REPORT OF THE WORKING PARTY ON THE
ACCESSION OF MOROCCO

1. At its meeting on 30 April-I May 1985, the Council appointed a Working Party to examine the application of the Government of Morocco to accede to the General Agreement under Article XXXIII, and to submit to the Council recommendations which might include a draft Protocol of Accession.

2. The Working Party met on 29 January and 20 February 1986 under the Chairmanship of H.E. Mr. O. López-Noguerol (Argentina).

3. The Working Party had before it, to serve as a basis for its discussions, a Memorandum on the Foreign Trade Régime of Morocco (L/5820 and Add.l) and the questions submitted by contracting parties on the Moroccan trade régime and the replies of the Moroccan authorities thereto (L/5914). In addition, the representative of Morocco made available to the Working Party the following material:

(a) the 1985 Customs Tariff of Morocco;
(b) the General Import Programme for 1985;
(c) the Import Régime - instruction 01 (June 1982);
(d) the Export Régime - instruction 03 (January 1985);
(e) the Customs and Indirect Taxes Code (April 1985);
(f) the Industrial Investments Code (February 1983);
(g) the Investments and Securities Régime - instruction 02 (February 1983); and
(h) the Regulation on the export of merchandises (September 1984).

4. In an introductory statement, the representative of Morocco recalled that Morocco had been following in an observer capacity GATT activities for a number of years and had been applying de facto the main provisions of the General Agreement. Morocco's trade relations with almost all the contracting parties were based on the m.f.n. clause. Moreover, Morocco's foreign trade régime fully observed the principles of equal treatment and non-discrimination. Morocco's request for accession to the General Agreement which demonstrated its willingness to carry out foreign trade relations on a contractual basis had been put forward at a time when Morocco was committed to pursue policies aimed at the structural adjustment of the economy. To this effect a programme devised with the support of the World Bank, the International Monetary Fund and Morocco's developed trading partners aimed at restructuring external imbalances through an improved allocation of resources. Consequently, trade protection policies were being reformed to replace import quotas by reasonable tariff levels. The percentage of Moroccan imports subject to quota restrictions had been

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1 The membership of the Working Party is set out in document L/5821/Rev.2.
reduced from 100 per cent in 1983 to 15 per cent in January 1985. In this context the Moroccan Government had also reduced customs duties significantly and at present the maximum duty rate was 45 per cent. In addition the special import tax which in 1983 was 15 per cent had been initially reduced to 10 per cent and more recently lowered to 7.5 per cent.

5. The measures of trade liberalization adopted unilaterally by Morocco at a time when world markets were experiencing increased protectionist pressures demonstrated Morocco's willingness to contribute to the process of liberalization of world trade and should facilitate the consideration of its request for accession to the General Agreement.

6. Morocco's efforts to liberalize trade had so far received favourable reactions from a number of contracting parties. The questions and comments made in connection with the Memorandum on the Foreign Trade Régime of Morocco had been examined attentively by the Moroccan authorities and because of their positive nature, some of them had inspired the introduction of certain reforms in the customs and foreign trade régime. For instance, with respect to customs valuation the 1986 Financial Law had created a consultative committee which comprises representatives from the relevant professional associations to consider requests for the review of appraising customs value. In conclusion, the representative of Morocco expressed the hope that contracting parties and members of the Working Party would appreciate the positive spirit with which Morocco was pursuing accession to the General Agreement. In the light of the trade liberalization measures already in force his Government expected that the process of elaboration of the legal instruments required for full accession to GATT would be satisfactorily completed in the near future.

7. Recalling that tariff negotiations were required for accession to the General Agreement under Article XXXIII, the Chairman noted that Morocco had invited, as of 21 June 1985, contracting parties wishing to enter into tariff negotiations to contact the Moroccan authorities (document L/5820 and GATT/AIR/2176). Some members of the Working Party indicated that they had been in touch with the Moroccan delegation and that negotiations with a view to the exchange of tariff concessions were currently taking place. The Working Party agreed to invite contracting parties interested in carrying out tariff negotiations with Morocco, which had not yet done so, to notify the Moroccan authorities and the secretariat within ten days of the meeting of the Working Party. It was also agreed that efforts should be made to conclude all the tariff negotiations not later than early April 1986.

