Morocco Bilateral Investment Treaty

Signed July 22, 1985; Entered into Force May 29, 1991

99th CONGRESS, 2d Session SENATE

INVESTMENT TREATY WITH MOROCCO

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE TREATY BETWEEN THE UNITED STATES OF AMERICA AND THE KINGDOM OF MOROCCO CONCERNING THE ENCOURAGEMENT AND RECIPROCAL PROTECTION OF INVESTMENTS, WITH PROTOCOL, SIGNED AT WASHINGTON ON JULY 22 ,1985

March 25, 1986.-Treaty was read the first time and, together with the accompanying papers, referred to the Committee on Foreign Relations and ordered to be printed for the use of the Senate

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1986

LETTER OF TRANSMITTAL

THE WHITE HOUSE, March 25, 1986.
To the Senate of the United States:

With a view to receiving the advice and consent of the Senate to ratification, I transmit herewith the Treaty Between the United States of America and the Kingdom of Morocco Concerning the Encouragement and Reciprocal Protection of Investment, with Protocol, signed July 22, 1985 at Washington. I transmit also, for the information of the Senate, the report of the Department of State with respect to this Treaty.

This treaty is among the first six treaties to be transmitted to the Senate under the Bilateral Investment Treaty (BIT) program which I initiated in 1981. The BIT program is designated to encourage and protect U.S. investment in developing countries. This Treaty is an integral part to encourage Morocco and other governments to adopt macroeconomic and structural policies that will promote economic growth. It is also fully consistent with U.S. policy toward international investment. That policy holds that an open international investment system in which participants respond to market forces provides the best and most efficient mechanism to promote global economic development A specific tenet, reflected in this treaty, is that U.S. direct investment abroad and foreign investment in the United States should receive fair, equitable, and non-discriminatory treatment. Under this treaty, the parties also agree to international law standards

for expropriation and compensation; free financial transfers; and procedures, including international arbitration, for the settlement of investment disputes.

I recommend that the Senate consider this Treaty as soon as possible, and give its advice and consent to ratification of the Treaty, with Protocol and related exchange of letters, at an early date.

RONALD REAGAN.

LETTER OF SUBMITTAL

DEPARTMENT OF STATE,
Washington, February 20, 1986.

The PRESIDENT,
The White House

THE PRESIDENT:

I have the honor to submit to you the Treaty Between the United States of America and the Kingdom of Morocco Concerning the Reciprocal Encouragement and Protection of Investment, with Protocol and a related exchange of letters, signed at Washington July 22, 1986. This treaty is among the first six treaties to be negotiated under the bilateral investment treaty (BIT) program which you initiated in 1981. Development of the BIT program and the negotiation of the individual treaties have been pursued by the Office of the United States Trade Representative and the Department of State with the active participation of the Departments of Commerce and Treasury, in conjunction with other interested U.S. Government agencies. I recommend that this treaty, as well as the others concluded with the Republic of Haiti, the Republic of Panama, the Republic of Senegal, Republic of Turkey, and the Republic of Zaire, be submitted to the Senate for its advice and consent to ratification.

In 1981 you initiated the global bilateral investment treaty (BIT) program to encourage and protect U.S. investment in developing countries. By providing certain mutual guarantees and protections, a BIT creates a more stable and predictable legal framework for foreign investors in the territory of each of the treaty Parties. The negotiation of a series of bilateral treaties with interested countries establishes greater international discipline in the investment area.

The BITs which have been signed as well as others under negotiation are an integral part of U.S. efforts to encourage other governments to adopt macroeconomic and structural policies that will promote economic growth. They are also fully consistent with your policy statement on international investment of September 9, 1983, which states that international direct investment flows should be determined by private market forces and should receive fair, equitable and non-discriminatory treatment.

Our experience to date has shown that interested countries are willing to provide U.S. investors with significant investment guarantees and assurances as a way of inducing additional foreign investment. It is U.S. policy to advise potential treaty partners that conclusion of a BIT with the United States is an important and favorable factor in the investment relationship, but does not in of itself result in immediate increases in U.S. investment flows.

Congressional support for the BIT program is reflected in Section 601(a) and (b) of the Foreign Assistance Act, as amended, in particular at Section 601(b) which provides:

In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President shall...(3) accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to, and its equitable investment in, friendly countries and areas participating in programs under this Act.

