Morocco

RISK & COMPLIANCE REPORT

DATE: March 2017

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Executive Summary - Morocco	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering Assessment Non - Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score) Offshore Finance Centre

Major Investment Areas:

Agriculture - products:

barley, wheat, citrus fruits, grapes, vegetables, olives; livestock; wine

Industries:

phosphate rock mining and processing, food processing, leather goods, textiles, construction, energy, tourism

Exports - commodities:

clothing and textiles, electric components, inorganic chemicals, transistors, crude minerals, fertilizers (including phosphates), petroleum products, citrus fruits, vegetables, fish

Exports - partners:

France 21%, Spain 17.3%, Brazil 5.4%, India 4.9%, US 4.6% (2012)

Imports - commodities:

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

Imports - partners:

Spain 13.1%, France 12.1%, China 6.9%, US 6.8%, Saudi Arabia 6.2%, Italy 5.1%, Russia 5%, Germany 4.9% (2012)

Investment Restrictions:

Morocco actively encourages foreign investment and has sought to facilitate it through macro- economic policies, trade liberalization, and structural reforms.

Foreign investment is permitted in nearly every sector. 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.

Contents

Section 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 internationalized 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, organized the new state as a constitutional monarchy and in 1957 assumed the title of king. Although Morocco is not the UN-recognized Administering Power for the Western Sahara, it exercises de facto administrative control there. The UN assists with direct negotiations between Morocco and the Polisario Front, but 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. Morocco enjoys a moderately free press, but the government has taken action against journalists who they perceive to be challenging the monarchy, Islam, or the status of Western Sahara. Influenced by protests elsewhere in the region, in February 2011 thousands of Moroccans began weekly rallies in multiple cities across the country to demand greater democracy and end to government corruption. Overall the response of Moroccan security forces was subdued compared to the violence elsewhere in the region. King MOHAMMED VI responded quickly with a reform program that included a new constitution and early elections. The constitution was passed by popular referendum in July 2011; some new powers were extended to parliament and the prime minister, but ultimate authority remains in the hands of the monarch. In early elections in November 2012, the Justice and Development Party - a moderate Islamist party, won the largest number of seats, becoming the first Islamist party to lead the Moroccan Government. In January 2012, Morocco assumed a nonpermanent seat on the UN Security Council for the 2012-13 term.


SPAIN
PORT.
Strait of Gibraltar
Mediterranean Sea
NORTH ATLANTIC OCEAN
Ceuta (SP.)
Tangier
Tétouan
Nador
Melilla (SP.)
Oujda
RABAT
Kenitra
Fès
Meknès
Casablanca
Mohammedia
Bou Arfa
Safi
Marrakech
Jebel Toubkal
Ouarzazat
Agadir
ALGERIA
Tarfaya
Sebkha Tah
Western Sahara
MAUR.
0 100 200 km
0 100 200 mi

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Morocco is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 18 October 2013

The FATF welcomes Morocco's significant progress in improving its AML/CFT regime and notes that Morocco has established the legal and regulatory framework to meet its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Morocco is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Morocco will work with MENAFATF as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Morocco was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Morocco was deemed Compliant for 3 and Largely Compliant for 9 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

US Department of State Money Laundering assessment (INCSR)

Morocco is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Morocco continues to strengthen its AML regime, making strides in risk management, information-sharing, and streamlining implementation. The principal money laundering vulnerabilities in Morocco stem from a large informal sector, the prevalence of cash-based transactions, a high volume of remittances, and international trafficking networks. It is still possible to deposit large amounts of currency in banks without declaring its origin despite requirements for banks to obtain this information.

The Unité de Traitement du Renseignement Financier (UTRF), Morocco's FIU, is undertaking an in-depth national risk assessment in 2016, which will deepen understanding of these vulnerabilities and be a springboard for effective AML interventions.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The sizable informal sector, estimated at 12.6 percent of GDP, and Moroccans' tendency to transact in cash continue to present regulatory challenges. According to a 2014 government survey, over half of Morocco's estimated 1.68 million informal businesses make less than $10,000 per year. However, the sheer volume of business conducted informally, totaling $42 billion per year, makes the informal sector a source of vulnerability. To extend its regulatory reach, in 2015 the government of Morocco passed law 114-13, which offers benefits for informal sector workers to register as "self-employed," regulating these small businesses and making them pay taxes, thereby encouraging the transition to the formal sector. Over 20,000 entrepreneurs registered their businesses in the first year. The Central Bank expects that the introduction of Islamic banking services in 2017 will increase use of formal banking services by appealing to individuals who were previously hesitant to use banking services for religious reasons. The banking participation rate had already climbed to 68 percent of the population in 2015.

Money transfer services present a money laundering vulnerability due to their volume and also the minimal amount of identifying information accompanying transfers to Morocco. Remittance transfers rose by 2.9 percent from 2014 to 2015 to $61.7 million or 6.3 percent of GDP. The UTRF is engaging this sector to identify and address shortcomings in AML controls.

Morocco's geographical location as a gateway to Europe makes it an attractive conduit for smuggling, human trafficking, and illegal migration. The legislature passed an anti-trafficking in persons law in 2016, which introduces a legal framework consistent with international standards. Heavy sentences for offenders and a broad definition of trafficking to include anyone who gives or receives payments or benefits related to trafficking will be a boon to stemming trafficking in persons and related money laundering vulnerabilities.

Illicit trade in Moroccan-grown cannabis and the transiting of cocaine destined for markets in Europe also constitute vulnerabilities for money laundering.

Morocco has seven FTZs. Currently, offshore banks are located only in the Tanger Free Zone. An interagency commission chaired by the Ministry of Finance regulates the FTZs. The FTZs allow customs exemptions for goods manufactured in the zone for export abroad. The UTRF has reported suspicions of money laundering schemes using the Tanger Free Zone.

KEY AML LAWS AND REGULATIONS

The UTRF continues to update its policies, improve capacity, and promote coordination. Morocco has all key AML laws and regulations in place, including comprehensive KYC programs and STR procedures. PEPs and other high-risk customers or transactions must be scrutinized under Morocco's AML law and the Periodical of the Governor of the Central Bank, No.2/G/2012.

Morocco is a member of the MENAFATF, a FATF-style regional body.

AML DEFICIENCES

The real estate market, art and antiquities dealers, and vendors of precious gems and stones have not been subject to risk assessment. Drug proceeds are easily laundered through investments in luxury products (e.g., jewelry or vehicles), but mostly in real estate. Other non-financial sectors, including notaries, casinos, and accountants, do not appear to pose significant risks, according to the UTRF.

Morocco's AML regulations, in general, do not stipulate what measures must be taken to ensure due diligence in the investigative process. In practice, there is a strong informal understanding between the UTRF, the Central Bank, and all relevant financial institutions on what constitutes adequate due diligence and thresholds for reporting. However, institutionalizing uniform robust due diligence standards would further strengthen Morocco's AML regime.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Morocco works closely with international partners to strengthen its AML regime. Morocco has implemented the UN Drug Convention and other applicable agreements and has also voluntarily initiated exchanges with private sector partners to address key vulnerabilities. While the Central Bank formally holds supervisory authority to ensure compliance with banking regulations, the UTRF plays a vital role as the recipient of STRs. In addition to receiving STRs, UTRF assesses systemic risk, disseminates information to financial entities, and regularly hosts dialogues with banks, other financial entities, and government authorities to facilitate information-sharing, capacity building, and coordination.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Morocco does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

EU White list of Equivalent Jurisdictions

Morocco is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

The port of Tanjier is considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report 2017 (introduction):

Morocco is the world's largest producer and exporter of cannabis. According to the United Nations Office on Drugs and Crime (UNODC), Morocco's total cannabis production for the 2015-2016 growing season was an estimated 700 metric tons, which, potentially equivalent to as much as 23 percent of Morocco's $100 billion GDP once processed into hashish.

Government of Morocco representatives have stated that Morocco is becoming a transit route for cocaine originating from South America to Europe. Couriers of mostly West African origin are arrested on a weekly basis at the Casablanca International Airport with kilograms of cocaine concealed inside their luggage or ingested. In late 2016, Moroccan authorities achieved two record cocaine seizures, including a 250 kilogram (kg) seizure involving the arrest of two Peruvian "cooks" at a cocaine conversion laboratory in Oujda, and an approximately 1,230 kg seizure from a ship in Dakhla. These were the two largest cocaine seizures ever recorded in Morocco.

