



## Contents

<b>1</b>	<b>Background</b>	<b>2</b>		
<b>2</b>	<b>Population</b>	<b>2</b>	7.10	Competition from state-owned enterprises 13
2.1	Population figures	2	7.11	Corporate social responsibility (CSR) 13
2.2	Population growth rate	2	7.12	Political violence 13
2.3	Age structure (2012 estimates)	2	7.13	Corruption 13
2.4	Gender ratios (2012 estimates)	2	7.14	Bilateral investment agreements 13
2.5	Life expectancy (2012 estimates)	2	7.15	Labour 13
2.6	Ethnic groups	2	7.16	Foreign trade zones/free ports 14
2.7	Religion	2	7.17	Foreign direct investment statistics 14
2.8	Language	2	7.18	Registration requirements 16
2.9	Education	3	<b>8</b>	<b>Country Risk Summary 16</b>
2.10	Health	3	8.1	Sovereign risk 16
<b>3</b>	<b>Economy</b>	<b>3</b>	8.2	Currency risk 16
3.1	Latest Economic indicators	4	8.3	Banking sector risk 16
3.2	Five-year forecast	5	8.4	Political risk 16
3.3	Annual trends	9	8.5	Economic structure risk 16
<b>4</b>	<b>Government and Politics</b>	<b>9</b>	<b>9</b>	<b>Country Outlook: 2012 – 2016 16</b>
4.1	Political structure	9	9.1	Political stability 16
<b>5</b>	<b>Transport</b>	<b>10</b>	9.2	Election watch 16
<b>6</b>	<b>Telecommunications</b>	<b>11</b>	9.3	International relations 16
<b>7</b>	<b>Investing in Morocco</b>	<b>11</b>	9.4	Policy trends 16
7.1	Openness to, and restrictions upon, foreign investment	11	9.5	Economic growth 17
7.2	Conversion and transfer policies	11	9.6	Inflation 17
7.3	Expropriation and compensation	11	9.7	Exchange rates 17
7.4	Dispute settlement	11	9.8	External sector 17
7.5	Performance requirements and incentives	12	<b>A</b>	<b>Appendix one 17</b>
7.6	Right to private ownership and establishment	12		
7.7	Protection of property rights	12		
7.8	Transparency of the regulatory system	12		
7.9	Efficient capital markets and portfolio investment	12		

# 1 Background

In 788, about a century after the Arab conquest of North Africa, a series of Moroccan Muslim dynasties began to rule in Morocco. In the 16th century, the Sa'adi monarchy, particularly under Ahmad AL-Mansur (1578-1603), repelled foreign invaders and inaugurated a golden age.

The Alaouite dynasty, to which the current Moroccan royal family belongs, dates from the 17th century. In 1860, Spain occupied northern Morocco and ushered in a half century of trade rivalry among European powers that saw Morocco's sovereignty steadily erode; in 1912, the French imposed a protectorate over the country.

A protracted independence struggle with France ended successfully in 1956. The internationalised city of Tangier and most Spanish possessions were turned over to the new country that same year. Sultan Mohammed V, the current monarch's grandfather, organised the new state as a constitutional monarchy and in 1957 assumed the title of king. Morocco annexed Western Sahara during the late 1970s, but final resolution on the status of the territory remains unresolved.

Gradual political reforms in the 1990s resulted in the establishment of a bicameral legislature, which first met in 1997. Under King Mohammed VI - who in 1999 succeeded his father to the throne - human rights have improved.

Morocco enjoys a moderately free press, but the government has taken action against journalists who they perceive to be challenging the monarchy, Islam, and the status of Western Sahara.

Influenced by protests elsewhere in the Middle East and North Africa, in February 2011 thousands of Moroccans began weekly rallies in multiple cities across the country to demand greater democracy and a crackdown on government corruption. Police response to most of the protests was subdued compared to the violence elsewhere in the region.

A commission set up in March 2011 presented a draft constitution that was passed by popular referendum in July 2011. Under the new constitution, some new powers were extended to parliament and the Prime Minister, but ultimate authority remained in the hands of the monarch. That same month, the king urged swift implementation of the new constitution, starting with the holding of parliamentary elections in 2011 instead of in 2012.

A prominent moderate Islamist party, the Justice and Development Party, subsequently won the largest number of seats on 25 November 2011, becoming the first Islamist party to lead the Moroccan Government. In January 2012, Morocco assumed a non-permanent seat on the UN Security Council for the 2012-13 term.



# 2 Population

## 2.1 Population figures

Morocco has a population of 32,309,239 (July 2012 est.)

## 2.2 Population growth rate

1.054% (2012 est.)

## 2.3 Age structure (2012 estimates)

	Total percentage	Male	Female
0 – 14 years	27.8%	4,514,623	4,382,487
15 – 64 years	66.1%	10,335,931	10,785,380
65 years and over	6.1%	881,622	1,068,318

Source: CIA World Factbook

## 2.4 Gender ratios (2012 estimates)

Total Population	0.97 male / female
Under 15 years	1.03 male / female
15 – 64 years	0.96 male / female
65 years and over	0.82 male / female

Source: CIA World Factbook

## 2.5 Life expectancy (2012 estimates)

Total Population	76.11 years
Male	73.04 years
Female	79.32 years

Source: CIA World Factbook

## 2.6 Ethnic groups

Berbers are the indigenous people and still make up the bulk of the population. Muslim Arabs conquered the territory that would become Morocco in the 7th and 11th centuries, at the time under the rule of various late Byzantine Roman leaders and indigenous Berber and Romano-Berber principalities, laying the foundation for the emergence of an Arab-Berber culture. The Arab occupation was brief and was ended by revolting Berbers who later founded numerous Muslim Berber kingdoms. A sizeable portion of the population is identified as Haratin and Gnawa (or Gnaoua), black or mixed race.

Morocco's Jewish minority (265,000 in 1948) has decreased significantly and numbers about 5,500, who primarily work for European multinational companies, others are married to Moroccans and preferred to settle in Morocco. Prior to independence, Morocco was home to half a million Europeans.

## 2.7 Religion

Muslim 98.7%, Christian 1.1%, Jewish 0.2%

## 2.8 Language

Morocco's official languages are Arabic and the Berber. The country's distinctive group of Moroccan Arabic dialects is referred to as Darija. Approximately 89.84% of the whole population can communicate to some degree in Moroccan Arabic. The Berber language is spoken in three dialects (Tarifit, Tashelhit and Central Atlas Tamazight).

As it is in Algeria and Tunisia, the French language is widely used in governmental institutions, media, mid-size and large companies, international commerce with French speaking countries, and often in international diplomacy. French is taught as an obligatory language at all schools. It is the medium of education and the curriculum language of all science and economics programmes at all universities except in the programmes of Arabic language, law or theology. Al Akhawayn University is the only one that offers all programmes in English.

English, while far behind French in terms of number of speakers, is the first foreign language of choice, since French is obligatory, among educated youth and professionals. As a result of national education reforms entering into force in late 2002, English is taught in most public schools from the fourth grade on. French is still taught nationally from the earliest grades.

### 2.9 Education

Education in Morocco is free and compulsory through primary school (age 15). Nevertheless, many children – particularly girls in rural areas – still do not attend school. The country's illiteracy rate is usually around 50 percent for most of the country, but reaches as high as 90 percent among girls in rural regions. In July 2006, Prime minister Driss Jettou announced that illiteracy rate has declined by 39 percent, while two million people had attended literacy courses during the past four years

Morocco has about 230,000 students enrolled in 14 public universities. The oldest and among the most prestigious is Mohammed V in Rabat, with faculties of law, sciences, liberal arts, and medicine.

University of Karueein, in Fez, has been a centre for Islamic studies for more than 1,000 years. Al Akhawayn University in Ifrane, founded in 1993 by King Hassan II and King Fahd of Saudi Arabia, is an English-medium, American-style university comprising about 1,700 students.

### 2.10 Health

The health care system in Morocco includes 122 hospitals, 2,400 health centres, and four university clinics, but they are poorly maintained and lack adequate capacity to meet the demand for medical care. Only 24,000 beds are available for six million patients seeking care each year, including three million emergency cases. The health budget corresponds to 1.1 percent of gross domestic product and 5.5 percent of the central government budget.

## 3 Economy

Morocco has capitalised on its proximity to Europe and relatively low labour costs to build a diverse, open, market-oriented economy. In the 1980s Morocco pursued austerity measures and pro-market reforms, overseen by the IMF.

Since taking the throne in 1999, King Mohammed VI has presided over a stable economy marked by steady growth, low inflation, and generally declining government debt. Industrial development strategies and infrastructure improvements – most visibly illustrated by a new port and free trade zone near Tangier – are improving Morocco's competitiveness.

Key sectors of the economy include agriculture, tourism, phosphates, textiles, apparel, and subcomponents.

In 2006 Morocco entered into a bilateral Free Trade Agreement with the United States; it remains the only African country to have one. In 2008 Morocco entered into an Advanced Status agreement with the European Union.