BITs are consistent in purpose with the network of treaties of Friendship, Commerce and Navigation (FCNs) which the United States negotiated from the early years of the Republic until the last successful negotiations with Thailand and Togo in the late 1960s. They continue the U.S. policy of securing by agreement standards of equitable treatment and protection of U.S. citizens carrying on business abroad, and institutionalizing processes for the settlement of disputes between investors and host countries, and between governments. We expect that a series of bilateral treaties with interested countries will establish greater international discipline in the investment area.

The BIT was designed to protect investment not only by treaty but also by reinforcing traditional international legal principles and practice regarding foreign direct private investment. In pursuit of this objective, the model BIT adopts FCN language and concepts. Traditional FCN provisions granting rights which are not important to the typical U.S. investor were eliminated and replaced with more specific language concerning investment protection. Perhaps most significantly, the BIT goes beyond the traditional FCN to provide investor-host country arbitration in instances where an investment dispute arises.

Our BIT approach followed similar programs that had been undertaken with considerable success by a number of European counties, including the Federal Republic of Germany and the United Kingdom, since the early 1960s. Indeed, our industrialized partners already have nearly two hundred BITs in force, primarily with developing countries. Our treaties, which draw upon language used in the U.S. FCN treaties as well as European counterparts, are more comprehensive and far-reaching than European BITs.

THE UNITED STATES-MOROCCO TREATY

The Treaty with Morocco was negotiated by an inter-agency team led by officials from the Office of the United States Trade Representative and the Department of State. The Treaty satisfies all four main BIT objectives:

foreign investors are to be accorded treatment in accordance with international law and are to be treated no less favorable than investors of the host country or no less favorably than investors of third countries, whichever is the most favorable treatment, (national and most-favored-nation treatment) subject to certain specified exemptions;

international law standards shall apply to the expropriation of investments and to the payment of compensation for expropriation;

free transfers shall be afforded to funds associated with an investment into and out of the host country; and

procedures are to be established which allow an investor to take a dispute with a Party directly to

binding third-party arbitration.

The provisions on treatment of foreign investment and arbitration, and in particular Morocco's acceptance of international law as the governing law, mark an important achievement for the BIT program and our investment and international arbitration policies.

A technical memorandum explaining in detail the provisions of this treaty will be transmitted separately to the Senate Committee on Foreign Relations. That technical memorandum explains, clause by clause, the provisions of the treaty with Morocco.

Some provisions of the treaty with Morocco differ in minor respects from the U.S. model text. In general, however, the treaty closely follows the language contained in the U.S. model text, the most significant provisions of which are as follows.

The model BIT's definition section clarified terms such as company of a Party and investment The BIT concept of investment is broad and designed to be flexible; although numerous types of economic interests are enumerated, the intent is to include all legitimate interests in the territory of either Party, whether directly or indirectly controlled by nationals of the other, having economic value or associated with an investment. Protected companies of a Party are those incorporated or otherwise organized under the laws of a Party in which nationals of that Party have a substantial interest.

The model BIT accords the better of national or most-favored-nation (MFN) treatment of foreign investment, subject to each Party's exceptions which are listed in a separate Annex. The exceptions are designed to protect state regulatory interests and for the United States to accommodate the derogations from national treatment in state or federal law relating to such areas as air transport, shipping, banking, telecommunications, energy and power production, insurance, and from national and MFN treatment in the case of ownership of real property. Any additional restrictions or limitations which a Party may adopt with respect to those matters or sectors excepted from the standards are not to affect existing investments. The BIT also includes general treatment protections designed to be a guide to interpretation and application of the treaty. Thus, the Parties agree to accord investments fair and equitable treatment and full protection and security in no case less than that required by international law. It specifically grants nationals of a Party the right to establish investments in the territory of the other Party, restricts the right to impose performance requirements, and obliges Parties to observe their contractual obligations with investors. The U.S. model also provides that companies legally constituted under the laws of the other Party (i.e., subsidiaries of companies of a Party) with investments in that country shall be permitted to engage top managerial personnel of their choice, regardless of nationality.

The model BIT also confers protection from unlawful interference with property interests and assures compensation in accordance with international law standards. It provides that any direct or indirect taking must be: for a public purpose; nondiscriminatory; accompanied by the payment of prompt, adequate and effective compensation; and in accordance with due process of law and the general standards of treatment discussed above. The BIT's definition of expropriation is broad and flexible; essentially any measure regardless of form, which has the effect of depriving an investor of his management, control or economic value in a project may constitute an expropriation requiring compensation equal to the fair market value. Such compensation, which shall not reflect any reduction in such fair market value due to... the expropriatory action, must be without delay, effectively realizable, freely transferable and bear current interest from the date of the expropriation at a rate equal to current international rates. The BIT grants the right to prompt review by the relevant judicial or administrative authorities in order to determine whether the compensation offered is consistent with these principles. It also extends national and MFN treatment to investors in cases of loss due to war or other civil disturbance. The BIT does not

provide, however, a specific valuation method for compensating such losses.

