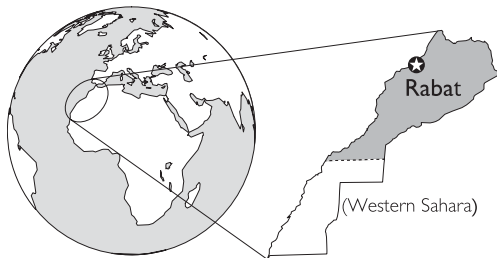


# MOROCCO

Rank: 98

Regional Rank: 12 of 17



**M**orocco's economy is 56.4 percent free, according to our 2008 assessment, which makes it the world's 98th freest economy. Its overall score is 0.8 percentage point lower than last year, partially reflecting deteriorated monetary freedom. Morocco is ranked 12th out of 17 countries in the Middle East/North Africa region, and its overall score is slightly lower than the regional average.

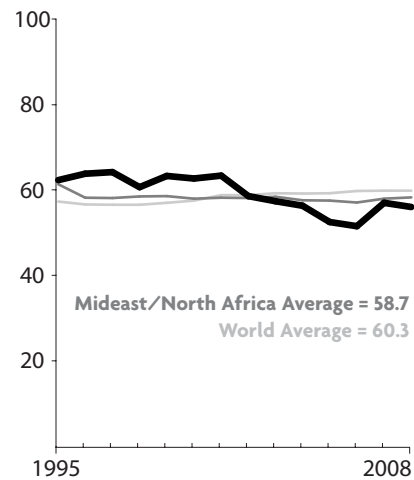
Morocco scores exceptionally well relative to the world average in two areas: business freedom and investment freedom. Inflation is low, but the kingdom still uses price supports for some goods. Despite regulatory obstacles, business formation is generally efficient. Foreign investment receives national treatment, but Morocco's bureaucracy provides its own *de facto* deterrent to foreign capital.

Morocco suffers from weak trade freedom, fiscal freedom, financial freedom, labor freedom, property rights, and freedom from corruption. The average tariff rate is high, and bureaucratic practices are opaque. The judiciary and the financial sector are inefficient and subject to substantial corruption (at least in the courts) and significant political interference from the king. The labor market is highly restrictive and one of the least free in the world.

**BACKGROUND:** The Arab constitutional monarchy of Morocco gained its independence from France in 1956 and became a close ally of the United States. King Mohammed VI has encouraged political and economic reform, the expansion of civil rights, and the elimination of corruption. Morocco has the world's largest phosphate reserves, a large tourist industry, and a growing manufacturing sector, but agriculture still accounts for about 20 percent of GDP and employs roughly 40 percent of the labor force. A free trade agreement between Morocco and the United States took effect in January 2006.

How Do We Measure Economic Freedom? See Chapter 4 (page 39) for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

The economy is 56.4% free



## QUICK FACTS

**Population:** 30.2 million

**GDP (PPP):** \$137.4 billion

1.7% growth in 2005

3.7% 5-yr. comp. ann. growth

\$4,555 per capita

**Unemployment:** 18.7%

**Inflation (CPI):** 1.0%

**FDI (net flow):** \$2.8 billion

**Official Development Assistance:**

Multilateral: \$318.3 million

Bilateral: \$728.6 million (2.6% from the U.S.)

**External Debt:** \$16.8 billion

**Exports:** \$18.8 billion

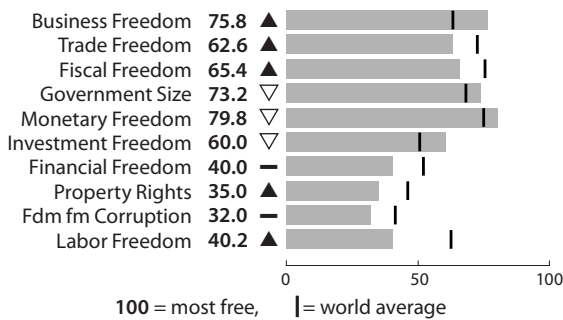
Primarily clothing, fish, inorganic chemicals, transistors, crude minerals, fertilizers, petroleum products, fruits, vegetables

**Imports:** \$22.7 billion

Primarily crude petroleum, textile fabric, telecommunications equipment, wheat, gas and electricity, transistors, plastics

2005 data unless otherwise noted.