Despite Morocco's economic progress, the country suffers from high unemployment and poverty. In 2011, high food and fuel prices strained the government's budget and widened the country's current account deficit.

Key economic challenges for Morocco include fighting corruption, reducing government spending, reforming the education system and judiciary, addressing socioeconomic disparities, and building more diverse, higher value-added industries.



### 3.1 Latest Economic indicators

	2010			2011				2012
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
<b>Central government finance (Dh m)</b>								
Revenue (excl privatisation)	50,280	47,221	47,146	52,786	56,417	54,008	49,810	57,017
Expenditure	62,545	48,450	56,936	58,938	56,821	61,299	74,512	69,971
Balance	-12,265	-1,229	-9,790	-6,152	-404	-7,291	-24,702	-12,954
<b>Employment &amp; prices</b>								
Labour force ('000)	11,628	11,323	11,402	11,444	11,610	11,541	11,629	11,428
Unemployment ('000)	949	1,021	1,050	1,037	1,015	1,049	989	1,130
Unemployment rate (%)	8.2	9	9.2	9.1	8.7	9.1	8.5	9.9
Consumer prices (2000=100)	111.4	111.2	112.6	112.5	111.5	113	113	113
Consumer prices (% change, year on year)	1.2	0.5	2.2	1.6	0.1	1.6	0.4	0.5
Phosphate rock (US\$/tonne)	125	125	140	158.3	182.5	197.5	201.3	195.8
<b>Financial indicators</b>								
Exchange rate Dh:US\$ (av)	8.68	8.56	8.22	8.18	7.84	7.97	8.28	8.46
Exchange rate Dh:€ (av)	11.04	11.07	11.17	11.18	11.28	11.24	11.15	11.1
Deposit rate (av; %)	3.63	3.73	3.8	3.8	3.7	3.8	3.77	3.83
Discount rate (end-period; %)	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Money market rate (av; %)	3.28	3.31	3.26	3.29	3.29	3.3	3.3	3.3
M1 (end-period; Dh bn)	532.2	535.99	552.4	552.63	562.63	569.01	590.64	584.92
M1 (% change, year on year)	8.2	7	4.5	6	5.7	6.2	6.9	5.8
M2 (end period; Dh bn)	622.12	627.98	646.43	648.48	660.56	669.75	693.48	690.43
M2 (% change, year on year)	8.2	7	5	6.2	6.2	6.7	7.3	6.5
Moroccan All Shares Index (MASI; Dec 31st 1991=1,000; end-period)	11,774	11,896	12,655	12,174	11,511	11,468	11,028	10,948
<b>Sectoral trends</b>								
Industrial production indices (2000=100)								
Mining	102.2	98.6	113.3	141.2	104.1	97	122.3	n/a
Energy	115.4	124	115.5	117.8	123.1	130.2	129.7	n/a
Manufacturing	119	113.4	116.3	116.3	122.6	115.3	120.2	n/a
Phosphates production ('000 tonnes)	6,983	7,021	6,842	n/a	n/a	n/a	n/a	n/a
Tourism, visitors ('000)	1,295	1,307	1,252	1,137	1,307	n/a	n/a	n/a
<b>Foreign trade(Dh m)</b>								
Exports fob	38,535	35,903	41,966	41,599	44,755	42,374	41,710	45,641
Imports cif	-78,285	-73,368	-78,921	-84,532	-94,580	-87,485	-89,564	-94,014
Trade balance	-39,750	-37,466	-36,955	-42,934	-49,825	-45,111	-47,853	-48,373
<b>Foreign reserves (US\$ m)</b>								
Reserves excl gold (end-period)	18,511	21,493	22,613	22,836	22,131	20,570	19,534	n/a

Source: Economist Intelligence Unit

### 3.2 Five-year forecast

#### 3.2.1 Gross Domestic Product at current market prices

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015 (b)	2016 (b)
<b>Expenditure on GDP (Dh bn at current market prices)</b>										
GDP	616.2	688.9	736.2	764.3	804.3	827.6	880.7	946.6	1,023.5	1,105.4
Private consumption	360	400.4	419.4	437.7	481.5	499	530.3	568.6	613.7	658.1
Government consumption	112.2	118.1	132.3	133.9	142.6	150.4	160.5	171.3	182.4	194.4
Gross fixed investment	192.6	227.5	226.1	234.4	246.4	258.1	276.7	298.1	324.2	353.9
Exports of goods & services	220.3	258.2	210.5	252.2	279.1	285.8	306.1	335.4	370	408.9
Imports of goods & services	276.5	350.4	290.8	328	380	401	429.2	463.9	504.8	549.2
Stockbuilding	7.6	35.1	38.8	34	34.7	35.4	36.2	37.1	38.1	39.3
Domestic demand	672.4	781.1	816.5	840.1	905.2	942.8	1,003.7	1,075.0	1,158.4	1,245.7
<b>Expenditure on GDP (US\$ bn at current market prices)</b>										
GDP	75.2	88.9	91.4	90.8	99.4	95.3	98.9	105.2	112.7	123.5
Private consumption	43.9	51.7	52.1	52	59.5	57.4	59.6	63.2	67.6	73.5
Government consumption	13.7	15.2	16.4	15.9	17.6	17.3	18	19	20.1	21.7
Gross fixed investment	23.5	29.3	28.1	27.8	30.5	29.7	31.1	33.1	35.7	39.6
Exports of goods & services	26.9	33.3	26.1	30	34.5	32.9	34.4	37.3	40.7	45.7
Imports of goods & services	33.7	45.2	36.1	39	47	46.2	48.2	51.6	55.6	61.4
Stockbuilding	0.9	4.5	4.8	4	4.3	4.1	4.1	4.1	4.2	4.4
Domestic demand	82.1	100.8	101.3	99.8	111.9	108.5	112.7	119.5	127.5	139.2
<b>Economic structure (% of GDP at current market prices)</b>										
Private consumption	58.4	58.1	57	57.3	59.9	60.3	60.2	60.1	60	59.5
Government consumption	18.2	17.1	18	17.5	17.7	18.2	18.2	18.1	17.8	17.6
Gross fixed investment	31.2	33	30.7	30.7	30.6	31.2	31.4	31.5	31.7	32
Stockbuilding	1.2	5.1	5.3	4.5	4.3	4.3	4.1	3.9	3.7	3.6
Exports of goods & services	35.7	37.5	28.6	33	34.7	34.5	34.8	35.4	36.1	37
Imports of goods & services	44.9	50.9	39.5	42.9	47.2	48.5	48.7	49	49.3	49.7
<b>Memorandum items</b>										
Oil production ('000 b/d)	0.5	0.495	0.49	0.485	0.48	0.475	0.471	0.466	0.461	0.457
National savings ratio (%)	32.2	31.7	30.1	30.5	26.6	27	29.7	31.2	32.8	34.2

a) Actual; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

#### 3.2.2 Gross Domestic Product by sector of origin

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
<b>Origin of GDP (Dh m at constant 1998 prices)</b>										
GDP at factor cost	487,070	514,628	539,191	556,813	585,997	593,011	619,746	652,747	688,502	722,344
Agriculture	68,186	79,318	103,450	101,763	107,158	97,514	104,340	111,644	116,891	120,397
Industry	135,502	139,915	139,273	147,217	152,951	158,424	164,850	172,318	180,699	188,752
Services	278,865	290,152	301,499	308,316	322,558	337,073	350,556	368,785	390,912	413,194
<b>Origin of GDP (real % change)</b>										
Agriculture	-20.8	16.3	30.4	-1.6	5.3	-9	7	7	4.7	3
Industry	6	3.3	-0.5	5.7	3.9	4	4.1	4.5	4.9	4.5
Services	6.1	4	3.9	2.3	4.6	4.5	4	5.2	6	5.7
<b>Origin of GDP (% of factor cost GDP)</b>										
Agriculture	13.7	14.6	16.4	14.8	16.5	14.7	15	15.3	15.2	14.9
Industry	27.3	30.3	28.4	29.4	32.2	32.8	32.6	32.4	32.2	32.1
Services	59	46.3	46.2	46.6	51.4	52.6	52.3	52.3	52.6	53

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

### 3.2.3 Growth and productivity (%)

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015 (b)	2016 (b)
Labour productivity growth	1.6	4	3.8	2.7	3.9	0.1	2.1	3.1	3.7	3.3
Total factor productivity growth	-0.1	2.3	2.1	1.2	2.6	-0.7	1.2	2	2.6	2.1
Growth of capital stock	5.9	6.5	6	5.2	4.9	4.8	4.8	4.8	4.9	5.1
Growth of potential GDP	2.8	5.4	4.4	3.6	4.8	2.3	3.9	4.5	5.2	4.7
Growth of real GDP	2.7	5.6	4.8	3.6	5	2.4	4	4.7	5.3	4.8
Growth of real GDP per head	1.5	4.3	3.5	2.4	3.8	1.2	3	3.6	4.2	3.7

a) Economist Intelligence Unit estimates; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