The model BIT provides for free transfers related to an investment, specifically of returns, compensation for expropriation, contract payments, proceeds from sale, and contributions to capital for maintenance or development of an investment. Such transfers are to be made in a freely convertible currency at the prevailing market rate of exchange on the date of transfer with respect to spot transactions in the currency to be transferred. The model text recognizes that notwithstanding this guarantee, Parties can maintain certain laws and regulations regarding transfers provided these are applied in a non-discriminatory fashion. In particular, the model text provides that Parties can require reports of currency transfers and impose income taxes by such means as a withholding tax on dividends. The model text also recognizes that Parties retain the right to protect the rights of creditors and ensure the satisfaction of judgments in adjudicatory proceedings.

The model BIT provides that where certain defined investment disputes arise between a Party and a national or company of the other party, including disputes as to the interpretation of an investment agreement, and the dispute cannot be solved through negotiation, it may be submitted to arbitration in accordance with any dispute-settlement procedures to which the national or company and the host country have previously agreed. Unless the national or company has submitted the dispute to previously agreed dispute settlement procedures or to adjudication by domestic courts or other tribunals of the host country, the national or company may submit the dispute to the International Centre for the Settlement of Investment Disputes (ICSID) for binding arbitration. Exhaustion of local remedies is not required. In a separate provision, the BIT Parties also agree to grant nationals and companies of the other Party access to their domestic courts in order to assert claims and enforce rights with respect to investments.

The model BIT provides for state-to-state arbitration between the Parties in case of a dispute regarding the interpretation or application of the treaty. In the absence of an agreement that other rules apply, the BIT refers the Parties to specific procedural rules which must govern the arbitration. The BIT also outlines the procedures for the creation of the arbitral panel.

The model BIT exhorts Parties to apply their tax policies fairly and equitably. Because the United States specifically addresses tax matters in tax treaties, the BIT generally excludes such matters. Another BIT provision exempts disputes arising under Export-Import Bank programs, or other credit guarantee or insurance arrangements providing for alternative dispute settlement arrangements, from the standard BIT arbitration clauses. The model BIT also states that the treaty shall not derogate from any obligations that require more favorable treatment of investments and declares that the treaty shall not preclude measures necessary for public order or essential security interests. The model BIT enters into force 30 days after exchange of ratifications and continues in force for at least ten years. Thereafter, either Party may terminate the treaty, subject to on year's written notice.

Each of these model provisions was developed after lengthy and extensive consultations within the U.S. Government and with the private sector. Nonetheless, in negotiating a particular treaty, the U.S. Government retains, of course, some flexibility to adopt modifications as necessary and in light of experience. While the U.S. model text has recently been simplified, the provisions summarized above have all been retained.

The Moroccan text differs in some respects from the other five BITs presently being submitted because it was negotiated from a streamlined model text which notheless incorporates the four objectives outlined above. However, modifications of the Morocco text do not represent major substantive depatures from the U.S. model text. The most noteworthy changes in the treaty with Morocco are as follows:

(1) National treatment.- The model text calls for national and most-favored-nation (MFN)

treatment on establishment. Article II, paragraph 1 of the Morocco treaty requires MFN treatment on entry for the other Party's investors as a minimum standard. Only if it is consistent with existing laws and regulations is national treatment on entry required. The Moroccan negotiators insisted on qualifying national treatment on entry because of ownership provisions in their 1973 investment law. The effect of this qualification is to provide for MFN treatment for establishing new investments, but the better of national or MFN treatment for all investments once established. This formulation was also used in the BIT with Turkey. Like the other BITs being submitted together with this treaty, this treaty specifically requires the more favorable of national or MFN treatment for established investments of the other party (Article II, paragraph 2). This conforms to the limited exceptions to the national treatment standard on an MFN basis for specified economic sectors and activities. These exceptions are set out in paragraph 1 of the Protocol and include those for which U.S. law will not permit the extension of national treatment to foreign investors in the United States. Although analogous to the Annex in the model text, the Moroccan Protocol has no provision for subsequent modifications to the exceptions list. (This is similar to the approach provided with the BIT with Turkey). Under the U.S. model text, each Party may unilaterally add future exceptions under sectors and matters identified in the annex but each agrees to keep such exceptions to a minimum and to notify the other Party of these exceptions. In contrast to this approach, any changes in the exceptions listed in the Moroccan BIT would have to be made through amendment to the treaty under Article X, paragraph 5.