Hashish is the most widely used illicit drug within Morocco. Moroccan authorities cite "karkoubi," a generic name for several addictive benzodiazepines, as the second most commonly used drug. The Moroccan government has claimed that these psychotropic drugs enter the country from mainly from Algeria, and have been tied to a number of violent crimes committed by mostly young men under their hallucinogenic and aggressive effects. Approximately 25 percent of all Moroccan inmates (approximately 19,000) are incarcerated on drug charges. There is a domestic market both for cocaine and heroin, albeit a relatively small one due to the high price of these drugs.

Morocco is updating its criminal code of procedure to enable law enforcement agencies to conduct undercover operations and other techniques not currently allowed. The new law is expected to take effect in spring 2017. The Government of Morocco recognizes its current limitations and works within the existing framework with its U.S. and European partners. Due to rivalries between Moroccan law enforcement agencies with overlapping drug control mandates, some Moroccan civil society commentators have advocated for creating an agency dedicated to combating drug trafficking.

In February 2017, the U.S. Drug Enforcement Administration (DEA) opened its first regional office on the African continent in Rabat, Morocco. There is no extradition treaty in force between the United States and Morocco. Mutual legal assistance between the United States and Morocco is governed by a bilateral agreement that entered into force in 1993. Both countries are parties to multilateral conventions which provide for cooperation in criminal matters.

US State Dept Trafficking in Persons Report 2014 (introduction):

Morocco is classified a Tier 2 (watch list) country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Morocco is a source, destination, and transit country for men, women, and children who are subjected to forced labor and sex trafficking. Some rural Moroccan girls as young as 6-years-old are recruited to work as maids in cities and become victims of forced labor, experiencing nonpayment of wages, threats, restrictions on movement, and physical, psychological, or sexual abuse; however, an NGO reports that the incidence of child maids has decreased since 2005, in part due to government-funded programs promoted in primary school and awareness programs funded by UN agencies and NGOs. Some Moroccan boys experience forced labor while employed as apprentices in the artisanal and construction industries and in mechanic shops. Some men, women, and children, primarily from sub-Saharan Africa and South Asia, enter Morocco voluntarily, but illegally, with the assistance of smugglers; once in Morocco, some of the women and older girls are coerced into prostitution or, less frequently, forced into domestic service. International organizations and local NGOs report that unaccompanied children and women from Cote d'Ivoire, the Democratic Republic of the Congo, and Nigeria are highly vulnerable to sex trafficking and forced labor in Morocco. Some women from Cote d'Ivoire, the Philippines, and Indonesia are recruited for employment as domestic workers in Morocco; some report being subjected to forced labor, experiencing nonpayment of wages, withholding of passports, and physical abuse at the hands of their employers. Criminal networks operating in the northern border town of Oujda on the Algerian border force undocumented foreign migrant women into prostitution and begging; these networks also reportedly force children into begging. Some female migrants transiting Oujda, particularly Nigerians, are forced into prostitution once they reach Europe. There is some child sex tourism committed by foreigners in major cities in Morocco. Due to conflicts in the region, Morocco experienced a small increase in the number of irregular migrants and asylum seekers in 2013, including from Syria and the Central African Republic; these migrants are vulnerable to trafficking in Morocco.

Moroccan men, women, and children are exploited in forced labor and sex trafficking in Europe and the Middle East. Moroccan women are forced into prostitution primarily in the United Arab Emirates, Bahrain, Jordan, Libya, Syria, and European countries; some of them experience restrictions on movement, threats, and emotional and physical abuse. Recruiters reportedly offer Moroccan men jobs in the Persian Gulf, but seize the victims' passports and subject them to debt bondage after arrival. A few Moroccan men and boys are lured to Europe by fraudulent job offers and are subsequently forced to sell drugs.

The Government of Morocco does not comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these measures, the government did not demonstrate evidence of overall increasing efforts to address human trafficking since the previous reporting period; therefore, Morocco is placed on Tier 2 Watch List. Moroccan law does not prohibit all forms of human trafficking and continued to conflate human trafficking and human smuggling. The government did not demonstrate progress in investigating, prosecuting, convicting, and adequately punishing trafficking offenders and provided limited law enforcement data. It continued to fail to identify or provide adequate protective services to trafficking victims in 2013, and it failed to refer victims of all forms of trafficking to protection services provided by civil society. Furthermore, it did not show progress in screening for trafficking victims among vulnerable groups, especially the sub-Saharan migrant community. It also did not ensure that foreign trafficking victims were not subject to arrest, detention, and deportation.

US State Dept Terrorism Report 2015

Overview: Morocco has a comprehensive counterterrorism strategy that includes vigilant security measures, regional and international cooperation, and counter-radicalization policies. The government has treated counterterrorism as a top policy priority since the country experienced suicide bombing attacks in Casablanca in 2003, and that focus was reinforced by further attacks in 2007 and 2011. In 2015, Morocco's counterterrorism efforts mitigated the risk of terrorism, although the country continued to face threats, largely from numerous small, independent violent extremist cells. Those groups and individuals, referred to collectively as adherents of the so-called Salafiyya Jihadiyya ideology, remained isolated from one another, small in size, and limited in capabilities. Some claimed to be inspired by or affiliated with the Islamic State of Iraq and the Levant (ISIL).

During the year, authorities reported the disruption of multiple groups with ties to international networks that included ISIL. Al Qa'ida in the Islamic Maghreb (AQIM) and ISIL continued efforts to recruit Moroccans for combat in other countries, and there were reports of Moroccans attempting to join AQIM, ISIL, and other violent extremists in Libya, Iraq, and Syria. The Ministry of Interior (MOI) estimated that approximately 1,500 Moroccans have joined terrorist organizations since 2011, with 719 fighting alongside ISIL. The Moroccan government remained concerned about the potential return of veteran Moroccan foreign terrorist fighters from those conflict zones to conduct possible terrorist attacks at home. The government was also concerned about Moroccans becoming radicalized to violence during their stays in Western Europe. ISIL continued to call for attacks against the Moroccan monarchy and prominent Moroccan institutions and individuals.

Morocco is a member of the Global Coalition to Counter ISIL and has made contributions and commitments to the effort. Morocco also participates in the Counter-ISIL Finance Group. The government was increasingly proactive in 2015 to both stem the flow of foreign terrorist fighters and to counter ISIL propaganda. According to local media, Moroccan security forces carried out 149 terrorism-related arrests between January and November, including an Azerbaijani and two Turkish nationals.

In June, the Government of Morocco enacted significant amendments to the criminal code to address the foreign terrorist fighter phenomenon. The provisions of the law – criminalizing joining, or attempting to join a terrorist group; receiving terrorist training; and terrorist recruiting; take a substantial step towards implementing Morocco's international obligations under UN Security Council Resolution (UNSCR) 2178.

Legislation, Law Enforcement, and Border Security: Morocco enacted comprehensive counterterrorism legislation in 2003. In June 2015, amendments to address the threat of foreign terrorist fighters were published in the official gazette. The new legislation expands the definition of terrorist offenses to cover acts or attempts to join a terrorist group as well as involvement in recruitment and training activities. The new law also extends the jurisdiction of the national courts to allow the prosecution of foreign nationals who commit terrorist crimes outside Morocco if they are present on Moroccan soil.

Moroccan law enforcement units aggressively targeted and effectively dismantled terrorist cells within the country by leveraging intelligence collection, police work, and collaboration with regional and international partners. The Morocco Central Bureau of Judicial Investigation (BCIJ) is the primary law enforcement agency responsible for counterterrorism. The BCIJ was established in 2015 as a central institution with the goal of bolstering security governance nationwide within a legal and transparent framework. Reporting to the General Directorate for Territorial Surveillance (DGST), the BCIJ operates under the supervision of the public prosecutor of the Court of Appeals. Penal Procedure code grants DGST agents the rank of judicial police officers, allowing them to conduct investigations, question suspects, and make arrests. The new Penal Procedure code also grants DGST officers the recourse to do electronic tracking and telephone surveillance upon receiving written consent from the Court of Appeals or a judge. The government has publicly committed itself not to use the struggle against terrorism to deprive individuals of their rights. It has emphasized adherence to human rights standards and the increased transparency of law enforcement procedures as part of its approach.

The General Directorate for National Security (DGSN) is the body primarily responsible for handling border inspections at established ports of entry such as Casablanca's Mohammed V Airport, where most border crossings occur. Law enforcement officials and private carriers work regularly with the United States to detect and deter individuals attempting to transit illegally. Moroccan government authorities worked directly with U.S. Customs and Border Protection's Regional Carrier Liaison Group and the DHS Homeland Security Investigations Attaché office at the U.S. Consulate in Casablanca to address watchlisted or mala fide travelers. Moroccan government airport authorities have excellent capabilities in detecting fraudulent documents but lacked biometric screening capabilities.