8. Members of the Working Party welcomed the application of Morocco for full accession to the General Agreement. Morocco's decision to negotiate for its accession to GATT in anticipation of the initiation of a new round of multilateral trade negotiations was regarded as a timely and positive development which reinforced confidence in the multilateral trading system. Members noted that Morocco's programme of trade liberalization and structural adjustment appeared to be in accord with the objectives of the General Agreement and that membership in GATT could be expected to contribute to the expansion of Morocco's trade exchanges with contracting parties.

9. The spokesman for a group of contracting parties referred to the cooperation agreement and the traditional trade links which these countries had had with Morocco over the years; this agreement had been notified to GATT. While noting that their relative share of trade with Morocco had
decreased, these members paid tribute to the trade diversification effort being carried out by Morocco. These members expressed the hope that the accession of Morocco to the General Agreement would have further positive consequences for mutual trade relations.

10. The Working Party carried out an examination of various points concerning Morocco's trade régime. During the examination in the Working Party, the Moroccan delegation supplied additional information on the Moroccan Government's economic and commercial policy. The main points brought out in the discussion in the Working Party are set out hereunder in paragraphs 11 to 30.

11. In response to a question concerning the transparency of Moroccan trade regulations, the representative of Morocco indicated that the General Import Programme as well as any amendments introduced to the Programme and its annexes were published in the Official Gazette (Bulletin Officiel). The relevant administrative bodies also provided information concerning the General Import Programme and any changes thereto to the general public upon request.

12. A member requested an indication of the intentions of the Government of Morocco following accession to the General Agreement with respect to the two column tariff and the status of columns "G" and "U", including the possible establishment of a single rate which might also include the special import tax. In response the representative of Morocco referred to the Memorandum on Foreign Trade Regime (L/5820 and Addendum 1) and recalled that since the first customs tariff, rates of duty had been indicated in Column "G" of the tariff. The rates in Column "G" were established in the Customs Code and served as a basis for the tariff negotiations being carried out with interested contracting parties. These rates were frequently higher than those in column "U" because for historical reasons Morocco had decided unilaterally to apply lower tariff rates to imported goods on a provisional basis as long as the economic conditions and the international trading environment remained unchanged. Having regard to Morocco's accession to GATT and other international commitments and developments such as improvements in the balance-of-payments and the balance-of-trade, the future tendency would be to consolidate these two columns into one single column which would contain the duty rates applicable to all products. He stressed that at present and on a provisional basis the only import duty rates applied by Morocco were those listed in column "U". These rates were more favourable than those contained in column "G". The rates in column "G" which might be applicable eventually had so far never been applied. The representative of Morocco added that even though nominal tariff rates might appear to be relatively high, on the basis of import duty receipts the average duty rate was at present only 5.5 per cent because Moroccan imports, to a large extent, consisted of raw materials and capital goods which had been accorded duty-free treatment under the customs tariff or pursuant to investment regulations in force for both the industrial and agricultural sectors.