### 3.2.4 Economic structure, income and market size

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
<b>Population, income and market size</b>										
Population (m)	31.2	31.6	32	32.4	32.7	33.1	33.4	33.8	34.1	34.5
GDP (US\$ bn at market exchange rates)	75	89	91	91	99	95	99	105	113	124
GDP per head (US\$ at market exchange rates)	2,410	2,810	2,860	2,800	3,040	2,880	2,960	3,110	3,300	3,580
Private consumption (US\$ bn)	44	52	52	52	60	57	60	63	68	74
Private consumption per head (US\$)	1410	1630	1,630	1,610	1,820	1,740	1,780	1,870	1,980	2,130
GDP (US\$ bn at PPP)	127	137	145	152	163	170	181	193	208	222
GDP per head (US\$ at PPP)	4,070	4,340	4,540	4,700	4,990	5,140	5,400	5,720	6,080	6,430
<b>Memorandum items</b>										
Share of world population (%)	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47
Share of world GDP (% at market exchange rates)	0.14	0.15	0.16	0.15	0.15	0.14	0.13	0.13	0.13	0.14
Share of world GDP at PPP (%)	0.19	0.19	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Share of world exports of goods (%)	0.11	0.13	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

### 3.2.5 Fiscal indicators (% GDP)

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015 (b)	2016 (b)
General government expenditure	27.2	29.3	28.6	29	31.7	33.9	33.4	32.8	32	31.2
General government revenue (excl. privatisation revenue)	27.4	29.7	25.9	25.3	25.8	26.4	26.7	27	27.5	27.9
General government privatisation revenue	0.5	0	0	0	0.7	0.2	0.1	0	0.1	0.1
General government budget balance (excl. privatisation revenue)	0.2	0.4	-2.7	-3.7	-6	-7.5	-6.7	-5.7	-4.5	-3.3
General government budget balance (incl. privatisation revenue)	0.7	0.4	-2.7	-3.7	-5.3	-7.3	-6.7	-5.7	-4.4	-3.2
General government debt	62.6	56.8	56.9	61	64.7	71.7	74.9	76.1	75.7	73.6

a) Actual; b) Economist Intelligence Unit forecast

Source: Economist Intelligence Unit

### 3.2.6 Monetary indicators

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015 (b)	2016 (b)
Exchange rate Dh:US\$ (av)	8.19	7.75	8.06	8.42	8.09	8.69	8.91	8.99	9.08	8.95
Exchange rate Dh:US\$ (year-end)	7.71	8.1	7.86	8.36	8.58	8.85	8.95	9.04	9.02	8.67
Exchange rate Dh:€ (av)	11.23	11.4	11.23	11.17	11.26	11.15	11.24	11.27	11.24	11.28
Exchange rate Dh:€ (year-end)	11.35	11.27	11.32	11.17	11.1	11.32	11.23	11.16	11.32	10.91
Real effective exchange-rate index (av), CPI-based, 1997=100	97.66	98.68	99.62	95.57	93.55	89.38	87.71	87.86	87.95	88.83
Purchasing power parity Dh:US\$ (av)	4.85	5.02	5.07	5.02	4.92	4.87	4.87	4.9	4.93	4.98
Money supply (M2) growth (%)	17.5	7.4	7.7	5	7.3	6.1	8.4	10.4	10.5	8.7
Domestic credit growth (%)	24	21.1	8.6	9.7	11.8	2.9	6.4	7.5	8.1	8
Lending rate (av; %)	7.6	6.5	6.2	6.3	6.5	6.5	6.5	7	7.4	7.4
Deposit rate (av; %)	3.7	3.9	3.8	3.7	3.8	3.7	3.7	4	4.2	4.4
Money market rate (av; %)	3.3	3.4	3.3	3.3	3.3	3	3.3	3.8	3.3	3.4

a) Actual; b) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

### 3.2.7 Current account and terms of trade (US\$m)

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
Current-account balance	-224	-5,659	-5,362	-4,209	-8,337	-8,100	-5,757	-4,439	-2,905	-1,708
Current-account balance (% GDP)	-0.3	-6.4	-5.9	-4.6	-8.4	-8.5	-5.8	-4.2	-2.6	-1.4
Goods: exports fob	15,146	20,330	14,045	17,584	21,512	22,226	23,300	25,455	27,923	30,463
Goods: imports fob	-29,316	-39,827	-30,408	-32,646	-40,963	-42,157	-41,850	-43,822	-45,913	-48,797
Trade balance	-14,170	-19,497	-16,363	-15,062	-19,451	-19,930	-18,550	-18,367	-17,990	-18,334
Services: credit	12,165	13,416	12,336	12,545	13,963	13,998	14,765	15,941	17,131	18,641
Services: debit	-5,416	-6,694	-6,899	-7,436	-8,574	-8,824	-8,760	-8,972	-9,201	-9,578
Services balance	6,749	6,722	5,437	5,109	5,389	5,174	6,006	6,968	7,930	9,063
Income: credit	961	1,059	925	868	804	860	929	1,003	1,084	1,181
Income: debit	-1,365	-1,581	-2,421	-2,110	-2,856	-2,285	-2,462	-2,773	-3,008	-3,081
Income balance	-404	-522	-1,496	-1,242	-2,052	-1,425	-1,533	-1,769	-1,924	-1,900
Current transfers: credit	7,786	7,849	7,278	7,240	8,071	8,383	8,635	9,057	9,419	9,818
Current transfers: debit	-185	-211	-218	-254	-294	-303	-315	-328	-341	-354
Current transfers balance	7,601	7,638	7,060	6,986	7,777	8,081	8,320	8,729	9,078	9,463
<b>Terms of trade</b>										
Export price index (US\$-based; 2005=100)	114.8	142.7	116.4	126.8	147.2	149.9	149.3	152.1	154.7	156.7
Export prices (% change)	12.7	24.2	-18.4	8.9	16.1	1.8	-0.4	1.9	1.7	1.3
Import price index (US\$-based; 2005=100)	122.4	144.4	120.4	125.3	148.3	142.2	135.6	134.2	132.7	133.8
Import prices (% change)	15.1	17.9	-16.6	4	18.4	-4.1	-4.6	-1	-1.1	0.8
Terms of trade (2005=100)	93.8	98.8	96.6	101.2	99.2	105.4	110.1	113.3	116.5	117.1
<b>Memorandum item</b>										
Export market growth (%)	5.7	0.6	-12.3	11	4.6	1.5	3	3.4	4.7	4.7

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

### 3.2.8 Foreign direct investment (US\$m)

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015 (b)	2016 (b)
Inward direct investment	2,807	2,466	1,970	1,241	2,525	2,151	2,672	2,947	3,374	3,786
Inward direct investment (% of GDP)	3.7	2.8	2.2	1.4	2.5	2.3	2.7	2.8	3	3.1
Inward direct investment (% of gross fixed investment)	11.9	8.4	7	4.5	8.3	7.2	8.6	8.9	9.5	9.6
Outward direct investment	-632	-316	-479	-580	-248	-250	-273	-314	-361	-415
Net foreign direct investment	2,175	2,150	1,491	661	2,277	1,900	2,399	2,633	3,012	3,370
Stock of foreign direct investment	38,613	39,388	42,581	45,255	47,780	49,931	52,602	55,549	58,923	62,708
Stock of foreign direct investment per head (US\$)	1,237	1,246	1,331	1,398	1,460	1,509	1,573	1,644	1,725	1,817
Stock of foreign direct investment (% of GDP)	51.3	44.3	46.6	49.8	48.1	52.4	53.2	52.8	52.3	50.8
<b>Memorandum items</b>										
Share of world inward direct investment flows (%)	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Share of world inward direct investment stock (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3

a) Actual; b) Economist Intelligence Unit forecasts; c) Economist Intelligence Unit estimate

Source: Economist Intelligence Unit

### 3.2.8 External Debt

	2007 (a)	2008 (a)	2009 (a)	2010 (b)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
Total external debt (US\$ bn)	20.5	20.8	23.8	26.6	28.1	29.4	30.2	31	32	33
Total external debt (% of GDP)	27.3	23.4	26	29.3	28.2	30.9	30.5	29.4	28.4	26.7
Debt/exports ratio (%)	58.7	49.9	70.7	69.9	63.7	66.2	64.8	61.4	58.8	56
Debt-service ratio, paid (%)	11.5	10.1	10.2	9.2	8.8	9.3	9.6	9.3	8.6	7.9

