

WORLD TRADE ORGANIZATION

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Committee on Customs Valuation

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REQUEST BY MOROCCO FOR A DEROGATION FROM THE PROVISIONS OF THE WTO AGREEMENT ON CUSTOMS VALUATION IN CONNECTION WITH REFERENCE PRICES

The following communication, dated 27 April 2000, has been received from the Permanent Mission of Morocco.

Morocco has been applying the WTO Agreement on Customs Valuation since 1 July 1998, except for a restricted list of products for which it has retained their valuation on the basis of reference prices for a transitional period of two years, in accordance with paragraph 2 of Annex III to the WTO Agreement on Customs Valuation.

During this transitional period, Morocco has made great efforts to install trade protection measures and quality control systems and standards so as to be able to eliminate the reference prices as soon as possible.

In fact, the Government of Morocco has prepared legislation on trade protection (anti-dumping measures, countervailing measures and safeguard measures) in accordance with the provisions of the relevant WTO Agreements. This legislation is being considered by the Government Council and will soon be submitted to Parliament for adoption. Moreover, work is proceeding for the establishment of an authority to carry out investigations for the implementation of this legislation.

As for the standardization and quality aspect, work is in progress on the preparation of quality standards to prevent the marketing of substandard and second-rate products (whether manufactured locally or imported) in accordance with the provisions of the WTO Agreement on Technical Barriers to Trade.

Since this work is not yet completed, Morocco is requesting a further four-year extension of the transitional period, in conformity with paragraph 2 of Annex III to the WTO Agreement on Customs Valuation and the Decision by the WTO Committee on Customs Valuation of 2 July 1998 concerning the first derogation.

A. THE LIST OF REFERENCE PRICES

At the national level, the tariff headings of the products subject to reference prices represent less than 8 per cent of total tariff headings and imports of these products represent only a very small percentage (4 per cent) of total imports for the year 1998.

It should be mentioned, however, that not all imports of products subject to reference prices are taxable on the basis of these prices. Thus, the percentage of imports actually affected by these prices is less than 4 per cent.

As regards the structure of this list of reference prices, it consists mainly of textiles and clothing. The rest of the list is made up of certain electrical household appliances and mechanical, chemical and electrical goods.

B. REASONS FOR MOROCCO'S REQUEST

The request for a new transitional period is based on the same sector-specific reasons as gave rise to the application of these reference prices in the first place and, on the other hand, on the fact that the machinery that is to replace them is not yet in position.

1. Textiles and clothing sector

With regard to the textiles and clothing sector, Morocco fully respects its commitments under the WTO Agreement on Textiles and Clothing. Thus, Morocco has already completed, within the required time-limits, the first two stages of integration of its textile and clothing sector into GATT. The process of liberalization in this sector is continuing.

However, the retention of reference prices for the customs valuation of a list of textiles and clothing is necessary for a transitional period on account of the important role that this sector plays in the Moroccan economy.

In fact, the sector makes a very considerable contribution to industrial employment, with 193,000 workers, of whom over 50 per cent are women, employed in about 1,485 firms representing more than 23 per cent of the domestic processing industries.

Moreover, in 1998, investment in this sector totalled over DH 2.3 billion, an increase of 28 per cent as compared with 1997. What is more, it amounts to 23 per cent of all investment in the processing industries.

In addition, the added value generated by the textile and clothing industries in 1998 amounted to over DH 9 billion, thereby contributing over 16.5 per cent to industrial GDP.

On the other hand, Morocco's exports of textiles and clothing make up almost 22 per cent of its total exports and, in 1998, amounted to over DH 14.7 billion, an increase of 9 per cent over 1997.

2. Other products

With regard to vehicles, the reference prices have been retained largely in order to limit imports of used cars, for the following reasons:

- Protection of the consumer;
- protection of the environment;
- avoidance of an increase in the average age of cars on the Moroccan roads.

As far as the other products included on the list are concerned (mechanical and electrical goods etc.), the retention of the reference prices for customs valuation is justified for the following two reasons:

- To ensure minimum import quality in the absence of a quality control system and compulsory standards;

- to minimize the harmful effects of cheap imports on domestic production, pending completion of the process of bringing national legislation on trade protection into line with the WTO provisions and the establishment of an authority to apply the measures concerned.
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Paragraph 2 of Annex III of the WTO Agreement on Customs Valuation and the Decision of 2 July 1998 by the Committee on Customs Valuation concerning the first derogation from the provisions concerning reference prices, provided for the possibility of requesting a further derogation if necessary.

On the other hand, Morocco has been working to establish trade protection machinery and quality control systems and standards so as to be able to eliminate these reference prices as soon as possible and without harming domestic industry.

Since this work has not yet been completed, Morocco is requesting a further derogation from the WTO Agreement in respect of reference prices for a transitional period of four years. This request is of great importance for the development of a number of key sectors of domestic industry.
