

## **USAID Support for Morocco - United States Free Trade Agreement (FTA)**

### **Overview:**

Since the announcement of the intent to negotiate a Free Trade Agreement by King Mohammed VI and President Bush on April 23, 2002, USAID has undertaken a number of actions in collaboration with the Office of the U.S. Trade Representative, the U.S. Department of State, the Moroccan Ministry of Foreign Affairs, and other partners in the Moroccan public and private sectors to help facilitate the successful negotiation and implementation of the FTA. These actions include: I) technical support for the negotiations; II) use of ongoing and recently funded new programs to help Morocco adapt to the more open and competitive business environment envisioned under the FTA; and III) making FTA and job creation the focus of the new USAID strategy for FY 2004 to FY 2008.

### **I) USAID Support for the Negotiations:**

1. *“Assessment of Morocco’s Technical Assistance Needs in Negotiating and Implementing a free Trade Agreement with the United States”*: Field work for the assessment was conducted in the Fall of 2002 and the draft report was provided to the Moroccan government in January 2003, just prior to the start of negotiations. The report, drafted by Robert Nathan Associates, helped the Moroccan Government formulate its March 2003 request for technical assistance from the U.S. Government and helped to better inform local public and private sector discussions on the FTA.
2. *Environmental Study Tour*: USAID organized and funded a week long study tour in the United States in October 2002 for a delegation of Moroccan government officials and NGOs involved with the environmental negotiations.
3. *Seminar on U.S. Trade Policy*: Prior to the second round of negotiations in March 2003, USAID organized and funded a seminar on U.S. trade policy for the benefit of the entire Moroccan negotiating team. The seminar was conducted by Robert Nathan Associates with the participation of a USAID Washington trade expert. All presenters were former trade negotiators with USTR. The Nathan team also briefed private sector representatives in Casablanca on trade policy issues.
4. *U.S. Patent and Trademark Office (USPTO) Program*: Under its ongoing Commercial Law and Judiciary Program, USAID funded the participation of one of the intellectual property rights (IPR) negotiators in a training program in the U.S. sponsored by the USPTO in May 2003.
5. *Training on Intellectual Property Rights*: Under its ongoing Commercial Law and the Judiciary Program, USAID organized and funded training for Moroccan IPR negotiators customs enforcement and trademark opposition procedures prior to Round Three negotiations in Rabat in June 2003.

6. *Seminar on Services*: At the request of USTR, USAID organized and funded a week long seminar in July 2003 in Rabat led by a former USTR negotiator in order to help answer Moroccan questions regarding services and investment negotiations. The seminar helped to resolve Moroccan concerns about the use of 'negative lists' to define the scope of liberalization in services.

7. *Mexico Study Tour*: In collaboration with World Bank, USAID provided partial funding for the travel of Moroccan agricultural negotiators to Mexico in order for them to review Mexican experience under the North American Free Trade Agreement (NAFTA), and in particular, the mechanisms put in place by Mexican authorities to assist with agricultural and rural economy adjustment.

8. *Translation*: Prior to the start of negotiations in January 2003, USAID translated hundreds of pages of Moroccan laws, regulations, and decrees related to agriculture, government procurement, environment, and intellectual property rights for the benefit of negotiating teams.

## **II) Ongoing USAID programs in support of a more competitive and open business environment**

**Summary:** Both ongoing USAID programs, as well as those being developed under the new USAID strategy covering the period of FY 2004 to FY 2008, directly support the adjustments that the Moroccan private and public sectors must make under the Free Trade Agreement with the United States. Such programs help Morocco to improve its business climate and meet specific requirements of the agreement, to address specific challenges in the agriculture sector, and to take full advantage of the new business opportunities offered by the FTA. Program budget, period, source of funding, and implementing organization are noted in parenthesis.

### **A. Business Environment:**

1. *Commercial Law and Courts Modernization* (\$4.4 million, 2000 to 2004, DA, Chemonics/Financial Markets International): Program of assistance to the Ministry of Justice for the modernization of commercial laws and courts in Morocco. Under the current phase of the program, intensive training is being provided for judges, prosecutors, and other government officials on subjects that are directly relevant to FTA implementation, such as concessions law, intellectual property rights, bankruptcy, and competition law. A four part trade enforcement seminar series that deals with issues related to FTA implementation was launched in February and will continue through 2004. The program is closely coordinated with the MEPI-funded Commercial Law Development Program.