Also exepmt from the national treatment requirement are advantages extended to other countries by virtue of membership in a customs market, regional customs union or free trede association. Currently, Morocco does not belong to any such association, The concept of a custom union (Or monetary union) exception to non-discriminatory treatment of foreign investment parallels similar provisions in the trade and monetary arenas, specifically in the GATT (Article XXIV), the OECD Codes on Current Invisible Operations (Article 10) and liberalization of Capital Movements (Article 10).

(2) Performance requirements.-The U.S. model text prohibits the imposition of performance requirements as a condition for establishment. The Morocco BIT has a horatory standard, stating that each Party shall seek to avoid performance requirements as a condition of establishment. the obligation to export its production or to purchase products locally, this being without prejudice to the general import programs and the national economic policy of the Party. (Article II, paragraph 5). Our BITs with Senegal and Haiti have similar hortatory language. These countries either have or wish to retain the right to use some limited local content/export incentives or requirements as part of their national economic development policies.

(3) Expropriation.-The Morocco treaty is substantively identical to the U.S. model text in defining when an expropriation is permitted. Our model text requires prompt, adequate and effective compensation, based on fair market value which sall bear a commercial rate of interest from the date of expropriation. Article III of the Moroccan treaty requires prompt payment of just and effective compensation, equivalent to the full value of the of the expropriated investment on the date of expropriation. Paragraph 4 of the Protocol stipulates that the compensation shall include, as appropriate, an ammount to compensate for any delay in payment that may occur from the date of expropriation. This language is used to accommodate Muslim sensitivities concerning explicit reference tothe payment of interest.

The Morocco treaty's just ... compensation standard is derived from the language of our Treaties of Friendship, Commerce and Navigation (FCN). It has a clear meaning, built up through judicial decision, arbitral awards, and treaty practice, and has particular constitutional sanction in teh United States inasmuch as it is the term employed in the Fifth Amerndment. The treaty's full value standard for evaluating an investment is the same as in the treaty with Panama and is incorporated in the Hickenlooper Amendment (section 620(e) of the Foreign Assistnace Act of 1961) and the International Claims Settlement Act. In our view, it provides the same protection as

a fair market value standard.

(4) Transfers.-The U.S. model text calls for transfers to be made freely and without delay. Article IV, paragraph 1 of the Morocco BIT requires the Parties to permit prompt transfers of the proceeds of an investment. For the Moroccan side, reinvested profits are subject under certain circumstances to administrative approval which is primarily procedural in nature (Protocol, paragraph 5).

(5) Dispute settlement.-Arvicle VI, paragraph 3(a) of the Morocco treaty deals with the settlement of disputes between U.S. nationals orcompanies and the Government of Morocco. This provision permits the U.S. national or company to submit such a dispute to the International Centre for the Settlement of Investment Disputes (ICSID) after an initial six month waiting period if either (1) final judgment has been rendered by the competent Moroccan court, administrative tribunal or agency, or (2) one year has passed since submission of such dispute to local judicial or administrative review. Although this provision requires invocation of local remedies, it also affords U.S. nationals or companies the right to proceed to ICSID arbitration regardless of the result in the local court. The U.S. model precludes third party arbitration if the investor has submitted the dispute to domestic courts; and this provision is retained in the Morocco BIT in cases of disputes between Moroccan nationals or companies and the United States. (The investor has the right to go to international arbirtration in lieu of U.S. courts if he so chooses.) The purpose of this provision is to prevent an international tribunal from reviewing judgments of U.S. courts. The selection of ICSID as the arbitral mechanism carries over from the U.S. model text.

Submission of this treaty, together with the other five noted above, makes a significant development in our international investment policy. I join with the United States Trade Representative and other U.S. Government agencies in supporting the treaty and favor its transmission to the Senate at an early date.

Respectfully submitted.

GEORGE P. SHULTZ.