## MOROCCO'S TEN ECONOMIC FREEDOMS



### BUSINESS FREEDOM — 75.8%

The overall freedom to start, operate, and close a business is relatively well protected by Morocco's regulatory environment. Starting a business takes less than half the world average of 43 days. Obtaining a business license takes less than the world average of 234 days. Bankruptcy proceedings are relatively easy and straightforward.

### TRADE FREEDOM — 62.6%

Morocco's weighted average tariff rate was 13.7 percent in 2005. Prohibitive tariffs, inconsistent and opaque government procurement, non-transparent and arbitrary regulations and standards, import restrictions, service market access barriers, and weak enforcement of intellectual property rights add to the cost of trade. An additional 10 percentage points is deducted from Morocco's trade freedom score to account for non-tariff barriers.

### FISCAL FREEDOM — 65.4%

In January 2007, the top income tax rate became 42 percent, down from 44 percent. The top corporate tax rate is 35 percent. Other taxes include a value-added tax (VAT) and a property tax. In the most recent year, overall tax revenue as a percentage of GDP was 21.8 percent.

### GOVERNMENT SIZE — 73.2%

Total government expenditures, including consumption and transfer payments, are moderate. In the most recent year, government spending equaled 29.9 percent of GDP. The government has cut the public wage bill and trimmed subsidies to reduce spending.

### MONETARY FREEDOM — 79.8%

Inflation is low, averaging 2.6 percent between 2004 and 2006. Relatively stable prices explain most of the monetary freedom score. Although price controls and subsidies are being phased out, the government influences prices through state-owned enterprises and utilities, including electricity; subsidizes fuel, health products, and educational supplies; and sets prices for staple commodities, including vegetable oil, sugar, flour, bread, and cereals. An additional 10 percentage points is deducted from Morocco's monetary freedom score to account for policies that distort domestic prices.

### INVESTMENT FREEDOM — 60%

Foreign and locally owned investments are treated equally, and 100 percent foreign ownership is allowed in most sectors. Mining and ownership of agricultural land are not open to private investors. There is no screening requirement. The government has set up regional investment centers to decentralize and accelerate investment-related procedures. Incentives like free trade zones and cheaper land acquisition are available for some investments. New commercial courts have streamlined commercial law procedures. Residents and non-residents may hold foreign exchange accounts with some restrictions. Certain personal payments, transfer of interest, and travel payments are subject to approvals and requirements. Some capital transactions, including many capital and money market transactions and credit operations, require government approval.

### FINANCIAL FREEDOM — 40%

Morocco's financial system is fairly well developed for the region but is still burdened by government influence, institutional weaknesses, poor supervision, and underdeveloped infrastructure. There are 17 commercial banks and 44 financing companies. Most private banks are partially owned by European banks. The state has declared its intention to privatize its large holdings in several banks. Several state-owned specialized banks together account for 43 percent of assets. The government still uses the banking system to influence domestic savings and finance government debt. Non-performing loans are a serious problem, particularly at publicly owned banks. The central bank has responded to some of these difficulties with measures involving risk assessment and claim reforms. Capital markets are relatively developed, with an ongoing campaign to increase modernization and transparency.

### PROPERTY RIGHTS — 35%

The judiciary is influenced by the king and is slow to deal with cases, bankruptcy protection, and liquidation procedures or to enforce contracts. In recent years, strengthened property rights have encouraged a number of business start-ups. It remains to be seen whether new laws protecting intellectual property rights will be enforced effectively.

### FREEDOM FROM CORRUPTION — 32%

Corruption is perceived as significant. Morocco ranks 79th out of 163 countries in Transparency International's Corruption Perceptions Index for 2006. Corruption exists in the executive, legislative, and (especially) judicial branches of government, and foreign firms have identified it as an obstacle to doing business.

### LABOR FREEDOM — 40.2%

Restrictive employment regulations hinder employment opportunities and productivity growth. The non-salary cost of employing a worker is high, and the difficulty of hiring and laying off a worker creates a risk aversion for companies that would otherwise hire more people and grow. Morocco's labor freedom is among the lowest in the world.