2. *Investment Reform* (\$2.2 million total; 2003 to 2005, DA, Chemonics): The program is working with the national investment office and the regional investment

centers to simplify existing procedures, improve transparency, and help regions develop and promote their investment potential to local and foreign investors.

3. *Finance*: USAID has played a leading role in the development of microfinance in Morocco. Ongoing programs include:

i. *Microfinance Sector Development* (\$1,200,000, 2003 to 2005, DA, Development Alternatives): Local and foreign expertise to provide help to develop new products (e.g. housing, rural, tourism), establish a credit reference bureau, and improve information systems and governance.

ii. *Rural Microfinance* (\$700,000 equivalent in dirhams, 2003 to 2004, Section 416(b) Food Aid, local microfinance institutions): Program provides capital to four microfinance associations for expansion into rural areas that may be affected by FTA.

iii. *Loan Guaranties* (\$200,000 in guaranty authority, 2003 to 2008, MEPI ESF 2002, banks and microfinance institutions): Program makes use of Development Credit Authority (DCA) to provide loan guaranties for local microfinance institutions to raise capital from private sources. As much as \$8 million in private capital may be raised through these guaranties.

4. *Environmental Assistance* (\$280,000, 2003 to 2005, DA, Environmental Protection Agency): Program to provide training and capacity building to enable the Department of the Environment to better enforce GOM environmental laws. Funding supports logistics and travel of EPA experts.

## **B. Agriculture and Agribusiness:**

1. *Agricultural Strategy* (\$300,000, 2003 to 2005, MEPI FY 2002, Associates in Rural Development): Assistance to the Ministry of Agriculture to help prepare a strategy for agriculture sector reform that will accompany the gradual reduction of tariff protection on agricultural commodities, including wheat.

2. *Agribusiness Associations Development* (\$250,000, 2003 to 2004, MEPI FY 2002, Development Alternatives): The program is working with agribusiness associations with interest and ability to export fresh and processed agricultural products. Information and expertise is being provided on product and market opportunities, buyer requirements, Sanitary and Phytosanitary Standards (SPS), Hazard Analysis and Critical Control Points (HACCP), packaging, pricing, and marketing channels.

3. *Tree Planting* (\$300,000; 2003 to 2004, MEPI FY 2002, local NGO): Fruit-bearing trees will be donated through rural based non-profit associations to families in rain-fed wheat growing regions.

### **C. Alternative Business Opportunities:**

1. *Rural Tourism* (\$3.1 million total, 2002 to 2005, USNAEP ESF and DA, Chemonics): The program supports local public and private organizations in developing, marketing, and financing new rural tourism products that complement Morocco's existing cultural and beach destinations and help create business and employment opportunities for rural inhabitants.

2. *Fast Track Trade Program* (\$2.65 million, 2003 to 2005, \$850,000, MEPI FY 02, International Executive Service Corps): The program is helping Moroccan companies identify U.S. business partners and providing advice on marketing, packaging, and U.S. environmental and safety standards. To date the program has focused on processed foods and information technologies.

### **III) Programs being developed under the USAID Strategic Plan 2004 – 2008**

In August 2003, USAID approved a plan to use \$31.4 million of Development Assistance Funds over the period of 2004 to 2008 to support Morocco in addressing the challenges and opportunities of the Free Trade Agreement. Assistance will be provided for: 1) improvements in the overall business environment, such as better enforcement mechanisms in the area of intellectual property rights, and programs in workforce development; 2) increasing productivity in agriculture and related agribusinesses; and 3) developing new business opportunities outside of agriculture.

Programs are now being developed, some of which should be in place as early as October 2004. High priority is being placed on activities which will assist Morocco in improving the competitiveness of its agriculture sector and agribusiness industries, and in providing its workforce with the skills and abilities needed in a more competitive economy.

Acronyms:

DA: Development Assistance;

DCA: Development Credit Authority

ESF: Economic Support Funds;

MEPI: Middle East Partnership Initiative

USNAEP: U.S. North Africa Economic Partnership