Morocco continued to participate in the Department of State's Antiterrorism Assistance (ATA) program, which provided the DGSN and the Royal Gendarmerie with training in investigating terrorist incidents, post-blast investigations, cyber forensics, crime scene forensics, critical incident management, and executive leadership. Morocco and the United States continued implementing an ATA trilateral agreement to partner in the development of counterterrorism capacity and cooperation in the Maghreb and Sahel regions, and worked together to train law enforcement from a Sahelian partner country in Critical Incident Management skills.

Morocco also continued to partner with the United States to improve the police criminal investigation process through the development and implementation of chain of custody and evidence management procedures; forensic evidence collection and analysis, including DNA; and mentoring and training. Morocco participated in Global Counterterrorism Forum (GCTF) and Department of Justice programs to improve technical investigative training for police and prosecutors. DGSN, Moroccan Customs, and the Royal Gendarmerie were active partners and participants in DHS-sponsored training events on border security, financial investigation, and counter-proliferation topics. Finally, Moroccan government officials participated in several U.S. Federal Bureau of Investigation-led courses to improve capacity in intelligence analysis, facial recognition, and leadership and management.

Morocco's counterterrorism efforts and cooperation with international partners led to numerous disruptions of alleged terrorist cells and prosecutions of associated individuals, including these cases:

- On March 22, the BCIJ announced it had dismantled a cell of 13 members who pledged allegiance to ISIL and were plotting to conduct attacks against Moroccan security forces, steal their arms, and use them in their operations. The BCIJ also seized firearms and a large amount of ammunition. The cell operated in multiple cities, including Tangier, Marrakech, and Laayoune.

- On May 19, the BCIJ dismantled a 10-member terrorist network involved in the recruitment of Moroccan fighters for ISIL through the creation of sleeper cells. BCIJ added that the group was receiving financial and logistical support from ISIL leaders and included experts in making explosives.

- On June 3, the BCIJ dismantled a terrorist cell composed of nine members operating in various cities, including Casablanca. The cell contained an alleged former ISIL member who was recruiting fighters for Iraq and Syria.

- On July 9, the BCIJ dismantled an eight-member terrorist cell involved in the recruitment and sending of Moroccan fighters to Syria and Iraq through agents in Turkey. Cell members pledged allegiance to ISIL and operated in Casablanca, Tangier, and Salé.

- In December, the BCIJ dismantled a nine-member cell, which it labeled the most dangerous ISIL-affiliated group arrested up until then. According to local media, the cell was close to carrying out a series of synchronized bombings in various cities with plans to acquire security forces' weapons and to kidnap prominent personalities.

Countering the Financing of Terrorism: Morocco is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Its financial intelligence unit, the Unit de Traitemant du Renseignement Financier (UTRF), is a member of the Egmont Group. Morocco continued to make progress in the counterterrorism finance domain in 2015. At the end of 2014, the parliament voted to support the Council of Europe Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.

Operationally, the human resource and logistical capacities of the UTRF have increased. During 2014, when the most recent data was available, UTRF received 305 suspicious transaction reports of suspected money laundering violations from Moroccan financial institutions and four were related to terrorism financing. The UTRF has signed memoranda of understanding facilitating information exchange with regional FIUs. The UTRF is also working to update current legislation to better implement UNSCR 1373 and the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime. A procedure for these cases already exists, but this update will institute a formal mechanism. Finally, in alignment with the 2012 FATF Recommendations, the UTRF is preparing a national risk assessment intended to identify threats and vulnerabilities facing Morocco regarding money laundering and terrorism financing in order to plan and execute more effective counter measures.

Moroccan officials are having success in detecting terrorism financing. In November, a joint BNPJ and BCIJ operation arrested two Turkish nationals and a Moroccan who were involved in diverting national telephone operator's communication lines to sell stolen services to raise funds for ISIL. The group had ties with ISIL operational leaders and intended to fund ISIL activities and facilitate the return of foreign terrorist fighters to Europe.

Countering Violent Extremism: Morocco has a comprehensive strategy for countering violent extremism that prioritizes economic and human development goals in addition to tight control of the religious sphere and messaging. Morocco has accelerated its rollout of education and employment initiatives for youth – the population identified as most vulnerable to radicalization and recruitment to violence – and has also expanded the legal rights and political and social empowerment of women. To counter what the government perceives as the dangerous importation of violent Islamist extremist ideologies, Morocco has developed a national strategy to affirm and further institutionalize Morocco's widespread adherence to the Maliki-Ashari school of Sunni Islam.

In the past decade, Morocco has focused on upgrading mosques, promoting the teaching of relatively moderate Islam, and strengthening the Ministry of Endowments and Islamic Affairs (MEIA). The MEIA has developed an educational curriculum for Morocco's nearly 50,000 imams in its version of relatively moderate Sunni Islam. The MEIA-affiliated Mohammedan League of Ulema produces scholarly research on the nation's Islamic values, ensures conformity in educational curricula, and conducts outreach to youth on religious and social topics. To counter the radicalization of Moroccans living abroad, the Moroccan Council of Ulema for Europe and the Minister Delegate for Moroccans Living Abroad also undertook similar programs to promote religious moderation in Moroccan expatriate communities in Europe. Throughout 2015, Morocco expanded its regional counter-radicalization efforts to include training imams from France, Gabon, Guinea, Kenya, Libya, Mali, Nigeria, and Tunisia.

The Department of State has supported the Moroccan Penitentiary Administration's efforts to reform and modernize the management of its prison system, including increased focus on rehabilitation and successful reintegration into civilian life upon completion of a prisoner's sentence. The Department of State has assisted the Penitentiary Administration in creating and implementing a prisoner classification tool to ensure inmates are living within the lowest security environment required based on the threat they represent. This helps keep violent extremists segregated from the mainstream prison population, limiting their ability to influence and recruit other inmates. The improved prison management, rehabilitation efforts, and segregation of violent extremist inmates all serve to deter radicalization and recruitment of inmates. USAID's Favorable Opportunities to Reinforce Self-Advancement in Today's Youth project addressed youth marginalization in areas known for recruitment by extremist organizations, helping them stay in school, develop skills, and become active in the community.

International and Regional Cooperation: Morocco is a founding member of the Global Counterterrorism Forum (GCTF) and a member of the Global Initiative to Counter Nuclear Terrorism. In 2015, Morocco continued its leadership role in the GCTF, serving as co-chair with the Netherlands of the Foreign Terrorist Fighters Working Group. In April, Morocco hosted the GCTF-inspired Global Community Engagement and Resilience Fund board meeting to address countering violent extremism goals. Under the auspices of the GCTF, Morocco and the United States co-lead the Border Security Initiative. In July, Morocco hosted the inaugural conference of the UN Counter-Terrorism Centre-GCTF Border Security Initiative in Morocco. Morocco is a founding member of the GCTF-inspired Malta-based International Institute for Justice and the Rule of Law, and served on its governing board. The 30 members of the GCTF also agreed that Morocco would assume the GCTF co-chair role from Turkey in April 2016.

Morocco contributes air forces to the counter-ISIL campaign in Syria and Iraq. Morocco trains forces from friendly nations such as Chad, Cote d'Ivoire, and Mali. As a major non-NATO ally and a Mediterranean Dialogue (5+5) partner in the EU's Barcelona Process, Morocco participates in the 5+5 Defense Initiative, which brings together five European and five North African countries to address security issues in the Mediterranean. Morocco participated in multilateral training exercises such as the maritime-focused PHOENIX EXPRESS and the FLINTLOCK regional security operations exercises, and hosts the annual AFRICAN LION regional exercise as well as its own MAGHREB MANTLET disaster response exercise. These engagements have enhanced border security and improved capabilities to counter illicit traffic and terrorism.

Both Morocco and Algeria participate in 5+5, the Trans-Sahara Counterterrorism Partnership, and the GCTF; however, political disagreement over the status of Western Sahara remained an impediment to bilateral and regional counterterrorism cooperation in 2015.

International Sanctions

Morocco is not currently subject to any International Sanctions

Arab League

November 28, 2011 - The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

- Cutting off transactions with the Syrian central bank
- Halting funding by Arab governments for projects in Syria
- A ban on senior Syrian officials travelling to other Arab countries
- A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	37
World Governance Indicator – Control of Corruption	50

US State Department

According to the 2013 State Department's Country Report on Human Rights Practices, Moroccan law provides criminal penalties for official corruption, but the government does not implement the law effectively. Officials often engage in corrupt practices with impunity. Corruption is a serious problem in the executive branch, including police, as well as the legislative and judicial branches of government. There have been reports of government corruption and several notable prosecutions. In July 2013 courts sentenced the director general of the National Airports Office to five years in prison for embezzlement of public funds. Observers generally consider corruption a serious problem, particularly among magistrates. In 2013, courts sentenced magistrates from Kenitra, Taza, Meknes, and Inezgane to prison terms for corruption.