13. A member said that the special import tax and the customs stamp duty which were levied exclusively on imports would appear to be inconsistent with GATT principles. This member enquired which were the current applied levels of these taxes, and whether the Government of Morocco intended to maintain these charges or had any plans to remove them or fold them into the customs tariff. In response to this and the preceding question with respect to the special import tax, the representative of Morocco recalled
the origin of this tax, which dated back to the Act of Algeciras as had been explained in the Memorandum on Foreign Trade Régime (document L/5820 and Addendum 1). In the past two years the rate of the special import tax had been reduced by 50 per cent from 15 per cent in 1983 to 7.5 per cent in 1985. Ideally the special import tax might also be included in the customs duty rates. Morocco was not opposed to considering this possibility some time in the future. This inclusion would depend on two essential elements, namely the evolution of the financial situation (in particular of the current budget deficit) and progress made in the reform of the structure of protection for different sectors. As indicated in the Memorandum this reform would be concluded at the end of 1989. Nevertheless, it is not excluded that, at the time of the introduction of the harmonized system and having regard to the tariff changes that would follow, the special import tax be incorporated in the customs tariff. Morocco will apply the special import tax system in full accordance with the relevant GATT provisions. In connection with the stamp duty, the representative of Morocco said that the customs stamp duty was not levied on imports only. This was a general tax applicable to all funds collected by the Treasury. The receipt issued upon payment of customs duties and charges was subject to the stamp duty in the same manner as any other monetary receipt. Morocco's budgetary situation as well as its international financial commitments made it impossible to eliminate immediately these taxes which provided necessary fiscal resources to the national budget. In response to a further question, the representative of Morocco confirmed that the customs stamp duty will continue to be applied in a manner consistent with the provisions of Article III of the General Agreement.

14. With respect to the VAT that as from 1 April 1986 will replace the Tax on Products and Services, one member said that the modalities for applying the new tax were not clear and that to the extent that the incidence of the VAT could vary depending on whether products were manufactured in Morocco or were imported, that member reserved all its rights pursuant to the General Agreement and in particular Article III.

15. In response to a further question concerning fees imposed on imports, the representative of Morocco added that in Morocco there were no other taxes levied on imports. Efforts had been made in the 1986 Financial Law to integrate into the customs duties certain internal consumption taxes levied since 1906 or 1930 on certain exotic commodities such as coffee, pepper, cumin and some rubber products and payable at the time of importation. With the exclusion of petroleum products practically all other internal consumption taxes had been integrated into the current customs duties. The Moroccan authorities intended to pursue this process with respect to the few remaining internal taxes.

16. Concerning the Moroccan tariff system, a member requested an outline of the time-table contemplated for the implementation of the progressive tariff reductions aimed at reaching a level of about 25 per cent ad valorem. The representative of Morocco stressed that what was intended by the Moroccan Government was to arrive at a 25 per cent average rate of effective tariff protection. This did not automatically mean a 25 per cent customs duty. Even though applied duty rates might be higher or lower than 25 per cent the aim was to limit effective protection to 25 per cent ad valorem in accordance with an established time-table.

17. With reference to a question concerning Morocco's tariff nomenclature and the possible adoption of the Harmonized System, the representative of Morocco said that Morocco had been a pioneer in this area participating in
all stages of the preparation of the Harmonized System. In June 1985 Morocco had been one of the original signatories of the relevant Customs Cooperation Council Convention in Brussels.

18. Regarding the import licensing restrictions which would remain in force after Morocco's accession to the General Agreement, one member enquired whether these restrictions would be phased out by the end of 1989 and in case they were not to be phased out what were the GATT provisions that would justify their continued maintenance pending eventual elimination. In response the representative of Morocco noted that the trade liberalization programme being pursued had accomplished significant results: while in 1983 all imports were subject to import licensing, in 1985 only 15 per cent of the total volume of imports was subject to licensing. The programme would be pursued until 1989 to achieve the maximum liberalization possible having regard to the evolution of Morocco's foreign trade and balance-of-payments. The programme might be accelerated or slowed down in the light of these and other factors. While expecting that trade liberalization would be continued until 1989, it should be stressed that in view of accession to GATT the Moroccan authorities had already made a substantial effort in reducing protection in the form of quantitative restrictions. The representative of Morocco added that any quantitative import restrictions which remained in force would be justified under the relevant GATT provisions including in particular Article XVIII thereof.

