MOROCCO

Morocco’s economic freedom score is 63.3, making its economy the 81st freest in the 2021 Index. Its overall score is unchanged, with a decline in trade freedom offset by improvements in monetary freedom and other scores. Morocco is ranked 9th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

Morocco’s economy remained moderately free this year. Three Index areas in particular are holding back greater economic freedom. The first is corruption, which undermines government integrity. Second, strengthening the judicial system to make it more reliable and transparent would increase the effectiveness of the fight against official malfeasance. Third, addressing labor market rigidities would improve productivity.

IMPACT OF COVID-19: As of December 1, 2020, 5,915 deaths had been attributed to the pandemic in Morocco, and the economy was forecast to contract by 7.0 percent for the year.

BACKGROUND: Morocco’s Alawite royal family dates from the 17th century. A constitutional monarchy with an elected parliament, Morocco has been a key Western ally in the fight against Islamist terrorism. Although he took steps after 2011 to increase the power and independence of the prime minister (currently Saadeddine Othmani) and provide greater civil liberties, King Mohammed VI remains chief executive and a key stabilizing influence. In addition to a large tourism industry and a growing manufacturing sector, the aeronautics industry has attracted foreign investment and is now the fastest-growing industry in terms of employment. The United Nations has monitored a cease-fire between Morocco and the Polisario Front in the phosphate-rich Western Sahara since 1991, but peace talks have been deadlocked since 2008.
Only about 30 percent of the land is registered in the formal system, and almost all of that is in urban areas. Tribes collectively own more than one-third of the land. The government has been nontransparent about property transactions and land disputes. The judiciary is not independent, and the courts are used to punish opponents of the government. Judges lack training in the resolution of commercial disputes. Anticorruption laws are not implemented effectively.

The top individual income tax rate is 38 percent, and the top corporate tax rate is 31 percent. Other taxes include a value-added tax. The overall tax burden equals 27.6 percent of total domestic income. Government spending has amounted to 30.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.8 percent of GDP. Public debt is equivalent to 65.8 percent of GDP.

The online platform for dealing with construction permits has been improved, and it is now possible to apply for and obtain certificates of conformity online. Morocco also has made it easier to obtain electricity. Labor regulations are rigid. The government subsidizes butane gas, fuel, sugar, and flour prices.

Morocco has eight preferential trade agreements in force. The trade-weighted average tariff rate is 9.7 percent, and 44 nontariff measures are in effect. Foreign and domestic investors are generally treated equally under the law. The competitive financial sector continues to grow and offers a range of financing options. The stock exchange does not restrict foreign participation. In 2020, measures were taken to increase liquidity in the banking system.