The King, who has made statements calling for judicial system reform since 2009, acknowledged the judiciary's lack of independence and susceptibility to influence. Many members of the well-entrenched and conservative judicial community are loath to adopt new procedures.

The Central Commission for the Prevention of Corruption (ICPC) is the agency responsible for combating corruption but lacks authority to require responses from government institutions. In 2010 ICPC set up an internet portal for civil society and small businesses to identify instances of corruption: www.stopcorruption.ma. ICPC also publishes quarterly reports covering specific cases of corruption and the outcome of any subsequent prosecution. ICPC acknowledges that the anticorruption situation has not improved significantly and that governmental policy continues to lack a strategic dimension and effective commitment.

In addition to ICPC, MOJL and the government accountability court have jurisdiction over corruption issues but have pursued no high-profile cases. The inspector general of MOJL investigated 107 ethics complaints against judges in 2012, which resulted in the referral of three judges to the Supreme Judicial Council for disciplinary measures.

Observers have noted that there is widespread corruption in the police force. The government claims to investigate corruption and other instances of police malfeasance through an internal mechanism. Authorities did not provide official information on the results of the investigations.

See more at: http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper

In the 2013 Corruption Perception Index published by Transparency International (TI) http://www.libertadciudadana.org/archivos/ipc2013/2013_CPIBrochure_EN.pdf, Morocco dropped 3 spots from its 2012 rank of 88 to 91 out of 177 countries. Government officials have criticized the Index, which reflects public perceptions concerning corruption, for not emphasizing 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.

Corruption and Government Transparency - Report by Global Security

Political Climate

Morocco faces a number of socio-political challenges, including the occurrence of both petty and grand corruption in economic as well as political arenas. The general public believes that politicians are corrupt and merely in search of personal gain, which has led to deep public mistrust in the political system. In February and March 2011, thousands of Moroccans took to the streets of Moroccan cities, demanding an end to corruption, reforms to fight unemployment in the country, better civil rights, and also a reduction in the power of the incumbent King Mohammed VI. In March 2011, the King promised reforms, and as a consequence of the uprisings during the Arab Spring, the King held parliamentary elections, originally scheduled for 2012, in November 2011. The outcome of the elections reflected voters' dissatisfaction with unemployment and corruption, as the majority of seats went to the largest government opposition, the Justice and Development Party. In addition, the Parliament also in October 2011 passed a landmark law to protect trial witnesses and experts, as well as whistle-blowers.

An anti-corruption campaign carried out in 2001 revealed corruption and embezzlement in banking, social security, agricultural credits, public housing, state contracts, public companies, municipal councils, and even international aid projects. However, a December 2010 article by The Guardian argues, citing a leaked US Embassy report, that corrupt practices have become 'much more institutionalised' under King Mohammed VI, and that the royal family has been using public institutions to 'coerce and solicit bribes'. According to the article, this type of corruption particularly affects the real estate sector. Furthermore, significant drug trafficking in northern Morocco is conducive to corruption, and drug lords successfully bribe the police, judges and high-level officials within the security and customs services in order to smuggle drugs to Europe.

The problem of corruption in Morocco has been well publicised, and the country's outspoken media, civil society and successive governments have advocated launching a fight against corruption. This has led to the ratification of the United Nations Convention against Corruption (UNCAC) in 2007 and the creation of an anti-corruption commission (the ICPC, in French) in December 2008. However, the ICPC is not entitled to investigate and prosecute corruption cases, and therefore its efficiency is not limited, according to the Bertelsmann Foundation 2012. According to a January 2010 article by Magharebia, the Minister for Public Sector Modernisation had set up an inter-ministerial committee to oversee government actions against corruption. The committee has presented a series of recommendations, such as creating a hotline to receive complaints on corruption and developing a code of conduct for civil servants. The government has also carried out investigations against officials, many of which resulted in convictions. Nevertheless, these measures have been criticised of only targeting petty corruption. Also high profile cases and political cases have been promptly halted in order to avoid political embarrassment. In effect, the US Department of State 2011 reports that corruption is considered a serious problem in all branches of the government. Transparency International's National Integrity System Morocco 2009 reports that the country has no law regulating conflict of interests between a minister's official functions and private activities. Currently, a conflict of interest law is working its way through the legislative process, according to the American Bar Association Rule of Law Initiative. Ministers and parliamentarians are obliged to declare their assets, but declarations are not publicly available. According to Transparency International's Global Corruption Barometer 2010/2011, only 18% of the surveyed households consider the government's efforts in fighting corruption as effective. The surveyed households also identify public officials/civil servants as the most corrupt sector in Morocco, with more than 18.4% of the surveyed households consider this sector to be 'extremely corrupt'.

Business and Corruption

Morocco enjoys macroeconomic stability with low inflation, a large reserve of foreign exchange and a diminishing foreign debt. However, although the country has performed well in economic terms over the past few years, it still faces structural problems, including a heavy reliance on agriculture. Morocco is highly accommodating to both foreign and domestic investment, and the US Department of State 2013 reports that the government has actively sought to discuss with foreign investors how to improve the investment climate. Public procurement amounts to 15% of the country's GDP and is allegedly stained by corrupt practices with harmful consequences for both the cost and quality of public services, despite the fact that government tender processes have been reformed to enhance transparency. A new public procurement code has been in place since 2007, stating conditions and rules for the management and control of state procurement. The new code aimed to address the shortcomings of the 1998 procurement code in terms of competition and transparency in the procurement process. Freedom House 2011 comments that despite witnessing some progress in the procurement process, there is still considerable room for improvement in this area.

According to the Bertelsmann Foundation 2010, Morocco’s large informal sector and weak law enforcement against corruption are amongst the main reasons for the existing problem of widespread corruption. Corruption remains a major problem for the private sector in Morocco. In fact, corruption and red tape have been identified by both domestic and foreign companies as being major impediments to business operations. For instance, in the World Economic Forum Global Competitiveness Report 2012-2013, the surveyed companies cite corruption to be the third most problematic factor for doing business in Morocco, after inefficient government bureaucracy and access to financing. According to the report, public funds are sometimes diverted to companies, individuals or groups due to corruption and that government officials tend to show favouritism when deciding upon policies and contracts. In addition, companies behave unethically in interactions with public officials, politicians and other companies to the point that their behaviour constitutes a competitive disadvantage for the country. According to a March 2012 article by Magharebia, the Prime Minister has prioritised to fight corruption in granting of licences, housing and procurement. Amongst the measures that have been undertaken is strengthening the powers of the Competition Committee, whose mandate is to control unfair business. The chairman of the Committee states that corrupt practices have cost the national economy between 1 and

1.5% of the GDP. The Minister Delegate for General affairs and Governance assured that stamping out corrupt practices such as securing a public tender by 'a phone call' was one of the government's priorities. Of the companies surveyed in the World Bank & IFC Enterprise Surveys 2007, slightly more than 27% state that corruption is a major constraint to doing business in Morocco, while more than 13% expect to pay bribes to public officials to 'get things done'. Investors are strongly recommended to develop, implement and strengthen integrity systems and to conduct extensive due diligence before committing funds and when already doing business in Morocco.

Economic reforms have failed to materialise fully into increased investments, as many Moroccan investors lack confidence in the business environment. The Carnegie Endowment 2008 report on Morocco states that a majority of local entrepreneurs consider corruption to be the main obstacle to investment and economic development, and an understanding of the need to combat corruption is emerging within the private sector in Morocco. The General Confederation of Moroccan Entrepreneurs (CGEM) has taken several initiatives to raise awareness about corruption and the necessity of fighting it, for example, an anti-corruption committee has been set up and, in 2008, the CGEM has in a joint initiative with public authorities adopted the Moroccan Code of Good Practice for Corporate Governance.

Regulatory Environment

In line with its positive stance towards investment, Morocco has made tremendous efforts to improve its regulatory environment. To facilitate foreign investment, the government has created a number of Regional Investment Centres (in French) in 2002 in cooperation with USAID, to provide one-stop shops to minimise and accelerate cumbersome bureaucratic procedures. Several economic reforms have been implemented; modern laws have been passed to regulate the stock market and the banking industry, and the tax system has been somewhat simplified. Furthermore, bookkeeping and auditing procedures have been aligned to Western European standards. There is no formal screening or government selection process for foreign companies wishing to invest in Morocco, nor are there performance requirements. The government welcomes foreign participation in its privatisation programme, and the Investment Code from 1995 applies equally to foreign and local investors, although foreign investors are favoured in many areas, such as in foreign exchange provisions. Nevertheless, according to the World Bank & IFC Doing Business 2013, the country's excessive bureaucratic red tape continues to be a major constraint on the competitiveness of the economy and deters investors.