19. Referring to the reply to question number 4 in document L/5914, a member of the Working Party enquired which were the agricultural products vulnerable to unfair trading practices and requiring special consideration which would not be liberalized for import in 1989. Commenting on this question, the representative of Morocco recalled that a significant number of agricultural products appeared in List A of the Global Import Programme for 1985. In the light of the recently established strategy aimed at the achievement of self-sufficiency in agricultural products, Morocco would accord domestic producers the level of protection necessary to ensure an adequate income level. Moreover, as the consumption of a number of essential agricultural commodities received State subsidies, the Moroccan authorities had to control their import. Having regard to the effect of such imports in the national budget, the Moroccan authorities offered to all suppliers on the basis of free competition and equality of treatment the possibility of bidding to supply agricultural imports. He added that the programme for the liberalization of trade was one of the cornerstones of the Structural Adjustment Programme for Trade and Industry negotiated with the World Bank in 1983. In the light of this Programme priority had been accorded to replacing quantitative restrictions with tariff protection. During the initial stages of the Programme the cost of the investments carried out significantly influenced the price of production, thus all products resulting from new industrial and agricultural projects would receive an adequate level of protection; later on, protection would be maintained only to the extent necessary to ensure fair trading practices and in particular to avoid the negative effects of the subsidization accorded to certain agricultural products in their country of origin. A member of the Working Party noted in this connection that countervailing duties rather than import licensing or other quantitative restrictions was the most appropriate way to deal with subsidized trade.

20. In response to a further question, the representative of Morocco confirmed that phyto-sanitary regulations were applied by Morocco on an m.f.n. basis.
21. Referring to the replies to questions 4 and 15 of the Questions and Replies (L/5914), with respect to products, in particular agricultural commodities, which did not appear in List B as being subject to quota restrictions, a member enquired whether the consideration of vulnerability to unfair trading practices might influence their purchase by Morocco's State trading organizations. The representative of Morocco noted that only the agricultural products listed in the reply to question 15 were subject to State trading monopoly. These categories of products were subsidized to reduce prices to consumers by the State budget; the Government's aim was to reduce the budgetary implication of these subsidies. Other products not subject to monopoly, State intervention or subsidization could be imported freely if they appeared in List A, or were subject to import permit under List B. Certain products were maintained in List B of the General Import Programme precisely because of their vulnerability to unfair trading practices. The evolution of non-tariff protection for agricultural products would depend on the evolution of world markets and the economic and financial situation of Morocco in the near future.

22. In response to another question, the representative of Morocco said that the procedures for the purchase of agricultural products in international markets were non-discriminatory and provided equal treatment to all the offers received in accordance with commercial considerations. Committees set up by the Government carried out the evaluation of the offers received having regard in particular to the price. One of the main components of the global cost in addition to the price and freight undoubtedly were the financing conditions made available by the bidders. The bidding procedures applied by Morocco normally contemplated public opening of the bids and thus all parties bidding to supply agricultural commodities to Morocco could learn the price and conditions of the offers submitted. These procedures applied to products such as wheat, oil and butter. Morocco's regulations regarding government procurement were not very different from those established in the GATT Agreement on Government Procurement. Morocco would in due course examine the possibility of adhering to this Agreement.

23. Referring to the anti-dumping and countervailing duty provisions in the Moroccan Customs Code, a member requested information on the manner in which the Government of Morocco intended to administer these provisions. In his response the representative of Morocco explained that those provisions as well as the relevant procedures provided in the existing Customs Code were to a large extent similar to those established in the GATT Agreements on Anti-Dumping and on Subsidies. Once the process of accession to the General Agreement had been completed the Moroccan authorities would proceed to consider the possibility of adhering to both the Anti-Dumping and Subsidies Agreements. The Agreements on implementation of Article VI and on Interpretation and Application of Articles VI, XVI and XXIII might be the first GATT Agreements adhered to by Morocco.

24. In response to a question concerning the conformity with Article VII, paragraph 2 of the General Agreement of current valuation procedures in Morocco based on value uplift and/or valuation based on domestic prices, the representative of Morocco said that approximately 90 per cent of imports were valued for customs purposes on the basis of the value declared in the invoice. Morocco's system was thus in line with the GATT Agreement on Customs Valuation. Following accession to GATT Morocco would examine the possibility of adhering to the GATT Agreement on Implementation of Article VII. Moreover, having regard to the concerns expressed by some
contracting parties with respect to certain Moroccan practices on customs valuation, the 1986 Financial Law had established a review procedure whereby traders and importers who disagreed with the customs value used by the administrative authorities had the possibility of having such value reviewed by an administrative consultative committee in which importers or their professional associations were represented. He recalled that Morocco participated in the Customs Cooperation Council and that the Council had invited all members to study the Brussels Value Convention and the GATT Agreement on Customs Valuation in order to choose between one or the other in the near future. Morocco was currently pursuing the analysis of these conventions and would soon decide which convention to accept.