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

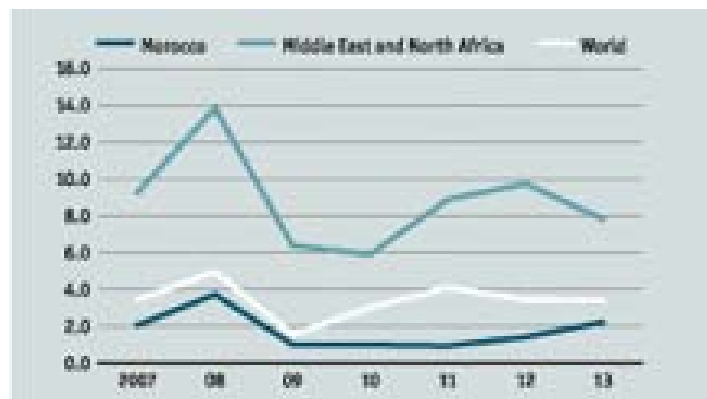


### 3.3 Annual trends

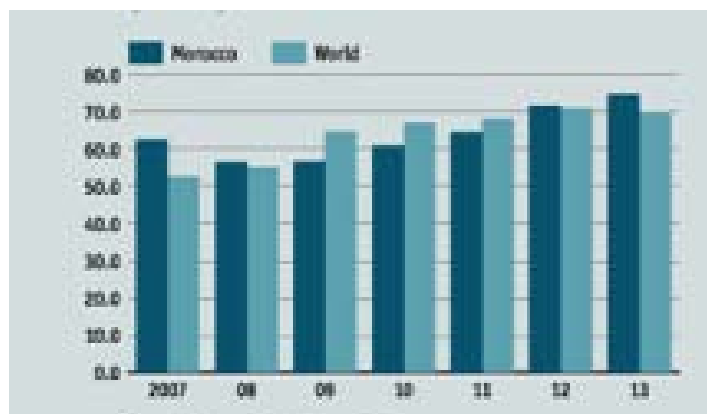
#### Real GDP growth (% change)



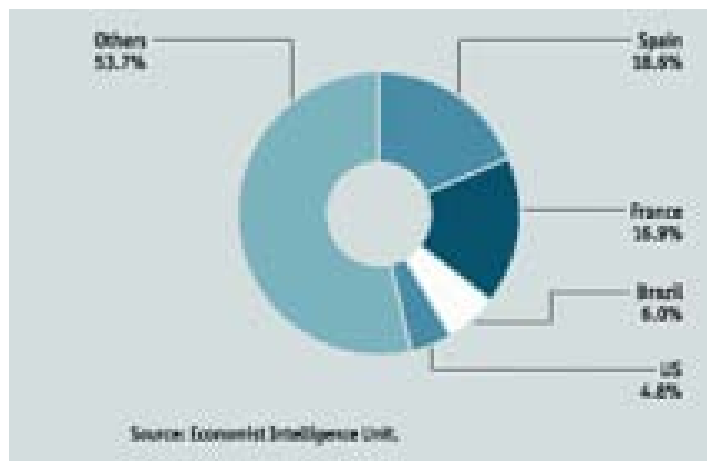
#### Consumer price inflation (av %)



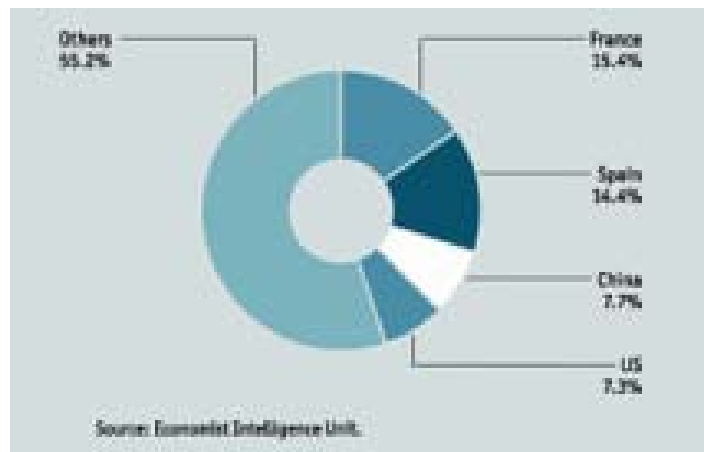
#### Public debt (% of GDP)



#### Main destination of exports, 2011 (share of total)



#### Main destination of exports, 2011 (share of total)



## 4 Government and Politics

### 4.1 Political structure

#### Official name

Kingdom of Morocco

#### Form of state

Constitutional monarchy

#### Legal system

The Moroccan legal system is based on French and Islamic law and French legal procedure. A new constitution came into force on 1 July 2011 but will require some organic laws to be passed for some clauses to become operational.

#### National legislature

Bicameral system, consisting of a directly elected 395-seat lower House of Representatives and a 270-seat upper Chamber of Advisers indirectly elected by an electoral college.

#### National elections

The last municipal elections were held in June 2009. The last House of Representative elections were held in November 2011. The next elections are due in 2012 (Chamber of Advisers) and November 2016 (House of Representatives).

#### Head of State

The Head of State is King Mohammed VI.

#### Administration

There are 39 provinces and eight urban prefectures. Real provincial power is in the hands of governors appointed by the Ministry of the Interior.

#### Executive

The King is required to ask the leader of the largest party in the House of Representatives to form a government and choose a Council of Ministers, which is then approved by the King. A new Prime Minister was appointed in November 2011. A new coalition cabinet was formed in January 2012.

## Main political parties

### Loyalist:

- Rassemblement national des indépendants
- Union constitutionnelle
- Mouvement populaire (MP)
- Alliance nationale
- Parti de l'authenticité et de la modernité

### Left and centre-left:

- Parti de l'Istiqlal
- Union socialiste des forces populaires
- Parti du progrès et du socialisme (PPS)
- Gauche socialiste unifiée

### Islamist

- Parti de la justice et du développement (PJD)

The country's largest Islamist movement is the banned al-Adl wal-Ihsane (Justice and Charity).

### Key ministers

- Prime Minister: Abdelilah Benkirane (PJD)
- Minister of State: Abdellah Baha (PJD)
- Secretary-general of the Government: Driss Dahak (royal appt)
- Agriculture and Fisheries: Aziz Akhenouch (independent)
- Communication and Government Spokesperson: Mustapha el-Khalfi (PJD)
- Culture: Mohamed Amine Sbihi (PPS)
- Defence: Abdellatif Loudiyi (royal appt)
- Education and Higher Education: Mohammed el-Ouafa (Istiqlal)
- Endowments and Islamic Affairs: Ahmed Toufik (royal appt)
- Energy, Mines, Water and Environment: Fouad Douiri (Istiqlal)
- Equipment and Transport: Aziz Rabbah (PJD)
- Finance and Economy: Nizar Baraka (Istiqlal)
- Foreign Affairs and Co-operation: Saad-Eddine el-Othmani (PJD)
- Health: El Hossein el-Ouardi (PPS)
- Industry, Trade and New Technologies: Abdelkader Aamara (PJD)
- Interior: Mohand Laenser (MP)
- Justice: Mustafa Ramid (PJD)
- Labour: Abdelouahed Souhail (PPS)
- Social Development, Family and Women: Bassima Hakkaoui (PJD)
- Tourism: Lahcen Haddad (MP)
- Youth and Sports: Mohammed Ouzzine (MP)
- Central Bank Governor: Abdellatif Jouahri

### International organisation participation

- |                          |                  |                    |
|--------------------------|------------------|--------------------|
| • ABEDA                  | • AfDB           | • AFESD            |
| • AMF                    | • AMU            | • CD               |
| • EBRD                   | • FAO            | • G-1              |
| • G-77                   | • IAEA           | • IBRD             |
| • ICAO                   | • ICC            | • ICRM             |
| • IDA                    | • IDB            | • IFAD             |
| • IFC                    | • IFRCS          | • IHO              |
| • ILO                    | • IMF            | • IMO              |
| • IMSO                   | • Interpol       | • IOC              |
| • IOM                    | • IPU            | • ISO              |
| • ITSO                   | • ITU            | • ITUC             |
| • LAS                    | • MIGA           | • MONUSCO          |
| • NAM                    | • OAS (observer) | • OIC              |
| • OIF                    | • OPCW           | • OSCE (partner)   |
| • Paris Club (associate) | • PCA            | • UN               |
| • UNCTAD                 | • UNESCO         | • UNHCR            |
| • UNIDO                  | • UNOCI          | • UNSC (temporary) |
| • UNWTO                  | • UPU            | • WCO              |
| • WHO                    | • WIPO           | • WMO              |
| • WTO                    |                  |                    |

## 5 Transport

With billions of dollars committed to improving the country's infrastructure, Morocco aims to become a world player in terms of marine transport. The 2008-2012 investment plan aims to invest US\$16.3 billion and will contribute to major projects such as the combined port and industrial complex of the Tanger-Med and the construction of a high-speed train between Tangier and Casablanca. The plan will also improve and expand the existing highway system and expand the Casablanca Mohammed V International Airport. Morocco's transport sector is one of the kingdom's most dynamic, and will remain so for years to come.