Also the US Department of State 2013 pinpoints that the government's efforts to increase transparency in the regulatory system have not yet been fruitful, as the Moroccan administration remains opaque and difficult to navigate, and obtaining routine permits can be difficult. This view is also endorsed by Freedom house 2012, which reports that corruption remains institutionalised both in the public sector and in the business world despite the government's rhetoric on combatting widespread corruption. On the other hand, business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 give complying with administrative requirements (permits, regulations, reporting) issued by the government a score of 3.4 on a 7-point scale (1 'extremely burdensome' and 7 'not burdensome at all').

The legal framework concerning corruption, transparency and integrity seems to be in place, and the regulatory system itself is becoming increasingly transparent. However, allegations persist that regulatory agencies fail to discipline regulation-violating companies owned by highly influential persons and that regulations shown to jeopardise the entrenched interests of the higher circles of political and economic power are disregarded. As an illustration of this point, the Bertelsmann Foundation 2008 reports that the government passed legislation in 2001 to improve and regulate competition practices, and members of a competition council were already appointed by 2002. However, according to the Bertelsmann Foundation 2012, the council only has a consultative role, with the Prime Minister having the ultimate authority to decide whether or not to implement the council's recommendations. Furthermore, the council is used as an instrument for the executive to pick out the anti-competition cases it wants to prosecute, and is not functioning as an impartial institution. Nevertheless, a March 2012 article by Magharebia reports that the Competition Council has become recognised by the constitution and its powers have expanded. The article notes that the former initiatives are one of the measures that the new Prime Minister has undertaken to fight competitive irregularities in the Moroccan economy. In general, and according to the Morocco Rule of Law Assessment 2010, the widely held view is that corruption is tolerated in all sectors of the government and that political elites act with impunity. The assessment regarded corruption as one of the most significant challenges facing the country. The Bertelsmann Foundation 2012 points to the fact that the private sector is dominated by companies owned by the monarchy, which can easily evade regulations to their advantage and with impunity. According to a December 2010 article by The Guardian, which cites a leaked US embassy report, the Omnium Nord African (ONA), a holding company owned by King Mohammed VI, has regularly 'coerced' development project workers to grant beneficial rights to it. The article has described the King's involvement in business as lacking transparency and integrity.

Morocco has signed the New York Convention of 1958 (with reservations) on the Recognition and Enforcement of Foreign Arbitration Awards, and the Washington Convention, which provides for the use of the International Centre for the Settlement of Investment Disputes (ICSID). 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, according to the US Department of State 2013. The same source reports that other shortcomings include legal procedures being inefficient and the courts being slow and unable to enforce legal rulings. As a result, foreign companies often settle disputes through arbitration instead of using local courts. Given these shortcomings, companies are advised to include arbitration clauses in all their contracts. Access the Lexadin World Law Guide for a collection of legislation in Morocco.

Section 3 - Economy

Morocco has capitalized on its proximity to Europe and relatively low labor costs to build a diverse, open, market-oriented economy. In the 1980s Morocco was a heavily indebted country before pursuing 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 gradually falling unemployment, although a poor harvest and economic difficulties in Europe contributed to an economic slowdown in 2012. Industrial development strategies and infrastructure improvements - most visibly illustrated by a new port and free trade zone near Tangier - are improving Morocco's competitiveness. Morocco also seeks to expand its renewable energy capacity with a goal of making renewable 40% of electricity output by 2020. Key sectors of the economy include agriculture, tourism, phosphates, textiles, apparel, and subcomponents. To boost exports, Morocco entered into a bilateral Free Trade Agreement with the United States in 2006 and an Advanced Status agreement with the European Union in 2008. Despite Morocco's economic progress, the country suffers from high unemployment, poverty, and illiteracy, particularly in rural areas. In 2011 and 2012, high prices on fuel - which is subsidized and almost entirely imported - strained the government's budget and widened the country's current account deficit. In the fall of 2013, Morocco capped some of its fuel subsidies in an effort to gradually reduce the country's large budgetary deficit. Key economic challenges for Morocco include fighting corruption and reforming the education system, the judiciary, and the government's costly subsidy program.

Agriculture - products:

barley, wheat, citrus fruits, grapes, vegetables, olives; livestock; wine

Industries:

phosphate rock mining and processing, food processing, leather goods, textiles, construction, energy, tourism

Exports - commodities:

clothing and textiles, electric components, inorganic chemicals, transistors, crude minerals, fertilizers (including phosphates), petroleum products, citrus fruits, vegetables, fish

Exports - partners:

France 21%, Spain 17.3%, Brazil 5.4%, India 4.9%, US 4.6% (2012)

Imports - commodities:

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

Imports - partners:

Spain 13.1%, France 12.1%, China 6.9%, US 6.8%, Saudi Arabia 6.2%, Italy 5.1%, Russia 5%, Germany 4.9% (2012)

Banking

In comparison to the rest of the Arab world and Africa, Morocco continues to modernize its relatively comprehensive banking system, originally modeled after the French system. There are 16 banks in the country plus five government-owned specialized financial institutions, about 30 credit agencies and about 12 leasing companies. The bank reform law of 1993 laid out parameters for banking activities, clarified oversight and control responsibilities, specified legal penalties for violations of banking regulations and established a deposit guarantee fund. Pending banking reform legislation will further liberalize the sector and improve oversight coordination and lines of authority.

Since financial liberalization, credit is allocated freely, and the central bank has used indirect methods to control the interest rate and volume of credit. The banking system is still used by the government to channel domestic savings to finance government debt, and banks are required to hold part of their assets in bonds paying below market interest rates.

Morocco's banking sector is stronger, and the private sector's role is more active, than in many other African countries. The potential in this sector is great, as it is estimated that only 47% of the population use banks.

Stock Exchange

The Casablanca Stock Exchange is one of the largest and most important in Africa. Privatized in 1996, the CSE is managed by 13 brokerage companies and regulated by an independent oversight commission similar to the SEC.

Section 4 - Investment Climate

Executive Summary

Despite global economic uncertainty and slowed capital inflows into North Africa following the regional upheaval linked to the Arab Spring, the Moroccan government is making great strides in attracting foreign direct investment (FDI) to the country. Morocco's overarching economic development plan is based on leveraging its location, along the Strait of Gibraltar between Spain and Africa, to transform the country into a regional hub for North, West, and Sub-Saharan Africa for shipping, logistics, finance, assembly, and sales.

The Government of Morocco has implemented a series of sector strategies aimed at raising performance and output in key revenue-earning sectors, boosting employment, and attracting foreign investment. Notably, its National Plan for Industrial Development set the groundwork for large-scale global investments, such as those by France's Renault in Tangier and Canada's Bombardier in Casablanca. The strategy focused on developing export-oriented economic sectors (aeronautics, automotive, offshoring, and electronics). The manufacturing sector created 75,000 jobs in the past ten years and the new 2014 industrial strategy aims to accelerate this effort by creating 500,000 new jobs in manufacturing by 2020.

Casablanca Finance City (CFC), Morocco's flagship project launched in 2010 by King Mohammed VI, is aimed at developing a state-of-the-art financial center and business hub in Casablanca. The platform is a comprehensive business ecosystem that gives international financial institutions, professional services firms, and regional headquarters access to African markets and preferential benefits. Due to its political stability and strategic location, Morocco is rapidly becoming a regional manufacturing and export base for international companies.

Morocco actively encourages foreign investment and has sought to facilitate it through macro- economic policies, trade liberalization, and structural reforms. Morocco has ratified 62 bilateral agreements for the promotion and protection of investments and 51 double taxation avoidance agreements. Its Investment Charter has put in place a convertibility system for foreign investors and gives investors the freedom to transfer profits.

Morocco's Free Trade Agreement (FTA) with the United States entered into force in 2006. Since then, overall trade between the two countries has increased by more than 300 percent. The U.S. has a long standing and close bilateral relationship with Morocco. This cooperation has been reinvigorated with the U.S.-Morocco Strategic Dialogue and the Business Development Conferences.

While Morocco has improved its World Bank "Doing Business" rank by ten points from the previous year, many challenges remain. Multinational companies cite Morocco's security and stability as positive factors influencing their interest in Morocco, and stress the country's appeal as a base for regional activities. However, they also express concern over the lack of skilled labor, weak intellectual property rights protection, and the lack of regulatory transparency. These issues could affect a company's willingness to increase investment in Morocco. Nevertheless, foreign companies still find Morocco profitable and envision maintaining their presence.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude towards FDI

Morocco is positioning itself as a platform for Africa. The U.S. Mission is increasingly seeing multinational companies leverage Morocco's geographical position by setting up their regional headquarters in the country.