**TREATY BETWEEN
THE UNITED STATES OF AMERICA
AND THE KINGDOM OF MOROCCO
CONCERNING THE ENCOURAGEMENT
AND RECIPROCAL PROTECTION OF INVESTMENTS**

Preamble:

The United States of America and The Kingdom of Morocco (each hereinafter referred to as a "Party")

Desiring to promote greater economic cooperation between them, particularly with respect to investments by nationals and companies of one Party in the territory of another Party;

Recognizing that agreement upon the treatment to be accorded such investments will stimulate the flow of private capital and the economic

development of both Parties;

Convinced that the development of economic relations between the two countries tends to create favorable conditions for investors from each of the Contracting Parties in the territory of the other Party;

Recalling that the two Parties have already concluded an agreement in the form of an exchange of notes dated March 31, 1961, amended by an exchange of notes signed October 2, 1963, concerning investment guaranties that might be granted by the United States Government for certain investment projects, said agreement still being in force,

Have resolved to conclude a treaty concerning the reciprocal encouragement and protection of investments; and

Have agreed as follows:

ARTICLE I

For the purposes of this Treaty,

1. "Parties" means the Kingdom of Morocco, and the United States of America.

2. "Company" means any kind of juridical entity, including any corporation, company, association, or other organization that is duly incorporated, constituted, or otherwise duly organized, regardless of whether or not the entity is organized for pecuniary gain, privately or governmentally owned, or organized with limited or unlimited liability.

3. "Company of a Party" means:

(a) In the case of the Kingdom of Morocco, a company duly incorporated, constituted, or otherwise duly organized under the applicable laws and regulations of Morocco in which:

(i) natural persons who are nationals of Morocco, or

(ii) Morocco or its agencies or instrumentalities

have a substantial interest.

(b) In the case of the United States, a company duly incorporated, constituted, or otherwise duly organized under the applicable laws and regulations of the United States or its political subdivisions in which:

(i) natural persons who are nationals of the United States, or

(ii) the United States (or its political subdivisions) or its agencies or instrumentalities

have a substantial interest.

Each Party reserves the right to deny to any of its own companies or to a company of the other Party the advantages of this Treaty, except with respect to recognition of juridical status and access to courts, if nationals of any third country control such company, provided that whenever one Party concludes that the benefits of this Treaty should not be extended to a company of the other Party for this reason, it shall promptly consult with the other Party to seek a mutually satisfactory resolution of this matter.

4. "Investment" means investment owned or controlled by a national or company of a Party and includes:

a. financial contributions in the form of foreign exchange or reinvested profits provided as participation in the capital of a company or to acquire shares or any other interest in a company;

b. other contributions, financial or in kind, provided as participation in the capital of a company, or to acquire shares, or any other interest in a company;

c. intellectual and industrial property rights, copyrights, patents, trademarks, trade names, industrial designs, trade secrets and know-how, and goodwill;

d. provision of services and concessions of licenses and permits issued pursuant to law or a contract, including those issued for manufacture and sale of products;

e. any right conferred by law or contract, including rights to search for or utilize resources, and rights to manufacture, use, and sell products;

f. tangible and intangible property;

g. mortgages, liens, and pledges; and

h. financial or commercial debts which are associated with an investment.

5. "Ownership or control" means ownership or control that is direct or indirect, including ownership or control exercised through subsidiaries or affiliates. In case of differences, the two Parties shall undertake consultations.

6. "National" of a Party means a natural person who is a national of a Party under

its applicable law.

7. "Proceeds" means an amount derived directly or indirectly from an investment, such as:

a) Earnings from capital, in particular profits, dividends, extra dividends, and rents;

b) Proceeds from the complete or partial sale or liquidation of an investment, including capital gains;

c) Royalty payments, management, technical assistance or other fees;

d) Payments under contract, including interest or amortization payments on financial or commercial loans.

ARTICLE II

1. Each Party shall permit in its territory investments, and activities associated therewith, by nationals and companies of the other Party on a basis no less favorable than that accorded in like situations to investments of nationals or companies of any third country and, within the framework of its existing laws and regulations, no less favorable than that accorded in like situations to investments of its own nationals and companies.

2. Each Party shall accord to these investments, once established, and associated activities, treatment not less favorable than that accorded in like situations to investments of its own nationals and companies or to investments of nationals and companies of any third country, whichever is the most favorable.

3. Investment of nationals and companies of either Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security in the territory of the other Party, in a manner consistent with international law. Neither Party shall in any way impair by arbitrary and discriminatory measures the management, operation, maintenance, use, enjoyment, acquisition, expansion, or disposal of investment made by nationals or companies of the other Party. Each Party shall observe any obligation it may have entered into with regard to investment of nationals or companies of the other Party.

