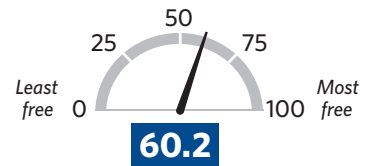


# MOROCCO

## Economic Freedom Score



World Rank: **87** Regional Rank: **9**

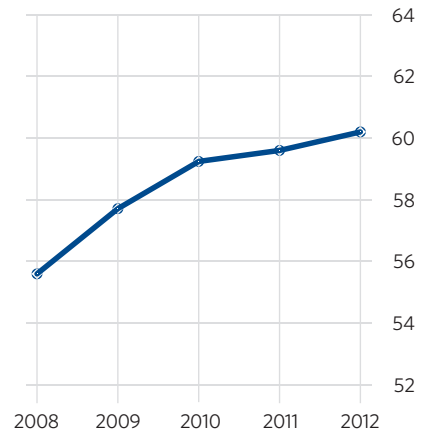
Morocco's economic freedom score is 60.2, making its economy the 87th freest in the 2012 *Index*. Its score is 0.6 point better than last year as a result of modest improvements in most of the categories of economic freedom. Morocco is ranked 9th out of 17 countries in the Middle East/North Africa region, and its overall score is just above the world average.

Economic freedom has advanced in Morocco for four consecutive years. In the 2012 *Index*, the kingdom has regained the status of "moderately free economy" that it last enjoyed in 2001. The country's gradual but notable progress is due in part to the government's consistent commitment to economic reforms that have encouraged a dynamically evolving private sector. Competitiveness has improved, and the productive base has diversified. The economy has expanded at an average annual rate of close to 5 percent over the past five years.

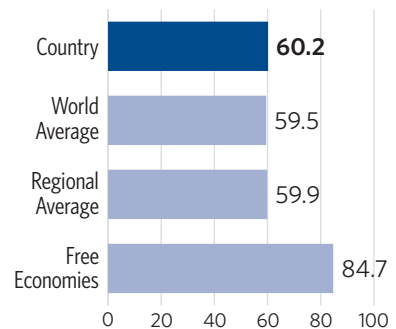
There are lingering challenges that will require deeper institutional reforms to overcome. The labor market is neither flexible nor vibrant, and a large segment of the labor force remains marginalized in the informal sector. The judicial framework is inefficient and vulnerable to political interference and corruption.

**BACKGROUND:** Morocco, a constitutional monarchy, has been a key Western ally in the struggle against Islamist extremism. King Mohammed VI has encouraged political and economic reform, expansion of civil rights, and efforts to reduce corruption. The king responded to demonstrations in February 2011 protesting corruption and high food prices and calling for greater democracy by authorizing a commission to propose amendments to the constitution, which were approved in a July referendum. Morocco has the world's largest phosphate reserves and is the world's leading exporter of phosphates. It also has a large tourism 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.

## Freedom Trend



## Country Comparisons



## Quick Facts

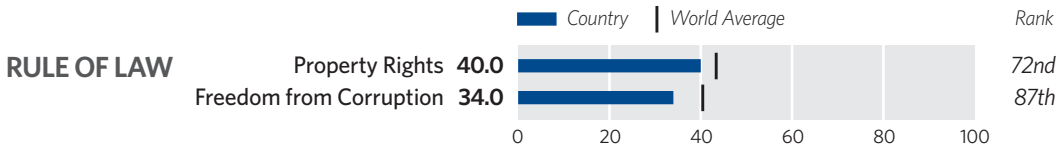
- Population:** 31.9 million
- GDP (PPP):** \$151.4 billion
- 3.2% growth in 2010
- 5-year compound annual growth 4.8%
- \$4,754 per capita
- Unemployment:** 9.8%
- Inflation (CPI):** 1.0%
- FDI Inflow:** \$1.3 billion
- Public Debt:** 51.1% of GDP

### How Do We Measure Economic Freedom?

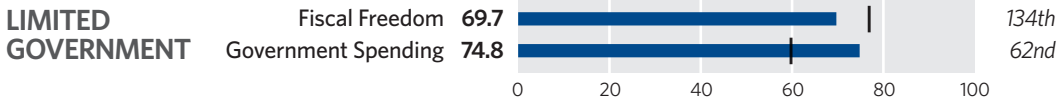
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
Data compiled as of September 2011.

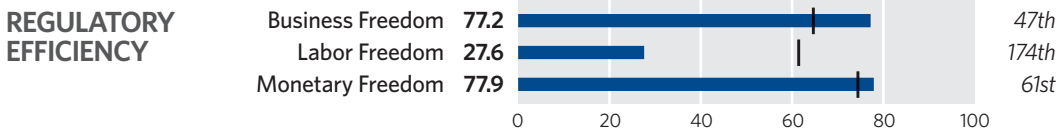
**THE TEN ECONOMIC FREEDOMS**



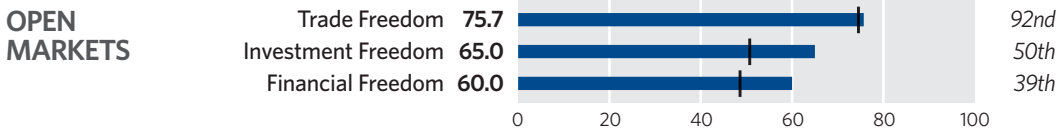
Private ownership is permitted in all sectors except for a few that are reserved for the state, like phosphate mining. With few exceptions, private entities may freely establish, acquire, and dispose of interests in business enterprises. The judiciary is influenced by the king, and adjudication of cases can be slow. It is unclear whether new laws protecting intellectual property rights will be enforced effectively. Corruption remains a concern.



The top income tax rate is 40 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax (VAT) and a gift tax, and the overall tax burden amounts to 23 percent of total domestic income. Government spending is equivalent to 29 percent of total domestic output. The budget has been in deficit in recent years, and public debt has climbed to over 50 percent of GDP.



Procedures for setting up and registering private enterprises have been further streamlined. Launching a business takes less than the world averages of seven procedures and 30 days. However, the cost of completing licensing requirements is still over twice the level of annual average income. Labor market rigidity continues to discourage dynamic job growth. Monetary stability has been maintained with relatively modest inflation.



The trade weighted average tariff rate is 7.1 percent, and cumbersome non-tariff barriers further increase the cost of trade. Foreign investment is welcome, but sector restrictions continue, particularly in areas where the state maintains a monopoly. The financial system is fairly well developed in comparison to other economies in the region, with financial intermediation increasing gradually. Credit costs remain relatively high.

**Score Changes**

| RULE OF LAW             |      | LIMITED GOVERNMENT  |      | REGULATORY EFFICIENCY |      | OPEN MARKETS       |      |
|-------------------------|------|---------------------|------|-----------------------|------|--------------------|------|
| Property Rights         | 0    | Fiscal Freedom      | +1.9 | Business Freedom      | +1.5 | Trade Freedom      | -0.1 |
| Freedom from Corruption | +1.0 | Government Spending | +0.2 | Labor Freedom         | +0.4 | Investment Freedom | 0    |
|                         |      |                     |      | Monetary Freedom      | +1.4 | Financial Freedom  | 0    |