Morocco actively encourages foreign investment and has sought to facilitate it through macro- economic policies, trade liberalization, and structural reforms. Under the U.S.-Morocco Free Trade Agreement (FTA) and the Association Agreement with the EU, Morocco has reduced its tariffs on imports from the U.S. and the EU. Morocco has also signed a quadrilateral FTA with Tunisia, Egypt and Jordan (under the Agadir Declaration), an FTA with Turkey, and concluded third round FTA talks with Canada in June, 2012. In 2008, Morocco was the first country in the region to be granted "advanced status" with the EU. In January 2014, Morocco concluded third round talks with the EU on a Deep and Comprehensive FTA. This will be the first such agreement between the EU and a North African country.

Additionally, Morocco is seeking trade and investment accords with other African, Asian and Latin American countries.

The U.S.-Morocco FTA is a comprehensive agreement that supports the economic and political reforms that are underway in Morocco. It provides for improved bilateral commercial opportunities by reducing and eliminating trade barriers. Its entry into force in 2006 has facilitated a significant increase in U.S.-Moroccan trade and investment.

In September 2012, the U.S. and Morocco launched a Strategic Dialogue, a framework to deepen bilateral cooperation on strategic issues and mutual priorities. The U.S.-Morocco Business Development Conference (BDC) provides a platform to strengthen business-to-business ties, further capitalize on the U.S.-Morocco FTA, promote increased investment, and encourage regional economic integration. The second U.S.-Morocco BDC took place in Morocco in March 2014 and attracted the participation of over 50 U.S.-based companies.

The Joint Committee established by the U.S.-Morocco FTA held its third meeting in December 2012. At that meeting, the United States and Morocco announced an agreement on two new initiatives: the Joint Principles for International Investment and the Joint Principles for Information and Communication Technology (ICT) Services. Morocco became the first Middle East and North Africa partner to endorse both principles, sending a strong signal to domestic and international investors that Morocco embraces an open, 21st century approach to investment and growth.

A bilateral trade facilitation agreement was signed during King Mohammed VI's visit to Washington, DC in November 2013.

Morocco's ranking in the World Bank's 2014 Doing Business report out of 189 countries:

Area	**Rank**
Ease of Doing Business	87
Starting a Business	39
Dealing with Construction Permits	83

Getting Electricity	97
Registering Property	156
Protecting Investors	115
Getting Credit	109
Enforcing Contracts	83

Morocco is ranked 87 out of 189 economies in the 2014 Doing Business report. This rank is a ten-position improvement over last year, due mainly to positive reforms related to starting a business, registering property, and tax administration. The business climate is still weak in areas of investor protection and the credit market. And while improvements have been made in property registration, Morocco still lags behind in the region due to the time and cost of registration.

Other Investment Policy Reviews

UNCTAD's 2008 Investment Policy Review of Morocco can be found here (French): http://unctad.org/en/Docs/iteipc200616_fr.pdf. The Investment Policy Review noted that Morocco had the potential to attract increased FDI inflows and FDI of a high quality in order to meet the development objective of the "Plan Emergence" of moving into high value added activities.

The WTO's 2009 Trade Policy Review (TPR) of Morocco can be found here: http://www.wto.org/english/tratop_e/tpr_e/tp317_e.htm. The review found that the macroeconomic and structural reforms, including trade reforms, pursued by Morocco since the previous TPR (2003) have contributed to the growth diversification and positive overall performance of its economy.

The OECD's 2010 Investment Policy Review of Morocco can be found here: http://www.oecd.org/daf/inv/internationalinvestmentagreements/morocco-investmentpolicyreview-oecd.htm. The review found that Morocco has adopted a series of laws and amendments needed to improve the local investment climate. Progress has been made in improving transparency and business access to information, and in reducing the time and cost of administrative procedures.

Laws/Regulations of FDI

Law 18-95 of October 1995, constituting the Investment Charter, (http://www.usa-morocco.org/Charte.htm) is the principal Moroccan text concerning investment and applies to both domestic and foreign investment.

The Foreign Exchange Office's Circular 1589 of September 1992 instituted a convertibility regime that allows foreign investors to conduct their investment operations in Morocco freely. The 1995 Charter guarantees free transfer of funds (Article 16) and gives foreign investors the freedom to transfer profits and capital for persons who make investments in foreign currency (Article 15).

Morocco accepted Article VIII of the Articles of Agreement of the International Monetary Fund in January 1993.

Sector Strategies

On April 2, 2014, the Moroccan Minister of Industry, Trade, Investment, and the Digital Economy, unveiled an ambitious seven-year industrial growth and acceleration plan. It allocates $2.5 billion for programs to increase manufacturing's share from 14 to 23 percent of the economy and to create 500,000 new jobs by 2020. The plan targets manufacturing-sector challenges including underdeveloped small and medium-sized enterprises (SMEs), weak youth employability, unbalanced growth, and integrated industrial platforms (P2Is aka industrial parks). The Minister's industrial plan seeks to promote exports and use increased foreign investment to boost knowledge sharing and technology transfer. At the same time, it aims to protect local industries against 'unfair' competition and reduce import dependency.

Overall, the new plan contains many positive aspects such as a) creating links between large enterprises and SMEs; b) formalizing the informal sector; c) addressing skills mismatch; d) creating new industrial parks and improving existing facilities; e) improving coordination among export promotion agencies; f) encouraging FDI; and g) looking more towards sub-Saharan Africa for growth, in particular by leveraging CFC.

The Moroccan government established the CFC in December 2010 to position Casablanca as a financial hub for Francophone Africa. The CFC exclusively targets financial institutions (investment banks, asset management firms, private equity firms, and insurance companies), multinational regional headquarters, and professional services firms (consulting, law, audit, and credit rating agencies).

Morocco's 2009 National Plan for Industrial Development set the groundwork for large-scale global investments, such as those by France's Renault in Tangier and Canada's Bombardier in Casablanca. The strategy focused on developing export-oriented economic sectors in which Morocco had a comparative advantage, including four that had attracted significant FDI – automobile, aeronautics, electronics, and offshoring – and three that were largely financed by domestic investment – leather, food processing, and textiles. The plan also developed Morocco's P2Is that offered investors land for new or expanding businesses, special tax breaks, transport connections, and services such as security, telecommunications, and recruitment support. In the past ten years, the manufacturing sector created 75,000 jobs.

More information on this strategy can be found here: http://www.emergence.gov.ma/en/Pacte/Pages/LePacte.aspx.

By 2020, Morocco plans to have invested $18.95 billion in its Energy Strategy to decrease energy dependence, preserve the environment, and generate 50,000 jobs. Its goal is to have 42 percent of its total electrical power produced by renewable energy (solar, wind, and hydraulic). With a goal to make solar energy 14 percent of total electric capacity, Morocco aims to increase solar electric production capacity to 2000 MW by 2020 principally using two technologies: concentrated solar power and photovoltaic. It plans to increase installed wind-generated electrical capacity from 280 MW in 2010 to 2000 MW by 2020, reducing CO2 emissions by 5.6 million tons per year.

Morocco has 15 commercial ports that generated 92.3 million tons in merchandise traffic in 2012. Morocco has two port management agencies, the National Port Agency (ANP) and

Tanger-Med Special Agency (TMSA). TMSA manages Tanger Med, the largest port by volume in Morocco. Tanger-Med Port terminals 1 and 2 are operational. It is expected to process 8 million containers, 7 million passengers, 700,000 trucks, 2 million vehicles, and 10 million MT of oil products by 2015. Once fully operational, it will be the largest transshipment port in Africa.

Morocco has implemented other sector strategies including the Green Morocco Plan (to revive Morocco's agriculture sector), Digital Morocco 2013 Plan (to position Morocco as a dynamic emerging country in information technology), Halieutis Plan (to improve the competitiveness of Morocco's fishing industry), Logistics Strategy (to improve logistic services and transportation infrastructure), National Strategy for the Craft Industry (to promote production and sales of handicrafts), and Tourism Vision 2020 strategy (to double the number of foreign tourists and triple the number of national domestic travelers).

To support the tourism strategy, Morocco's Ministry of Equipment and Transport and the National Airports Office, which manages Airports and air traffic control, are implementing a development strategy. It aims to promote the Casablanca airport as an international hub for traffic to Central and West Africa, and develop Marrakech airport as a hub for African traffic toward Europe. It also seeks to improve Morocco's airport infrastructure through airport extension, modernization, and new construction.