4. Subject to laws relating to the entry and sojourn of aliens:

a) Nationals of either Party shall be permitted to enter and to remain in the territory of the other Party for the purpose of establishing, developing, administering or advising on the operation of an investment to which they, or a company of the first Party that employs them, have committed or are in the

process of committing a substantial amount of capital or other resources.

b) Companies which are legally constituted, or otherwise organized under the applicable laws or regulations of one Party, and which are investments of nationals or companies of the other Party, shall be permitted to engage, within the territory of the first Party, top managerial personnel of their choice, regardless of nationality.

5. Each Party shall seek to avoid imposing, as a condition of establishment of an investment by nationals or companies of the other Party, the obligation to export its production or to purchase products locally, this being without prejudice to the general import programs and the national economic policy of the Party.

6. Each Party shall make public all laws and regulations that pertain to or affect investments in its territory of nationals or companies of the other Party. Administrative practices and procedures, and adjudicatory decisions of the Party can be consulted by investors of the other Party.

7. In order to maintain a favorable environment for investments in its territory by nationals or companies of the other Party, each Party shall take the necessary steps to enforce rights with respect to investment agreements, investment authorizations, and properties. Each Party shall grant to nationals or companies of the other Party, on terms and conditions no less favorable than those which it grants in like situations to its own nationals or companies or to nationals or companies of any third country, whichever is the most favorable treatment, the right of access to its courts of justice, administrative tribunals and agencies, and all other bodies exercising adjudicatory authority, and the right to use the skills of persons of their choice who otherwise qualify under applicable laws and regulations of the forum, for the purpose of asserting claims and enforcing rights with respect to investments.

ARTICLE III

1. Nationalization or expropriation measures, or any other public measure having the same effect or nature, which might be taken by either Party against investments of nationals or companies of the Party, shall be neither discriminatory nor taken for reasons other than a public purpose. Any such measures shall only be taken under legal procedures which afford due process of law.

2. When such measures are taken, each Party shall pay promptly just and effective compensation to the nationals or companies of the other Party.

3. The compensation shall be equivalent to the full value of the expropriated investment on the date of the expropriation.

4. A national or company of either Party that asserts that all or part of its investment in the territory of the other Party has been expropriated shall have a right to prompt review by the appropriate judicial or administrative authorities of such other Party to determine whether any such expropriation has occurred and, if so, whether such expropriation, and any compensation therefor, conforms to the principles set forth in this Article.

5. Nationals or companies of either Party, whose investments suffer losses in the territory of the other Party owing to war or other armed conflict, or civil disturbance, shall be accorded treatment by such other Party no less favorable than that accorded to its own nationals or companies or to nationals or Companies of any third country, whichever is the most favorable treatment, as regards restitution or compensation.

ARTICLE IV

1. Each Party shall permit prompt transfers of the proceeds of an investment.

2. To the extent that a national or company of either Party has not made another arrangement with the appropriate authorities of the other Party in whose territory the investment of such national or company is situated, transfers made pursuant to this Article shall be permitted in a convertible currency. Such transfer shall be made at the prevailing rate of exchange used for commercial purposes on the date of transfer in the country from which such transfers are being made.

3. Notwithstanding the preceding paragraphs, either Party may maintain laws and regulations (a) requiring reports of currency transfer, (b) imposing income taxes by such means as a withholding tax applicable to dividends or other transfers and (c) prescribing or maintaining procedural formalities governing transfers related to investments. Furthermore, either Party may protect the rights of creditors, or ensure the satisfaction of judgments in adjudicatory proceedings, through equitable, non-discriminatory and good faith application of its laws.

ARTICLE V

1. At the written request of either Party, the Parties shall consult promptly to discuss the interpretation or application of the Treaty or to resolve any dispute in connection with the Treaty.

2. If one party requests in writing that the other Party supply information in its possession concerning investments in its territory by nationals or companies of the Party making the request, then the other Party shall, consistent with its applicable laws and regulations and with due regard for business confidentiality, endeavor to establish appropriate procedures and arrangements for the provision of any such information.

ARTICLE VI

1. For purposes of this Article, an investment dispute is defined as a dispute involving (a) the interpretation or application of an investment agreement between a Party and a national or company of the other Party; or (b) a complaint concerning an alleged violation of any right conferred or created by this Treaty with respect to an investment.

2. In the event of an investment dispute between a Party and a national or company of the other Party, the parties to the dispute shall initially seek to resolve the dispute by consultation and negotiation. If the dispute cannot be resolved through these consultations and negotiations, the dispute shall be submitted for settlement in accordance with previously agreed, applicable dispute settlement procedures. Any dispute settlement procedures regarding expropriation and specified in the investment agreement shall remain binding and shall be enforceable in accordance with the terms of the investment agreement, relevant provisions of domestic laws, and applicable international agreements regarding enforcement of arbitral awards.