# 6 Telecommunications

Morocco is one of the most advanced telecommunications markets in Africa and often seen as a role model for future developments in other parts of the continent. It features a majority-privatised, highly profitable incumbent telco (Maroc Telecom, MT), three fixed and mobile network operators, as well as the highest penetration and some of the lowest prices on the continent for broadband Internet access.

The fixed-line market has experienced a renaissance, following the launch of the country's second and third network operators and fuelled by the growing demand for broadband services. Most of the new connections are wireless and increasingly converging with mobile services. The mobile market was catapulted above the 100% penetration mark in early 2011.

The Internet market was dominated by MT's ADSL broadband service which once held over 90% of the market. However, within four years of their introduction, third-generation (3G) mobile broadband services had taken more than three quarters of the broadband market by early 2011. This development is expected to continue, since the mobile networks reach a far greater percentage of the population than MT's copper fixed-line network.

With all three major players being fixed as well as mobile network operators, the boundaries between fixed and mobile are beginning to disappear as technologies and services converge. Innovative new services have been introduced such as the first commercial IPTV service on the continent. To accommodate the increasing amount of voice and Internet traffic, fibre optic national backbone networks and international connectivity are being expanded.

# 7 Investing in Morocco

## 7.1 Openness to, and restrictions upon, foreign investment

Morocco actively encourages foreign investment and has sought to facilitate it through macro-economic policies, trade liberalisation, and structural reforms. The U.S. Free Trade Agreement (FTA) and the Association Agreement with the EU have led Morocco to reduce its tariffs on imports from the U.S. and EU. Morocco has also signed a quadrilateral FTA with Tunisia, Egypt and Jordan, and a bilateral FTA with Turkey. Additionally, it is seeking trade and investment accords with other African, Asian and Latin American countries.

The U.S.-Morocco FTA has led to more than a tripling of bilateral trade and roughly a tripling of both the stock and annual flow of U.S. investment to Morocco. In the World Bank's 2012 "Doing Business" report, Morocco gained twenty spots, rising from 114th to 94th. However, the country's excessive bureaucratic red tape continues to be a major constraint on the competitiveness of the economy and deters investors.

To facilitate foreign investment, the government has created a number of Regional Investment Centres (CRI) to minimise and accelerate administrative procedures. Investments in excess of 200 million MAD (US\$ 26 million) are, in addition, referred to a special ministerial committee chaired by the Prime Minister.

Morocco's 1995 Investment Charter applies to both foreign and Moroccan investors, with foreign exchange provisions favouring foreign investors. Foreign investment is permitted in nearly every sector. The world's largest phosphate producer, Morocco's Office Cherifien des Phosphates (OCP), has signed several joint venture agreements to set up new fertilizer and chemical plants, a move seen by analysts as a step towards liberalising the phosphate sector.

OCP appears to have shelved previous plans for an initial public offering, however. Additionally, although foreigners are prohibited from owning agricultural land, the law does allow for long-term

leases of up to 99 years and permits agricultural land to be purchased for non-agricultural purposes.

Morocco has sought to encourage foreign investment in the agricultural sector by making land available for leasing. Agricultural ventures by French, Spanish and Middle Eastern investors are targeted mostly at citrus and olives, with some small investments in grapes and berries.

Year	Index	Ranking
2011	TI Corruption Index	80 out of 182
2011	Heritage Economic Freedom	93 out of 179
2012	World Bank Doing Business	94 out of 183
2012	MCC Gov Effectiveness	69th Percentile
2012	MCC Rule of Law	66th Percentile
2012	MCC Control of Corruption	72nd Percentile
2012	MCC Fiscal Policy	65th Percentile
2012	MCC Trade Policy	60th Percentile
2012	MCC Regulatory Quality	83rd Percentile
2012	MCC Business Start Up	78th Percentile
2012	MCC Land Rights Access	77th Percentile
2012	MCC Natural Resource Protection	46th Percentile

## 7.2 Conversion and transfer policies

The Moroccan dirham is convertible for foreign investors for all current-account and selected capital-account transactions. Particularly, capital-account repatriation transactions are convertible if the original investment is registered with the foreign exchange office. Morocco's foreign exchange law enables expatriate employees to repatriate their entire salaries.

Foreign exchange is readily available through commercial banks for the following activities without prior government approval: Remittances by foreign residents; repatriation of dividends and capital by foreign investors; and payment for foreign technical assistance, royalties and licenses.

The current exchange-rate regime is a tightly managed float against a euro-dominated basket of currencies. The Moroccan dirham thus tends to move in line with the Euro. It fluctuated between 7.7 and 8.6 MAD to the dollar in 2011, with an average exchange rate for the year of 8.09 MAD to the dollar.

## 7.3 Expropriation and compensation

Mission Morocco is not aware of any recent, confirmed instances of private property being expropriated for other than public purposes, or being expropriated in a manner that is discriminatory or not in accordance with established principles of international law.

## 7.4 Dispute settlement

In general, investor rights are backed by an impartial procedure for dispute settlement that is transparent.

While Morocco's commercial and appeals courts have generally improved the dispute settlement climate, Moroccan and foreign companies continue to complain about the inefficiency and the lack of transparency in the judicial system. Among King Mohammed VI's six priority areas identified in a major annual address in August 2009 were improving the business environment and the fairness and efficiency of the judicial system.

In late 2009 a National Committee for the Business Environment (CNEA) was created in partnership with the private sector, and it has worked to identify needed reforms and raise awareness of business environment issues nationally and internationally. Recent UN and World Bank studies point to some progress on these issues, though they continue to highlight Morocco's shortcomings in a number of key areas, noting that bankruptcy protection and liquidation procedures are inefficient and that the courts are slow and often fail to enforce legal rulings.

In an effort to promote foreign investment, the Moroccan legislature has adopted laws to protect both foreign investors and their Moroccan counterparts. Morocco is a member of the International Centre for the Settlement of Investment Disputes (ICSID) and a party to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (with reservations) and the 1965 Convention on the Settlement of Investment Disputes between States and Nationals of Other states.

Legislation extending the scope of arbitration and mediation and giving them added legal standing took effect in July 2007, partly as a result of FTA required reforms. Arbitration, in particular, finds increasing use in Morocco today. Moreover, USAID, in collaboration with IFC, assisted the Government in 2008 and 2009 with the establishment of a national commission on Alternative Dispute Resolution (ADR) with a mandate to regulate mediation training centres and develop mediator certification systems. The goal of this programme is to increase the use of mediation in the prevention phase of bankruptcy proceedings and in the resolution of business disputes outside of the courts. Although the programme remains limited in its implementation, the business community has generally viewed early use of the system in Rabat and Casablanca as favourable.

### 7.5 Performance requirements and incentives

At present, there are no general foreign investor performance requirements. However, in the event that government incentives are provided, requirements may be imposed, and if so, would be spelled out in the specific investment contract.

Morocco provides a range of investment incentives, including a corporate tax holiday during the first five years of business and a 17.5 percent rate thereafter. In the case of "off-shoring" facilities, the government has offered telecommunications costs set at 35 percent below the market price and training grants of up to US\$ 7,000 for each Moroccan employee during the first three years of employment. A new version of the investment incentive regime is currently undergoing a governmental review.

### 7.6 Right to private ownership and establishment

Private ownership is permitted in all but a few sectors reserved for the state, such as phosphate mining. Economic analysts, however, speculate that as Morocco's phosphate processing increasingly becomes open to foreign investment, its mining sector may follow suit. Apart from a few exceptions, private entities may freely establish, acquire and dispose of interests in business enterprises.

2010 saw much discussion of privatisation and French oilseed giant Sofiproteol acquired a forty-one percent stake in Moroccan cooking oil producer Lesieur Cristal for one hundred and fifteen million euros. However, in the wake of the global economic slowdown other prospective offerings failed to materialize, including a plan to sell up to seven percent of industry leader Maroc Telecom's capital from the government's holdings.

### 7.7 Protection of property rights

The U.S.-Morocco FTA contains strong intellectual property protections, which were incorporated in Moroccan intellectual property legislation in 2006. Pursuant to its FTA obligations, Morocco enacted legislation that increased protection of trademarks, copyrights and patents.

While the protection of Intellectual Property Rights (IPR) is improving as a result of these provisions, counterfeit DVDs and CDs remain widely available throughout Morocco and weaknesses remain in the country's mechanisms for detection and sanctioning of internet-based IPR violations.

Morocco's Customs Office, Copyright Office (BMDA), and the Office of Industrial and Commercial Property (OMPIC) have initiated campaigns to target Morocco's largest counterfeit manufacturers and importers, with mixed success. Consumer product companies have stated that counterfeiters have become increasingly sophisticated in their production and distribution of counterfeit goods.

Secured interests in property are recognized and enforced through the "Administration de la Conservation Fonciere."

### 7.8 Transparency of the regulatory system

Despite government efforts to increase the system's transparency, Morocco's administration is opaque and difficult to navigate. Routine permits, especially those required by local government agencies, can be difficult to obtain. Morocco has sought, with some success, to increase the transparency of its public tenders. However, recent moves to decentralise the procurement process have seen only limited implementation pending the government's general "regionalisation" plan.