25. One member of the Working Party said that Morocco's customs valuation procedures did not appear to be entirely consistent with Article VII of the General Agreement. Consequently, this member reserved its GATT rights in this respect.

26. Replying to a question concerning the tariff preferences granted by Morocco, the representative of Morocco recalled that since 1957 the countries members of the Arab League had agreed on a programme to establish an Arab Common Market. However, the implementation of the programme had encountered certain difficulties and delays. Consequently, in order to make progress towards the achievement of this objective an interim agreement to develop and facilitate trade among Arab countries had been concluded in 1976. This agreement provided preferential treatment for products originating in and exchanged among Arab countries. In the framework of this agreement trade and tariff conventions had been concluded with the Arab League countries, namely Algeria, Egypt, Iraq, Jordan, Libya, Saudi Arabia, Sudan, Syria and Tunisia. Arab countries who had not yet acquired independence had not participated in the original Arab League agreement aimed at the establishment of the Arab Common Market. These countries had joined the Arab League later on. The 1976 interim agreement, which had not yet been ratified by the required number of countries to become mandatory provided, nevertheless, the juridical framework for the bilateral trade and tariff conventions in force among countries members of the Arab League.

27. In response to another question, the representative of Morocco said that in the context of cooperation with African countries, trade and tariff conventions had been concluded long ago with the Ivory Coast, Senegal, Niger and the Republic of Guinea. Efforts aimed at increasing economic cooperation in Africa had culminated in the recently adopted Lagos Plan of Action which contemplated the establishment of an African Common Market in the year 2000. The trade and tariff conventions between Morocco and some African countries had been integrated into this framework and contributed the initial bilateral element which would lead to a multilateral African Common Market in the year 2000.

28. One member of the Working Party noted that the trade and tariff conventions referred to in paragraphs 26 and 27 above should be notified to GATT and their consistency with the General Agreement should be examined in the light of the relevant GATT provisions. Consequently, this member reserved its GATT rights in this respect.

29. Referring to the reply to question 22 in document L/5914, the representative of Morocco confirmed that products originating in and imported from the European Economic Community did not benefit from any preferential treatment. M.f.n. treatment was applied with respect to all customs duties and import charges including the customs stamp duty, the special import tax and the value-added tax.
30. With reference to question 33 in document L/5914, some members of the Working Party considered that Morocco's acceptance of the Tokyo Round Agreements would be in the interest of the fuller integration of Morocco into the GATT system and urged the Moroccan authorities to give careful consideration to this question following accession to the General Agreement.

Conclusions

31. Having carried out the examination of the foreign trade régime of Morocco and in the light of the explanations and assurances given by Moroccan representatives, it being understood that the rights of contracting parties with respect to Morocco's application of the provisions of the General Agreement are fully preserved, the Working Party reached the conclusion that, subject to the satisfactory conclusion of the relevant tariff negotiations, Morocco should be invited to accede to the General Agreement under the provisions of Article XXXIII. For this purpose the Working Party has prepared the draft Decision and Protocol of Accession reproduced in the Appendix to this report. It is proposed that these texts be approved by the Council when it adopts the report. When the tariff negotiations between Morocco and contracting parties in connection with accession have been concluded, the resulting schedule of Morocco and any concessions granted by contracting parties as a result of negotiations with Morocco would be annexed to the Protocol. The Decision would then be submitted to a vote by contracting parties in accordance with Article XXXIII. When the Decision is adopted, the Protocol of Accession would be open for acceptance and Morocco would become a contracting party thirty days after it accepts the said Protocol.
APPENDIX