3.(a) The national or company concerned may choose to consent in writing to the submission of the dispute to the International Centre for Settlement of Investment Disputes ("Centre") for settlement by conciliation or binding arbitration, at any time after six months from the date upon which the dispute arose, provided:

(i) the dispute has not, for any reason, been submitted by the national or company for resolution in accordance with any applicable dispute settlement procedures previously agreed to by the parties to the dispute; and

(ii) (a) in the case of a dispute between the United States and a national or company of Morocco, the national or company has not brought the dispute before the courts of justice or administrative tribunals or agencies of competent jurisdiction of the United States; or

(ii) (b) in the case of a dispute between the Kingdom of Morocco and a national or company of the United States, the dispute has been brought before the court of justice or administrative tribunal or agency of primary jurisdiction under the laws of Morocco and (1) such court, tribunal or agency has rendered a final judgement, or (2) one year has elapsed since the date on which the proceedings before such court, tribunal or agency were initiated. Upon submission of the dispute to the Centre, the complaint before the domestic courts of Morocco shall be withdrawn.

(b) Each Party hereby consents to the submission of an investment dispute to the Centre for settlement by conciliation or binding arbitration.

(c) Conciliation or binding arbitration of such disputes shall be done in

accordance with the provisions of the Convention on the Settlement of Investment Disputes Between States and Nationals of other States and the Regulations and Rules of the Centre.

4. In any proceeding involving an investment dispute, a Party shall not assert as a defense that the national or company concerned has received or will receive from another source, pursuant to an insurance or guarantee contract, indemnification or other compensation for all or part of its alleged damages.

5. For the purposes of this Article, any company constituted under the applicable laws and regulations of a Party that, immediately before the occurrence of the event or events giving rise to the dispute, was an investment of nationals or companies of the other Party, shall, in accordance with Article 25(2) (b) of the Convention, be treated as a national or company of such other Party.

ARTICLE VII

1. Any dispute between the Parties concerning the interpretation or application of this Treaty which is not resolved through consultations or other diplomatic channels, shall be submitted, upon the request of either Party, to an arbitral tribunal for binding decision in accordance with the applicable rules of international law. The tribunal shall set its own rules of procedure. However, for problems not resolved by the Tribunal or this Treaty, and in the absence of any other arbitral procedure agreed by the Parties, the Model Rules on Arbitral Procedure adopted by the United Nations International Law Commission in 1958 as referred to in U.N. General Assembly Resolution 1262 (XIII) will be applied.

2. Within two months of receipt of a request, each Party shall appoint an arbitrator. The two arbitrators shall select a third arbitrator as Chairman, who is a national of a third State.

3. Unless otherwise agreed, all submissions shall be made and all hearings shall be completed within six months of the date of selection of the third arbitrator, and the Tribunal shall render its decision within two months of the date of the final submissions or the date of the closing of the hearings, whichever is later.

4. Expenses incurred by the Chairman, the other arbitrators, and other costs of the proceeding shall be paid for equally by the parties, unless the Tribunal decides otherwise.

ARTICLE VIII

1. This Treaty shall not supersede, prejudice, or otherwise derogate from:

(a) Laws and regulations, administrative practices or procedures, or adjudicatory

decisions of either Party;

(b) International legal obligations; or

(c) Obligations assumed by either Party, including those contained in an investment agreement or investment authorization,

whether extant at the time of entry into force of this Treaty or thereafter, that entitle investments, or associated activities, of nationals or companies of the other Party to treatment more favorable than that accorded by this Treaty in like situations.

2. This Treaty shall not supercede or cancel any other agreement between the two Parties that is in force on the date upon which this Treaty enters into force.

ARTICLE IX

1. This Treaty shall not preclude the application by either Party in its territory of the domestic measures necessary for the maintenance of public order and morality or the protection of peace and international security or its own essential security interests.

2. This Treaty shall not preclude either Party from prescribing special formalities in connection with the establishment of investments in its territory by nationals and companies of the other Party, but such formalities shall not impair the substance of any of the rights set forth in this Treaty.

ARTICLE X

1. This Treaty shall be ratified by each Party in conformity with its constitutional procedures.

2. This Treaty shall enter into force thirty (30) days after the date of exchange of ratifications. It shall remain in force for a period of ten (10) years and shall continue in force unless terminated in accordance with Paragraph 3 of this Article.

3. Either Party may, by giving one (1) year's written notice to the other Party, terminate this Treaty at the end of the initial ten (10) year period or any time thereafter.