In 2006 a new charter for the central bank created an independent board of directors and prohibited the Ministry of Finance and Economy from borrowing from the central bank except in exceptional circumstances.

### 7.9 Efficient capital markets and portfolio investment

Morocco's banking system is one of the most liberalised in North Africa. Nonetheless, it is highly concentrated, with the six largest banks accounting for 85 percent of banking sector assets. The IMF/World Bank's updated Financial System Stability Assessment concluded that the system was "stable, adequately capitalised, profitable and resilient to shocks." It noted the progress Morocco has made in deepening financial intermediation (39 percent of the population has a bank account as of 2009, up from 36 percent in 2007) and in reducing the overall level of non-performing assets (down from 11 percent in 2006 to 6 percent at the end of 2008 and 5.5 percent by the end of 2009). In its October 2011 assessment, the IMF noted that Morocco would need to mobilise additional resources and continue to strengthen core capital to adequately support credit growth in the future.

A new Moroccan banking law was passed in 2006, strengthening the supervisory power of the central bank and improving risk management practices. Morocco has generally completed adoption of Basel II capital adequacy and risk management guidelines in order to improve financial stability and adopted International Accounting Standards (IAS) intended to enhance transparency.

Credit is allocated on market terms, and foreign investors are able to obtain credit on the local market. There are some cross-shareholding arrangements, but they are not tailored to exclude foreign investment. The Mission has not received any reports of efforts by the private sector or industry to restrict foreign participation in standard-setting organisations. The government has actively sought out the participation of foreign investors for discussions on improving the business climate in Morocco.

Some foreign banks are critical of what they view as a lack of proportional participation in the Moroccan Bankers' Association. However, Moroccan banks are largely in compliance with the Basel I standards and have become almost completely Basel II compliant as required by the Moroccan central bank. Banks are supervised on a consolidated basis and must provide statements audited by certified public accountants. In 2009, ten banks submitted consolidated financial statements based on Basel II standards.

The Casablanca Stock Exchange (CSE), founded in 1929 and re-launched as a private institution in 1993, is one of the few regional exchanges with no restrictions on foreign participation. The market weakened in 2008 and fell further in 2009 when the global credit crisis and its spill-over into the real economy dampened foreign investment inflows and demand for exports. The Bourse rebounded sharply in 2010 with the MASI (Moroccan All Shares Index) growing by 21.17 percent. Although the Casablanca exchange only saw two Initial Public Offerings (IPOs) during 2010, one of the listings came from Morocco's largest and most important insurance company, CNIA SAADA Assurance, which listed 15 percent of its shares on the exchange in November. Investors predicted similar gains and more listings in 2011 but the regional turmoil of the Arab Spring and persistent weakness in the global economy appeared to cause many investors to take a wait-and-see approach. As a result, activity in the market declined during 2011.

Analysts note that the market is buoyed by continuing restrictions on the ability of Moroccans to invest abroad. Gradual easing of these limits is widening Moroccan investors' options, however, and recent changes in the Moroccan exchange regime seem aimed at allowing Moroccan financiers to invest more freely into neighbouring markets.

### 7.10 Competition from state-owned enterprises

Morocco maintains partial or full state ownership in several sectors, from phosphate mining to transportation. While the leaders of Morocco's state-owned enterprises (SOE) are appointed by the King, most report to a Board of Directors chaired by a Minister or royal or prime ministerial appointee and publish annual reports.

SOEs compete with private firms under the same terms and conditions.

### 7.11 Corporate social responsibility (CSR)

CSR has gained strength in tandem with Morocco's economic expansion and stability. The country's businesses are slowly embracing responsibility for the impact of their activities on the environment, communities, employees and consumers. As an example, the General Federation of Moroccan Businesses (CGEM) has awarded "social labels" to companies based on a systematic analysis of the effects of their activities. While there is no legislation mandating specific levels of CSR, foreign and some local enterprises follow generally accepted principles such as the OECD CSR guidelines for multinational companies. NGOs are also taking an increasingly active role in monitoring corporations' CSR performance.

### 7.12 Political violence

Morocco is a monarchy with a Constitution, government, parliament and judiciary, in which ultimate power and authority rest with the throne. A democratic reform process is underway and the country is broadly regarded as politically stable. The U.S. Government maintains excellent relations with Morocco and has designated Morocco a Major non-NATO Ally. A series of terrorist bombings in Casablanca in March and April 2007, as well as the bombing of the Argana Café in Marrakesh in April 2011 highlight the fact that Morocco continues to face a terrorist threat.

Demonstrations occur frequently in Morocco and usually centre on domestic issues. Although most demonstrations have been peaceful, well organised, and well controlled by the police, some past events have exhibited anti-American sentiment with isolated violent incidents. During periods of heightened regional tension, large demonstrations may take place in major cities. Additionally, the "Arab Spring" of 2011 led to the creation of the February 20th Movement in Morocco. This disparate group of protesters has taken to the street in numbers between a few hundred to tens of thousands almost every Sunday since its inception.

The sparsely settled Western Sahara was the site of armed conflict between the Moroccan Government and the Polisario Front, which demands independence. A cease-fire has been in effect since 1991, but the territory remains disputed between Morocco, Algeria, and the Polisario. Negotiations to reach a settlement resumed in 2007 under UN auspices, but the dispute hampers development in the territory, as well as economic and political integration in the North Africa region.

### 7.13 Corruption

Morocco has a wide body of laws and regulations to combat corruption, but it remains a problem, in part due to the low salaries in the public sector. The Parliamentary elections in November 2011 brought to power a coalition led by the Party of Justice and Democracy, which highlighted anti-corruption during its election campaign. The new government which took office in January 2012 is expected to make the fight against corruption one of its key priorities.

A new anti-corruption agency was set up in 2007 but only became operational in January 2009. Headed by a respected senior Moroccan official who has been active in anti-corruption efforts since the founding of "Transparency Maroc," the agency was created to "moralize" Moroccan public life and to propose specific steps the government can take to address the issue. In 2010, an anti-corruption

hotline was introduced under the auspices of the Moroccan business federation, CGEM.

In spite of an improvement from last year's 85th place ranking, Morocco's 80th place in Transparency International's 2011 corruption index is still well below its 2002 level, when it was 52nd. Government officials have criticised the Index, which reflects public perceptions concerning corruption, for not emphasising recent anti-corruption efforts. These include enhancing the transparency of public tenders and implementation of a requirement that senior government officials declare their assets at the start and end of their government service.

Since 2003 Morocco has taken a series of steps to counter terrorist finance, strengthen controls against money laundering, and conform to international accounting and banking standards. Comprehensive anti-money laundering legislation was passed in 2007, drawn largely from recommendations made by the Organisation for Economic Cooperation and Development's (OECD's) Financial Action Task Force (FATF). Morocco has created a Working Group on money laundering and counter-terrorism financing to coordinate policy and training across the various agencies of the Moroccan government. An independent Financial Intelligence Unit became operational in 2009. In July 2011 Morocco joined the Egmont group, an informal network of FIUs.

### 7.14 Bilateral investment agreements

The U.S.-Morocco FTA was signed in June 2004 and came into effect in January 2006, ending tariffs on over 98 percent of the bilateral trade in consumer and industrial goods and subsuming previous bilateral investment agreements. An informal "Atlantic Bridge Initiative" between the Moroccan Ministry of Foreign Trade and the U.S. Department of Commerce was signed in October 2011. It is designed to promote Morocco as a regional platform for exports to Europe, Africa, and the Middle East.

### 7.15 Labour

Once strong and politically influential, the Moroccan trade union movement is now fragmented and no longer possesses the political clout it carried 50 years ago when it helped lead the country to independence. Nevertheless, 5 of the 24 trade union federations retain the potential to influence political life. Although unions claim high membership rates, Morocco has about 600,000 unionized workers, less than six percent of the 11.26 million workforce.

Moroccan labour law and practice draw from French models. The labour code was reformed in 2004, reducing the maximum workweek from 48 to 44 hours. Labour codes concerning unions and the right to strike do not cover domestic workers. Investors continue to view labour regulations as a significant constraint. They complain that procedures regarding lay-offs remain complicated and onerous, and they impose a significant financial burden on companies. Rules regarding foreign personnel are also vague and can lead to conflicting interpretations and arbitrary decisions.

Morocco has ratified the International Labour Organisation (ILO) convention covering the right to organize and bargain collectively, and any group of eight workers can organise. Article 14 of the Constitution gives workers the right to strike, but no detailed law defines it. For a union to engage in collective bargaining it must have at least 35 percent of the enterprise's workforce as registered members. The Ministry of Interior occasionally intervenes, especially if the Government believes strategic interests are threatened. There are mandatory procedures governing the settlement of disputes, though the Government settles them on a case-by-case basis.