ACCESSION OF MOROCCO

Draft Decision

The CONTRACTING PARTIES,

Having regard to the results of the negotiations directed towards the accession of the Government of Morocco to the General Agreement on Tariffs and Trade and having prepared a Protocol for the accession of Morocco,

Decide, in accordance with Article XXXIII of the General Agreement that the Government of Morocco may accede to the General Agreement on the terms set out in the said Protocol.
DRAFT PROTOCOL FOR THE ACCESSION OF THE KINGDOM OF MOROCCO TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE

The governments which are contracting parties to the General Agreement on Tariffs and Trade (hereinafter referred to as "contracting parties" and "the General Agreement", respectively), the European Economic Community and the Government of the Kingdom of Morocco (hereinafter referred to as "Morocco").

Having regard to the results of the negotiations directed towards the accession of Morocco to the General Agreement,

Have through their representatives agreed as follows:

PART I - GENERAL

1. Morocco shall, upon entry into force of this Protocol pursuant to paragraph 6, become a contracting party to the General Agreement, as defined in Article XXXII thereof, and shall apply to contracting parties provisionally and subject to this Protocol:

   (a) Parts I, III and IV of the General Agreement, and

   (b) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Protocol.

The obligations incorporated in paragraph 1 of Article I by reference to Article III and those incorporated in paragraph 2(b) of Article II by reference to Article VI of the General Agreement shall be considered as falling within Part II for the purpose of this paragraph.

2. (a) The provisions of the General Agreement to be applied to contracting parties by Morocco shall, except as otherwise provided in this Protocol, be the provisions contained in the text annexed to the Final Act of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment, as rectified, amended or otherwise modified by such instruments as may have become effective on the day on which Morocco becomes a contracting party.

   (b) In each case in which paragraph 6 of Article V, sub-paragraph 4(d) of Article VII, and sub-paragraph 3(c) of Article X of the General Agreement refer to the date of that Agreement, the applicable date in respect of Morocco shall be the date of this Protocol.

PART II - SCHEDULE

3. The schedule in the Annex shall, upon the entry into force of this Protocol, become a Schedule to the General Agreement relating to Morocco.

4. (a) In each case in which paragraph 1 of Article II of the General Agreement refers to the date of the Agreement, the applicable date in respect of each product which is the subject of a concession provided for in the Schedule annexed to this Protocol shall be the date of this Protocol.
(b) For the purpose of the reference in paragraph 6(a) of Article II of the General Agreement to the date of that Agreement, the applicable date in respect of the Schedule annexed to this Protocol shall be the date of this Protocol.

PART III - FINAL PROVISIONS

5. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES. It shall be open for signature by Morocco until 1 August 1986. It shall also be open for signature by contracting parties and by the European Economic Community.

6. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been signed by Morocco.

7. Morocco, having become a contracting party to the General Agreement pursuant to paragraph 1 of this Protocol, may accede to the General Agreement upon the applicable terms of this Protocol by deposit of an instrument of accession with the Director-General. Such accession shall take effect on the day on which the General Agreement enters into force pursuant to Article XXVI or on the thirtieth day following the day of the deposit of the instrument of accession, whichever is the later. Accession to the General Agreement pursuant to this paragraph shall, for the purposes of paragraph 2 of Article XXXII of that Agreement, be regarded as acceptance of the Agreement pursuant to paragraph 4 of Article XXVI thereof.

8. Morocco may withdraw its provisional application of the General Agreement prior to its accession thereto pursuant to paragraph 7 and such withdrawal shall take effect on the sixtieth day following the day on which written notice thereof is received by the Director-General.

9. The Director-General shall promptly furnish a certified copy of this Protocol and a notification of each signature thereto, pursuant to paragraph 5 to each contracting party, to the European Economic Community, to Morocco and to each government which shall have acceded provisionally to the General Agreement.

10. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this day of one thousand nine hundred and eighty-six in a single copy, in the English, French and Spanish languages, except as otherwise specified with respect to the Schedule annexed hereto, each text being authentic.
ANNEX

Schedule LXXXI - Morocco

[Text to be supplied later]