4. In the event of termination, this Treaty shall continue to apply to investments covered by this Treaty for a further period of ten (10) years from such date of termination.

5. This Treaty, after a preliminary exchange of diplomatic notes, may be

amended by mutual agreement.

Such amendment shall enter into force for the two Parties on the same constitutional conditions as this Treaty.

PROTOCOL

1. This Treaty shall apply to the political subdivisions of the United States.

2. (a) With respect to Article II(1) and (2), the Kingdom of Morocco reserves the right to:

(i) extend government grants, assistance, loans, or insurance exclusively to its own nationals or companies within the framework of national development activities and programs; and

(ii) extend to nationals or companies of a third country advantages required by virtue of its participation or association with a common market, regional customs union or free trade association.

(b) With respect to Article II(1) and (2), the United States reserves the right to limit the extent to which nationals or companies of Morocco or their investments may within U.S. territory establish, acquire interests in, or carry on investments engaged in air transportation, ocean and coastal shipping, banking, insurance, energy and power production, use of land and natural resources, ownership of real estate, radio and television broadcasting, telephone and telegraph services, submarine cable services and satellite communications. The United States also reserves the right to limit the extent to which nationals or companies of Morocco or their investments may be eligible for government grants, insurance or loan programs. Other than with respect to the ownership of real estate, the treatment accorded by the United States to investments of nationals or companies of Morocco shall be no less favorable than that accorded in like situations to investments of nationals or companies of any third country. Rights to engage in mining on the U.S. public domain shall be dependent on reciprocal rights being granted to investments of U.S. nationals or companies within the territory of Morocco.

(c) Each Party agrees to notify the other Party before or on the date of entry into force of this Treaty of any laws, regulations and policies limiting the extent to which investment of nationals or companies of the other Party may within its territory establish, acquire interests in or carry on investments.

3. The treatment accorded by the United States to nationals or companies of the Kingdom of Morocco under the provisions of Paragraphs 1 and 2 of Article II shall in any state, territory, possession, or political or administrative subdivision of the United States be the treatment accorded therein to companies incorporated,

constituted to companies incorporated, constituted or otherwise duly organized in other states, territories, possessions, or political or administrative subdivisions of the United States.

4. For purposes of Article III(3), the full value shall not be affected by prior notice or public announcement by the government of the expropriatory action. The compensation shall include, as appropriate, an amount to compensate for any delay in payment that may occur from the date of expropriation. Prompt transfer of the compensation at the rate of exchange used for commercial purposes shall be guaranteed in order to maintain the value of the compensation.

5. With regard to Article IV, investments in Morocco of the type described in Article I(4) (a) of the Treaty, which are financed by contribution in the form of foreign exchange or reinvested profits, may be made freely. However, a report of these investments should be sent promptly to the Moroccan authority in charge of exchange control. If the reinvested profits are turned over to a U.S. national residing in Morocco, the investor must obtain the approval specified below.

For investments described in Article I(4) (b), financed by any other contributions, financial or in kind; rendering of services and technical assistance in general, as described in Article I(4) (c) and (d); and the transactions described in Article I(4) (e), the investor must obtain approval from the Moroccan authority in charge of exchange control.

The transfers related to the above mentioned types of investments shall be permitted if the procedures required by the Moroccan authority in charge of exchange control have been fulfilled.

Transfers relating to an investment of nationals of the United States resident in Morocco shall be carried out in accordance with existing Moroccan laws and regulations.

6. The provisions of Article VI and VII shall not apply to a dispute arising (a) under the export credit, guarantee or insurance programs of the Export-Import Bank of the United States or (b) under other official credit, guarantee or insurance arrangements purusant to which the Parties have agreed to other means.

7. On issues of taxation arising under Article II or involving the provision of tax information under Article V, the provisions of the Convention between the Government of the United States of America and the Kingdom of Morocco for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, signed August 1, 1977, shall prevail.

8. Consistent with the provisions of Article II(3), this treaty shall apply to investments existing at the time of entry into force of the Treaty provided such

application conforms with the specific provisions of agreements or contracts approved at the time the investment was made.

IN WITNESS WHEREEOF, the respective plenipotentiaries have sign this Treaty.

DONE in duplicate at Washington on the twenty-second day of July, 1985, in the English, Arabic and French languages, the three texts being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

CLAYTON YEUTTER

FOR THE GOVERNMENT OF THE KINGDOM OF MOROCCO:

MOULAY ZINE ZAHIDI