The official national unemployment figure at the end of the third quarter 2011 rose slightly from 9.0 to 9.1 percent compared to the previous year. The more meaningful urban unemployment figure improved from 14.8 percent in 2009 to 13.8 percent in 2010 and appeared to be holding relatively steady in 2011 according to statistics released by the Moroccan High Commission for Planning (HCP). However, those same statistics appeared to show an increasing rate of unemployment among urban 15 to 24 year-olds. In 2011, in response to social pressures, the government raised

the minimum wage. The industrial minimum wage now stands at 11.70 MAD per hour, approximately US\$ 1.43, a ten percent increase from the previous wage of 10.64 MAD per hour. Meanwhile, the agricultural minimum wage also rose, reaching 60.63 MAD per day, approximately US\$ 7.39.

### 7.16 Foreign trade zones/free ports

The industrial free trade zones (FTZs) and Logistic Zones in Tangier have brought foreign investment and employment to the northern region of Morocco. The companies located in the FTZs may import goods duty free and are exempt from other taxes. Moroccan labour laws still apply, but few, if any, firms are unionized. There is also an offshore banking law covering Tangier.

### 7.17 Foreign direct investment statistics

The Moroccan foreign exchange office maintains balance of payments statistics that include annual foreign exchange inflows for private foreign investment. These statistics differentiate between foreign direct investment (purchases of companies or increases in capital), portfolio investment, and short-term financing for current account expenditures, e.g. lending to a subsidiary for purchases of equipment. There are no official statistics on the stock of foreign investment in Morocco, but new foreign investment peaked at about US\$ 4.6 billion in 2007, before declining to around 3.6 billion in 2008 and 2.5 billion in 2009. The following tables are based on balance of payments statistics.

#### Foreign Direct Investment in Morocco (US\$m):

Year	Total FDI	Percentage of GDP
1999	945.6	2.7
2000	245.8	0.8
2001	2,732.2	8.0
2002	534.2	1.3
2003	2,430.2	4.9
2004	1,070.5	1.9
2005	3,007.6	5.1
2006	2,962.5	4.5
2007	4,629.2	6.2
2008	3,608.1	4.1
2009	2,510.7	2.75
2010	3,827.9	4.2

#### Foreign Direct Investment Inflows by Country of Origin (US\$m):

Country	2006	2007	2008	2009	2010
United States	98.1	188.2	108.1	79.06	56.29
France	982.5	1740.7	1360.7	928.2	2285.08
Spain	817.2	744.9	337.6	208.12	320.73
Germany	106.8	200.8	169.3	98.05	58.13
UK	105.8	314.2	156.7	128.28	63.34
Netherlands	25.8	61.5	24.3	31.29	27.26
Benelux	296.0	160.7	133.9	*122.93	*141.87
Saudi Arabia	375	776	65.9	32.95	62.3
Switzerland	102.9	161.6	214.3	145.46	167.2
UAE	87.9	464.6	608.5	149.22	245.44
Kuwait	115.0	192.1	14.9	373.98	108.96
Italy	38.0	105.4	99.0	73.83	26.99
Portugal	5.7	6.8	5.8	6.58	3.55
Others	143.0	210.0	309.1	281.97	260.78
<b>Total</b>	<b>4629.1</b>	<b>3608.1</b>	<b>3007.6</b>	<b>2510.7</b>	<b>3827.92</b>

\*In 2009, Office des Changes began reporting separately on Belgium and Luxembourg

#### Foreign Direct Investment Inflows by Country of Origin (US\$m):

Sector	2006	2007	2008	2009	2010
Industry	1019.6	404.2	230.2	294.5	395.62
Tourism	889.6	1515.0	732.2	380.86	392.02
Real Estate	467.8	925.7	1180.9	725.1	876.98
Banking	166.3	222.4	639.9	489.86	493.55
Insurance	166.2	2.6	25.9	33.82	35.75
Commerce	118.9	41.9	23.2	19.15	44.76
Holding	16.8	103.4	285.1	24.14	92.66
Energy and Mining	11.4	343.7	202.4	10.48	37.34
Transport	6.4	333.8	22.7	51.39	62.37
Public Works	3.9	64.9	32.6	14.46	27.76
Telecommunications	3.1	376.5	29.7	369.83	1217.80
Agriculture	2.8	4.0	3.5	1.98	3.39
Fishing	0.0	0.5	2.8	0.1	2.75
Studies	0.0	0.0	0.0	0.0	6.35
Other Services	76.8	275.1	192.7	88.27	127.79
Other	12.8	15.6	4.4	6.79	11.06
<b>Total</b>	<b>2962.5</b>	<b>4629.1</b>	<b>3608.2</b>	<b>2510.7</b>	<b>3827.92</b>

#### Major Foreign Investors

##### Industries Marocaines Modernes

Parent company: Procter and Gamble

Sector: Soaps and toiletries

Number of employees: 1,000

##### Coca-Cola Export Corporation

Parent company: The Coca-Cola Export Corp.

Number of employees: 5,000

FRI – Mcdonald's Morocco

Parent company: McDonald's Corporation

Number of employees: 2,000

##### MATIS Aerospace

Parent company: Boeing/Royal Air Maroc/Labinal (Joint venture)

Sector: Aerospace production

Number of employees: 580

##### Delphi Automotive (former division of GM)

Sector: Auto part manufacturer

Number of employees: 4,890

Present in Tanger-Med Free Trade Auto Zone, produces for export only

##### Dupont

Sector: Automotive supplier

Number of employees: 4

Working in TangerMed Free Trade Auto Zone, supply three paint colors for Dacia vehicles; plan to expand to 25 employees

##### Kraft Foods

Sector: Food products

Number of employees: 200

##### Mars North Africa and Levant

Sector: Food products

Number of employees: 13

Invests about 1.2 million US\$ per year

##### Lear Automotive

Sector: Automotive

Number of employees: 2,500

Produces for export only; Present in Tanger-Med Free Trade Automotive Zone and Rabat Technopolis

<p><b>Cargill</b>  <b>Sector:</b> Food production and distribution  Number of employees: 85  Recently invested US\$17 million in a storage facility at the Casablanca port (Silos du Maroc) in partnership with the local railway company</p>	<p><b>Holcim (Maroc)</b>  <b>Parent company:</b> Holcim (Switzerland)  Sector: Concrete  Number of employees: 501-1,000</p>
<p><b>Minco Aviation Electronics</b>  <b>Sector:</b> Aviation/HiTech  Number of employees: 66  Produces for export only</p>	<p><b>Tecmed Maroc</b>  <b>Parent company:</b> Grupo ACS (Spain)  Sector: Waste collection  Number of employees: N/A</p>
<p><b>Kerzner International</b>  <b>Sector:</b> Tourism - Mazagan Beach Resort  Number of employees: 1,300</p>	<p><b>Bymaro S.A.</b>  <b>Parent company:</b> Bouygues S.A. (France)  Sector: Construction and civil engineering  Number of employees: 1,500</p>
<p><b>Colgate Palmolive Maroc</b>  <b>Sector:</b> Pharmaceutical and cosmetic  Number of employees: 122</p>	<p><b>Renault Maroc</b>  <b>Parent company:</b> Renault S.A. (France)  Sector: Motor vehicle assembly  Number of employees: 285</p>
<p><b>Ecomed</b>  <b>Parent company:</b> The Consortium Global Environmental Sustainability, Inc. (GESI) and Edgeboro International Inc.  Sector: Waste Management  Number of employees: 70  Investing about US\$7.5 million over 10 years in Fes project and about US\$100 million over 18 years in Casablanca project</p>	<p><b>Alstom Maroc</b>  <b>Parent company:</b> Alstom (France)  Sector: Power generation and transport  Number of employees: N/A</p>
<p><b>CMCP</b>  <b>Parent company:</b> International Paper  Sector: Packing  Number of employees: 1,500</p>	<p><b>EADS Maroc Aviation</b>  <b>Parent company:</b> European Aeronautic Defence and Space Company (Europe)  Sector: Aeronautics and defence  Number of employees: 251-500</p>
<p><b>Fruit of the Loom</b>  <b>Sector:</b> Textile  Number of employees: 2,300  Production of high quality t-shirts for export to European market only</p>	<p><b>Sanofi-Aventis Maroc</b>  <b>Parent company:</b> Sanofi-Aventis SA (France)  Sector: Pharmaceutical manufacturing  Number of employees: 185</p>
<p><b>Dell Computers</b>  <b>Sector:</b> Computers/HiTech  French-language call centres  Number of employees: 1,700</p>	<p><b>Novartis Pharma Maroc</b>  <b>Parent company:</b> Novartis International AG (Switzerland)  Sector: Pharmaceutical  Number of employees: 180</p>
<p><b>Pfizer</b>  <b>Sector:</b> Pharmaceutical  Number of employees: 151</p>	<p><b>Nestlé Maroc</b>  <b>Parent company:</b> Nestlé SA (Switzerland)  Sector: Consumer packaged goods  Number of employees: 590</p>
<p><b>Brinks</b>  <b>Sector:</b> Security  Number of employees: 1500</p>	<p><b>Imperial Tobacco Morocco</b>  <b>Parent company:</b> Imperial Tobacco (UK)  Sector: Tobacco  Number of employees: 1,000 +</p>
<p><b>Jorf Lasfar Energy Company</b>  <b>Parent company:</b> TACA Energy (operated by CMS Energy)  Sector: Independent power project  Number of employees: 317</p>	<p><b>The Morocco Mall</b>  <b>Parent Company:</b> Al Jedai Group (Saudi)  Sector: Retail  Number of employees: 5,000+</p>
<p><b>DHL</b>  <b>Sector:</b> Packing/Transportation  Number of employees: 300</p>	<p><b>Bombardier Aerospace</b>  <b>Parent Company:</b> Bombardier (Canadian)  Sector: Aerospace  Number of employees : 850 (expected)</p>
<p><b>Lafarge Betons</b>  <b>Parent company:</b> Lafarge (France)  Sector: Concrete  Number of employees: 160</p>	

