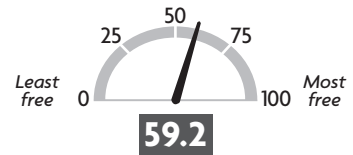


MOROCCO

Economic Freedom Score



World Rank: **91**

Regional Rank: **10**

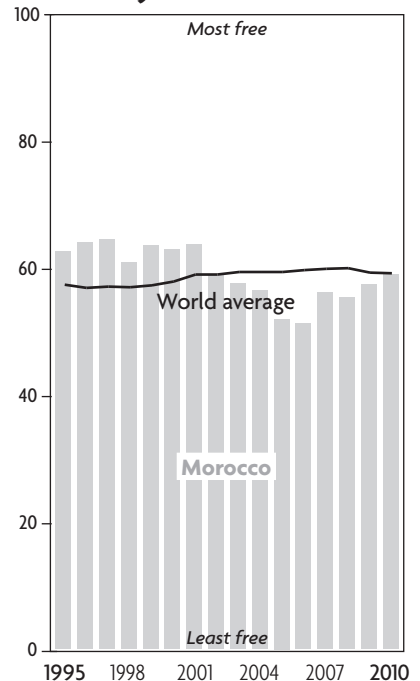
Morocco's economic freedom score is 59.2, making its economy the 91st freest in the 2010 *Index*. Its score is 1.5 points better than last year, reflecting improvements in five of the 10 economic freedoms. Morocco is ranked 10th out of 17 countries in the Middle East/North Africa region, and its overall score is just below the world average.

Morocco's economic performance has been steady in recent years, sustained by reform measures focused on competitiveness and diversification of the productive base. Major structural reforms have been aimed at ensuring macroeconomic and financial stability and improving the overall entrepreneurial environment.

Morocco's economy benefits from relatively high levels of business freedom, monetary freedom, and investment freedom. Foreign and domestic investments receive equal treatment. The small but growing financial sector is fairly well developed for the region. Simplifying the tax regime and improving the transparency of fiscal management have been major parts of the government's reform agenda. Morocco scores less well in labor freedom, property rights, and freedom from corruption. The judiciary is inefficient and vulnerable to political interference. Labor market rigidity continues to discourage dynamic employment growth.

BACKGROUND: Morocco is a stable constitutional monarchy. King Mohammed VI has encouraged political and economic reform, expansion of civil rights, and elimination of corruption since coming to power in 1999. Morocco has the world's largest phosphate reserves, a large tourist industry, and a growing manufacturing sector, but agriculture accounts for about 20 percent of GDP and employs roughly 40 percent of the labor force. A free trade agreement with the United States took effect in January 2006. Economic growth slowed in 2007 as a result of the rising cost of energy imports and a drought that curtailed agricultural production and prompted increased imports of wheat, but the economy recovered to grow by almost 6 percent in 2008.

Country's Score Over Time



Quick Facts

Population: 31.2 million

GDP (PPP): \$137.0 billion

5.8% growth in 2008

4.7% 5-year compound annual growth

\$4,388 per capita

Unemployment: 10.0%

Inflation (CPI): 3.9%

FDI Inflow: \$2.4 billion

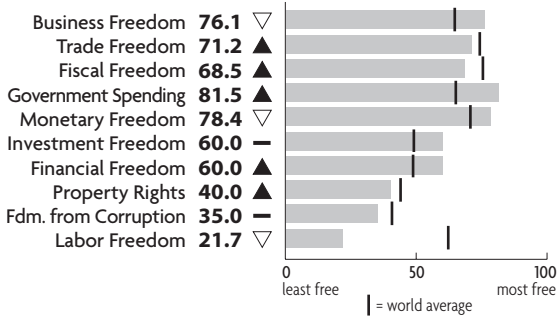
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

MOROCCO'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 76.1

The overall freedom to start, operate, and close a business is relatively well protected under Morocco's regulatory environment. Starting a business takes less than half the world average of 35 days. Obtaining a business license takes less than the world average of 218 days. Bankruptcy is relatively easy and straightforward.

TRADE FREEDOM — 71.2

Morocco's weighted average tariff rate was 9.4 percent in 2008. Some prohibitive tariffs, import restrictions, import taxes, services market access barriers, restrictive biotechnology regulations, non-transparent and inconsistent customs valuation, export incentives, and corruption add to the cost of trade. Ten points were deducted from Morocco's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 68.5

Morocco's taxes are relatively high. The top income tax rate is 42 percent. The top corporate tax rate was reduced to 30 percent from 35 percent in 2008. Credit institutions and leasing companies are subject to a 37 percent rate. Other taxes include a value-added tax (VAT), a gift tax, and a property tax. In the most recent year, overall tax revenue as a percentage of GDP was 22.0 percent.

GOVERNMENT SPENDING — 81.5

Total government expenditures, including consumption and transfer payments, are relatively low. In the most recent year, government spending equaled 24.8 percent of GDP.

MONETARY FREEDOM — 78.4

Inflation has been moderate, averaging 3.4 percent between 2006 and 2008. 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. Ten points were 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. Investments exceeding 200 million MAD (USD 26 million) must be approved by a special ministerial committee chaired by the prime minister. No private foreign or domestic investment is permitted in sectors in which the state has a monopoly, such as phosphates, wholesale fruit and vegetable distribution, fish halls and slaughterhouses, and water and electricity supplies. The government has set up regional investment centers to decentralize and accelerate investment-related procedures, but red tape persists. Corruption and a non-transparent and inefficient legal system are additional deterrents. Residents and non-residents may hold foreign exchange accounts. Certain payments, transfers, and capital transactions require government approval. Foreign investors may not own agricultural land.

FINANCIAL FREEDOM — 60

Morocco's financial system is fairly well developed for the region, but credit costs are relatively high. Financial intermediation has increased, and almost 40 percent of the population has bank accounts and access to financial services. There are 16 banks, 11 of which are private. Six major banks account for more than 80 percent of total assets. The government still retains large shares in a number of banks. New legislation enhances the supervisory capacity of the central bank. Capital markets are relatively well developed, and there is an ongoing campaign to increase modernization and transparency. Morocco's Casablanca Stock Exchange is one of the few regional exchanges to impose no restrictions on foreign participation.

PROPERTY RIGHTS — 40

Private ownership is permitted in all but a few sectors that are reserved for the state, like phosphate mining. Apart from a few exceptions, private entities may freely establish, acquire, and dispose of interests in business enterprises. The judiciary is influenced by the king and is slow to deal with cases. It remains to be seen whether new laws protecting intellectual property rights will be enforced effectively. Counterfeit DVDs and CDs remain widely available throughout Morocco.

FREEDOM FROM CORRUPTION — 35

Corruption is perceived as significant. Morocco ranks 80th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. Despite laws and regulations to combat corruption, it remains a problem, in part because of low public-sector salaries. Corruption exists in the executive, legislative, and (especially) judicial branches of government. Comprehensive anti-money laundering legislation was passed in 2007, and a Financial Intelligence Unit was being set up in 2009.

LABOR FREEDOM — 21.7

Morocco's labor regulations are restrictive. The non-salary cost of employing a worker is high, and laying off an employee is difficult.