated on America could help shift to a business perspective focused on English. Supporting Moroccan success stories and continuing State Department entrepreneur exchange programs would encourage this shift and promote innovation and development in Morocco's economy.

[46] Data via World Bank databank.