## 7.18 Registration requirements

No	Procedure	Time to complete	Associated costs
1.	Obtain a "Certificat Négatif", which registers the company name at the Regional Investment Center (CRI, Centre Regional d'Investissement)	1 day	MAD 230 (MAD 210 + MAD 20 droits de timbres)
2.	Deposit paid-in capital in a bank and obtain a bank receipt (attestation de dépôt)	1 day	No charge
3.	Legalise statutes at Mayor's office (Commune)	1 day	MAD 20/page + MAD 10
4.	File documents with CRI to register with the Ministry of Finance for patent tax, with the Tribunal of Commerce, and for social security and taxation	7 days	1% of capital, (at least DH1,000) + DH200 (registration fee) + DH 350 (registration at commercial registry) + DH 150 publication fee (DH 8-9/ line in business paper, DH4/ line bulletin officiel).
5.	File a declaration with the economic office of the Préfecture (Service Economique de la Commune)	1 day	No charge
6.	Make company stamp	1 day	MAD 200

## 8 Country Risk Summary

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
August 2012	B	BB	BB	B	B	BB

(AAA = least risky; D = most risky)

### 8.1 Sovereign risk

Stable. Morocco's fiscal account will remain deeply in deficit, owing to high recurrent expenditure on subsidies and wages, but the shortfalls should be financed mostly by borrowing from domestic banks, thus keeping the external debt stock in check, although some new borrowing is likely.

### 8.2 Currency risk

Stable. The current exchange-rate system – a managed float – will remain in place. Despite widening twin deficits, the Moroccan dirham will strengthen somewhat against the troubled euro in 2012. The central bank has some capacity to intervene, although foreign-exchange reserves have been falling.

### 8.3 Banking sector risk

Stable. The banking sector has benefited from prudential regulation, relatively low levels of non-performing loans (although these are rising) and limited direct foreign exposure, but government borrowing from the banks is a concern.

### 8.4 Political risk

The government will increase public spending in the short term to quell political and social protests over unemployment and poverty. Tensions over the disputed territory of Western Sahara may also lead to violent demonstrations.

### 8.5 Economic structure risk

Dependence on agriculture leaves economic performance vulnerable to weather conditions. The fiscal and external deficits fluctuate in line with movements in international commodity prices.

## 9 Country Outlook: 2012 – 2016

### 9.1 Political stability

The political scene will remain broadly stable in 2012-16 under the rule of the king, Mohammed VI, but the election for the House of Representatives (the lower house), held in November under the terms of a new constitution, has not reduced the widespread disaffection with the formal political process. Popular protests are likely to continue but will stop short of calling for the king's overthrow. The king is believed to be well liked and in good health.

### 9.2 Election watch

The next election for the House of Representatives will be in 2016. The new constitution includes clauses intended to curb the frequent party defections by members of parliament seen in Morocco, which may help to give some political parties greater stability and credibility. Morocco's complex version of proportional representation tends to result in a fragmented elected chamber: 18 parties are represented in the 395-member lower house. The new constitution should give the Prime Minister more influence over the coalition, but the PJD may still find it difficult to maintain a majority coalition with traditional secular parties while also satisfying its more religiously conservative voting base.

### 9.3 International relations

Morocco's relations with neighbouring Algeria will remain difficult, largely because of the dispute over Western Sahara, which Algeria would like to see become independent. Morocco is committed to its plan for limited autonomy for the territory, but the Sahrawi national liberation movement, the Polisario Front (PF), which is backed by Algeria, demands a referendum on self-determination. With Morocco having recently withdrawn its support for the UN envoy to Western Sahara, the likelihood of Morocco and the PF moving closer to a resolution has diminished even further, although outright military confrontation is also unlikely.

Morocco will seek to further political and economic ties with the wealthy Gulf Arab monarchies. On 1 January Morocco began a two-year term on the UN Security Council.

### 9.4 Policy trends

In the light of the political unrest in the wider region, and given that it is dominated by the Parti de la justice et du développement, which focused on social welfare issues in its election campaign, the new government will prioritise dealing with social and economic exclusion. It will maintain high social spending on slum clearance, rural infrastructure, education and health, although finding funding will be challenging in the difficult global economic climate.

Given limited resources, an inefficient bureaucracy and widespread nepotism and corruption – into which the new government will make only modest inroads – addressing the country's infrastructure shortcomings will prove difficult.

Poverty remains a pressing concern, and the new government is committed to increasing employment and bringing jobs into the formal economy, although it will have limited success.



## 9.5 Economic growth

The economy is forecast to grow by an annual average of 4.2% in 2012-16. Despite government strategies to diversify the economy, and notwithstanding the increasingly large contribution made by the services sector, GDP will remain vulnerable to shifts in agricultural production, with almost 40% of Moroccans still employed in the sector.

The Economist Intelligence Unit expects real GDP growth to be restricted to 2.4% this year, reflecting expectations of a poor harvest as well as weak export demand. Given Morocco's dependence on EU demand, an implosion of the euro zone would have serious downside repercussions. The economy expanded by 5% in 2011, helped by a strong 2010/11 cereal harvest and fiscal expansion. In the longer term the non-agricultural sector's role will gradually increase as the government tries to promote value-added manufacturing and off-shoring industries.

A new Renault car-assembly plant began operations in northern Morocco in 2012, with its production largely aimed at export markets. The government hopes that this project will encourage other investors to consider Morocco. Other manufacturing will also expand, as will infrastructure, energy and tourism. In addition, the expansion of the Tanger Med port in the north will add an important logistics element to services growth. Government housing and infrastructure projects will partly offset a contraction in private-sector tourism developments, which have been hurt by risk aversion among investors.

## 9.6 Inflation

Inflation is expected to be fairly low in 2012-16, averaging 2.4% a year, as government subsidies on energy and food continue to keep prices artificially low. The subsidy system will place an increasing burden on the public finances and requires reform. However, given the politically sensitive nature of subsidies, reform is likely to unfold only gradually during the forecast period.

Low historical inflation has stemmed from the managed exchange rate, but also from deficiencies in the way it is recorded. The real cost of living may have increased more rapidly in recent years than official data suggest. Slower remittance growth in 2012 – caused by weak European performance – will limit domestic spending power, in turn depressing liquidity and helping to curb inflation.

## 9.7 Exchange rates

The exchange-rate regime is a tightly managed float against a euro-dominated basket of currencies. Despite opposition from exporters, Bank al-Maghrib (the central bank) argues that this system has been useful in anchoring the economy and keeping inflation low, although the euro-zone problems may force a reconsideration. Morocco will seek to retain a competitive trade position with the EU. It is therefore expected that the dirham will weaken against a strengthening dollar until 2015, after which it will strengthen against the US currency.

Reform of the system is unlikely until later in the forecast period given the volatile regional and international financial climate. The authorities will try to keep the dirham competitive against the euro in order to help Moroccan exporters, but will not want the currency to weaken too far given the upward impact on import prices.

## 9.8 External sector

The current account will remain in deficit over the forecast period as energy prices stay high and export growth is curbed by weak EU demand, although this will be mitigated to a degree by exports of phosphates and related products, with Brazil, India and the US as large markets. The trade deficit is forecast to rise further in 2012 and then to narrow in 2013-15, helped by lower global commodity prices, before rising again in 2016.

Morocco will attempt to reduce its oil dependency by investing in renewable energy (with international funding to support such projects). The trade and income deficits will be partly offset by surpluses in services and current transfers. Services, particularly tourism – which relies heavily on European demand – and current transfers inflows will perform sluggishly in 2012, owing to EU weakness, but they will strengthen from 2013.

The current-account deficit is forecast to widen to around 9% of GDP in 2012, before it narrows steadily over the remainder of the forecast period, to just over 2% of GDP in 2016.

# A Appendix one

## Sources of Information

- Economist Intelligence Unit
- World Bank
- Wikipedia
- African Executive
- CIA World Factbook
- Doingbusiness.org
- Business Monitor
- US Department of State