Limits on Foreign Control

According to the OECD 2010 Investment Policy Review, Morocco places limits on foreign investment in air and maritime transport companies and maritime fisheries.

Although foreigners are prohibited from owning and cultivating agricultural land, they can purchase it for non-agricultural purposes. Morocco has sought to encourage foreign investment in the agricultural sector by making land available to foreigners through leases of up to 99 years. French, Spanish and Middle Eastern investment in the sector centers mostly on citrus and olives, with smaller investment in grapes and berries.

Morocco adheres to the OECD Declaration on International Investment and Multinational Enterprises. Morocco's OECD FDI Regulatory Restrictiveness Index in 2010 was 0.067 (closed economy = 1; open = 0).
http://www.oecd.org/daf/inv/internationalinvestmentagreements/45563285.pdf.

Privatization Program

In 1993, an ambitious program of privatization was initiated. When it ended in August 2011, total revenue from divestment in state-owned enterprise (SOE) and the granting of telecom licenses totaled about 107 billion dirhams (approximately $13 billion). Privatization has attracted FDI, giving a boost to Morocco's economy.

While the 2010 budget law envisioned 4 billion dirhams ($490 million) in privatization revenues, actual sales totaled only 35 million dirhams ($4 million). Sales of government-owned companies picked up in 2011, with 5.3 billion dirhams raised by selling a twenty-percent stake in *Banque Populaire* to its regional affiliates. (The government still holds 18 percent interest in the bank.) Financial institutions still controlled by the government include Credit Agricole Maroc, investment bank *Caisse de Depot et de Gestion Capital*, and the *Al Barid Bank*, which is a division of Morocco's postal service.

Competition Law

Restrictive agreements and practices are regulated by the Competition Law.

Morocco's Competition Law (French):
http://www.wipo.int/wipolex/en/text.jsp?file_id=191407.

Law no. 06-99 on Free Pricing and Competition (June 2000) outlines the authority of the Competition Council (http://conseil-concurrence.ma/) as an independent executive body with investigatory powers. Together with the Central Authority for the Prevention of Corruption, the Competition Council is one of the main actors in charge of improving public governance and advocating for further market liberalization.

Morocco hosted the 13th Annual International Competition Network (ICN) Conference – a conference that promotes implementing more effective enforcement of antitrust law – in April, 2014.

TABLE 1: Morocco's Ranking on Various Indices

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions Index	2013	(91 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(103 of 177)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(87 of 189)	http//doingbusiness.org/rankings
Global Innovation Index	2013	(92 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	$ 2,960	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B: Millennium Challenge Corporation* Scorecard for Morocco:

Year	Index	Ranking	Meets Performance Standards
2014	MCC Gov Effectiveness	77th Percentile	Yes
2014	MCC Rule of Law	69th Percentile	Yes
2014	MCC Control of Corruption	62nd Percentile	Yes
2014	MCC Fiscal Policy	23th Percentile	No
2014	MCC Trade Policy	17th Percentile	No
2014	MCC Regulatory Quality	77th Percentile	Yes
2014	MCC Business Start Up	77nd Percentile	Yes
2014	MCC Land Rights Access	41th Percentile	No
2014	MCC Natural Resource Protection	27st Percentile	No
2014	MCC Access to Credit	31th Percentile	No
2014	MCC Inflation	88th Percentile	Yes
2014	MCC Gender in the Economy	41st Percentile	No

*The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) of $4,085 or less. A list of countries/economies with MCC scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

2. Conversion and Transfer Policies

Foreign Exchange

Morocco has achieved relatively stable macroeconomic and financial conditions under an exchange rate peg. The peg (to an 80 percent euro/20 percent U.S. dollar basket) has helped achieve price stability and insulate the economy from nominal shocks. However, according to the International Monetary Fund (IMF), growth has been relatively volatile. The IMF advocates a more flexible exchange rate, which would allow Morocco to respond better to shocks and support competitiveness as the economy opens up and becomes more vulnerable to external shocks.

On November 16, 2011, the legislature enacted the Moroccan Office of Exchange (OC) Circular. The Circular permits local banks to open accounts in dirham and foreign currency for corporate and individual clients. Moroccan or foreign non-residents may import foreign currencies or negotiable instruments in Morocco up to a maximum value of 100,000 dirhams ($12,300), provided it is declared with Customs. The Circular also regulates the importation of goods into Morocco, stipulating that locally established entities may import goods without prior authorization from the OC provided that an import license has been provided by Customs.

The Circular's general rule on foreign investment is that the foreign investor must notify the OC of his/her investment within six months of the transaction. With respect to the cross-border transfer of investment proceeds to foreign investors, the rules vary depending on the type of investment.

Morocco guarantees full currency convertibility for capital transactions, free transfer of profits, and free repatriation of invested capital.

Morocco is a member of the Middle East and North Africa Financial Action Task Force. The 2013 International Narcotics Control Strategy Report (INCSR), Volume II: Money Laundering and Financial Crimes Country Database, classifies Morocco as a "jurisdiction of concern" http://www.state.gov/j/inl/rls/nrcrpt/2013/database/211176.htm.

More information on Morocco's foreign exchange regulation can be found here: http://www.moroccobusinessnews.com/Invest_Morocco/Foreign_Exchange_Regulation.asp.

3. Expropriation and Compensation

The Moroccan Constitution (Article 15) stipulates that no expropriation can take place except in the cases and forms provided by law. The right to own property is guaranteed, but its extent and use may be restricted by law if the needs of economic and social planning and development require it.

U.S. 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.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The principal sources of commercial legislation in Morocco are the 1913 Dahir of Obligations and Contracts, as amended, and the 1996 Code of Commerce.

According to the European Bank for Reconstruction and Development's 2012 Morocco Country Assessment Report (http://www.ebrd.com/downloads/sector/legal/morocco.pdf), the establishment of special commercial courts in 1997 led to some improvement in the handling of commercial disputes. Nevertheless, the lack of training for judges on general commercial matters remains one of the key challenges to effective commercial dispute resolution in the country. In general, litigation procedures are time consuming and resource-intensive, and there is no legal requirement with respect to case publishing.

Law No. 53-95 establishes Morocco's Commercial Courts. A Moroccan WTO submission states: "This law gives these courts exclusive jurisdiction to hear trade disputes. These courts also have sole competence to entertain industrial property disputes, as provided for in Law No. 17-97 on the Protection of Industrial Property, irrespective of the nature of the parties."

Arbitration is increasingly used in Morocco. The U.S. Agency for International Development (USAID) and the International Finance Corporation (IFC) assisted Morocco in 2008 and 2009 to establish a national commission on Alternative Dispute Resolution (ADR) with a mandate to regulate mediation training centers and develop mediator certification systems. The goal of this program was 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 program remained limited in its implementation, the business community generally viewed early use of the system in Rabat and Casablanca as favorable.

Bankruptcy

Commercial Courts have jurisdiction over all cases related to insolvency. The Ministry of Justice and Liberties (MOJL) is currently reviewing bankruptcy legislation. Sources indicate that it would like to implement a bankruptcy system similar to U.S. Chapter 11.

The World Bank's 2006 Morocco Report on the Observance of Standards and Codes - Insolvency and Creditor Rights Systems: http://www.worldbank.org/ifa/rosc_icr_mor_eng.pdf. According to the study, the absence of a regulatory body and of competency requirements for insolvency administrators and liquidators are major impediments to the effective functioning of the insolvency system.

The World Bank's 2014 Doing Business report ranked Morocco 69 out of 189 countries in "Resolving Insolvency" (up 15 positions from 2013).

Investment Disputes

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 Center 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.

In general, investor rights are backed by an impartial procedure for dispute settlement that is transparent. No U.S. company had investment disputes with the Government of Morocco in 2010 or 2011. Several new cases emerged in 2012, which are the subject of continuing U.S. advocacy with the relevant Moroccan government agencies.

International Arbitration

Foreign companies have cited their ability to choose arbitration outside Morocco (in the case of litigation) as a strong benefit for doing business in the country.

Law No. 08-05 established a system of conventional arbitration and mediation, while allowing parties to apply the Code of Civil Procedure in their dispute resolution. Disputes may be brought before eight Commercial Courts, (located in Rabat, Casablanca, Fez, Tangier, Marrakech, Agadir, Oujda and Meknes) and three Commercial Courts of Appeal (located in Casablanca, Fez and Marrakech). These are comprised of professional judges and will consider all commercial disputes.

ICSID Convention and New York Convention

Morocco is party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (entry into force: June 1967) and to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The WTO Trade Related Investment Measures' (TRIMs) database does not reveal any reported Moroccan measures to be inconsistent with TRIMs requirements. However, many measures, regarding public procurement for example, reportedly show preferences to companies utilizing local content or establishing local production facilities. The government also maintains several "free zones" in which companies enjoy lower tax rates and relaxed labor laws in exchange for an obligation to export at least 85 percent of their product. In some cases, the government provides generous incentives for companies to locate production facilities in the country but stipulates other requirements in return.

Investment Incentives

Morocco offers incentives designed to encourage foreign and local investment. Morocco's Investment Charter gives the same benefits to all investors regardless of the industry in which they operate (except agriculture which remains outside the scope of the Charter.)

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.
- VAT exemptions: Equipment goods, materials, and tools needed to achieve investment projects involving an amount higher than or equal to 200 million dirhams (around $24 million) are exempt from VAT on imports, within the framework of an agreement concluded with the state, during a period of 36 months from the start of business.
- Import duty exemptions: Businesses that commit to making an investment of an amount higher than or equal to 200 million dirhams are exempt from import duties (applicable to goods, materials, and tools needed for their project and imported directly by the companies) within the framework of an agreement concluded with the state.

Morocco created six integrated industrial zones within the region of Tangier, each dedicated to a different sector of the economy, including car manufacturing and aeronautics. Morocco has set up many free zones to offer companies incentives ranging from tax breaks, subsidies, and reduced customs duties. One of this strategy's biggest successes is the opening of a new facility for French car manufacturer Renault in 2012 in Tanger Automotive City.

Financial institutions and professional services firms that have CFC status are exempt from corporate taxes for the first five years after receiving CFC status. Afterwards, companies will be taxed a reduced rate of 8.75 percent instead of the standard 17.5 percent tax on export turnovers. Companies with regional headquarters in the CFC pay a reduced ten percent rate on profits, versus the average 30 percent standard rate. Employees of CFC-status companies also benefit from reduced personal income tax rates.

Other CFC advantages include administrative assistance. CFC-status companies are exempt from having to produce an official certificate from the National Agency of Employment Promotion and Competences, certifying that no other local candidate can fill the position offered to the foreign employee. In addition, CFC-status companies benefit from a simplified procedure for obtaining work permits for their foreign employees, cutting wait times from six months to one week. Additionally, foreign exchange regulations are eased for CFC status companies whereby certain transfers may be carried out freely without needing approval for each transaction, as is generally required.

More details on investment incentives:
http://www.invest.gov.ma/upload/documents/en_Doc_236.pdf

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.

7. Protection of Property Rights

Real Property

The World Bank's 2014 Doing Business Report ranked Morocco 156 out of 188 countries in 2014 (up 10 positions from 2013) on "Registering Property." Some of the report's findings on registering property in Morocco are below:

Indicator	Morocco	Middle East & North Africa	OECD
Procedures (number)	8	6	5
Time (days)	60	33.0	24.1
Cost (% of property value)	5.9	5.9	4.4

Information on the procedures to register property:
http://www.doingbusiness.org/data/exploreeconomies/morocco/registering-property.

USAID's report on Morocco's Property Rights:
http://usaidlandtenure.net/sites/default/files/country-profiles/full-reports/USAID_Land_Tenure_Morocco_Profile.pdf. According to the report, land and natural resource issues facing Morocco include: (1) lack of comprehensive policies governing land, water, forests and mineral resources; (2) underdeveloped legal frameworks and limited, ambiguous formal laws governing land and other natural resources; (3) a limited rural land market; (4) limited water; (5) undeveloped programs for participatory forest management; and (6) slow progress on women's rights of access to and control over land and natural resources.

Intellectual Property Rights

According to the 2013 International Property Rights (IPR) Index, Morocco ranks 64 out of 130 countries in protecting physical and intellectual property rights. In December 2004, the Moroccan Parliament passed amendments to its intellectual property legislation bringing it into compliance with its commitments under the WTO TRIPS Agreement. Morocco has been a member of the World Intellectual Property Organization (WIPO) since 1971. It is party to the Bern Copyright, Paris Industrial Property, and Universal Copyright Conventions; the Brussels Satellite Convention; and the Madrid, Nice, and Hague Agreements for the Protection of Intellectual Property.

In 2011, Morocco took the significant step of completing its accession to the Budapest treaty on patents and to the WIPO treaties on Copyright and Phonograms. In addition, it signed the Beijing Treaty on Audiovisual Performances in 2012. Morocco is also a signatory to the Anti-Counterfeiting Trade Agreement (ACTA), though it has not yet entered into force. The ACTA establishes an international framework that will assist parties in their efforts to effectively combat the infringement of IPR, in particular the proliferation of counterfeiting and piracy, which undermines legitimate trade and the sustainable development of the world economy.

Morocco is working with the U.S. to fulfill its commitments under the U.S.-Morocco FTA. The FTA contains strong intellectual property protections, which were incorporated in Moroccan intellectual property legislation in 2006. However, like neighboring countries, copyright protection remains problematic and counterfeit goods are widely available.

The Ministry of Industry, Trade, Investment, and the Digital Economy oversees the Moroccan Office of Industrial and Commercial Property (OMPIC). Based in Casablanca, it serves as a registry for intellectual property rights for patents and trademarks in the industrial and commercial sectors. In 2012, Morocco granted 993 patents, including 867 to non-residents, registered 11,323 trademarks, including 5,312 to non-residents, and recorded 422 industrial designs, including 363 to non-residents. The Ministry of Communications oversees the Moroccan Copyright Office (BMDA) in Rabat. It registers copyrights for literary and artistic works, including software.

Morocco has a non-discriminatory legal system that is accessible to foreign business. While criminal and civil courts can hear IPR-related cases, Commercial Courts, particularly those in the Casablanca region, are becoming adept at adjudicating patent, trademark, and copyright cases. Between 2008 and 2011, the largest commercial courts in Tangier, Oujda, Agadir, and Casablanca heard 595 cases related to counterfeiting. Casablanca courts hear approximately 85 percent of counterfeiting cases in Morocco. From filing until judgment, the average case takes 18 months.

Moroccan Customs, BMDA, and OMPIC have initiated campaigns to target Morocco's largest counterfeit manufacturers and importers. To support these ends, OMPIC partnered with the Moroccan General Business Confederation (CGEM) to form the National Committee for Industrial Property and Anti-Counterfeiting (CONPIAC), a bridge between the public and private sectors. CONPIAC has been active in supporting research regarding counterfeiting in Morocco and sponsored public events to raise awareness of the problem.

CONPIAC estimates that counterfeiting in Morocco results in a loss for the economy of between 6 billion dirhams ($734 million) and 12 billion dirhams ($1.47 billion) or 0.7 percent to 1.3 percent of gross domestic product (GDP). Preliminary studies show that counterfeiting is highest in textiles, followed by leather products, electrical goods, automobile parts, and cosmetics. A 2013 CONPIAC study estimated that the government loses 1 billion dirhams ($122 million) in tax revenue annually and that the economy loses 30,000 jobs due to counterfeiting.

Regarding software piracy, the U.S.-Morocco FTA obligates the government of Morocco to "issue appropriate laws, orders, regulations, or administrative or executive decrees mandating that its agencies use computer software only as authorized by the right holder," and specifies that "these measures shall actively regulate the acquisition and management of software for government use." The software industry has tried to work with the Moroccan government to meet this obligation. However, it reports continuing a lack of progress in the private and public sector. Public tenders of hardware contain no provision for the legal acquisition of software. Government IT managers copy software illegally, often claiming they lack the budget to buy legal software. The estimated level of piracy in the public sector in Morocco is 80 percent, well above the estimated 66 percent piracy level for the rest of the country (and still far above the regional or global average piracy rate).

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Douglas Wallace, U.S. Consulate, Casablanca
Douglas.Wallace@trade.gov

Resources for Rights Holders:

The American Chamber of Commerce (AmCham) in Morocco can provide a list of lawyers: http://www.amcham.ma/

8. Transparency of the Regulatory System

Despite government efforts to increase transparency, Morocco's administration is opaque and difficult to navigate. The lack of transparency in the government's regulatory system is frequently cited by multinational companies as a challenge to doing business in the country. Routine permits, especially those required by local government agencies, can be difficult to obtain and regulations that can alter the market are often changed without proper consultation or notification. Notably, multinational pharmaceutical companies express their concern over the lack of a clear regulatory framework governing the health care industry and policy changes that may inhibit investment in the market.

As noted above, the Competition Council and the Central Authority for the Prevention of Corruption have responsibility for improving public governance and advocating for further market liberalization.

Morocco's World Economic Forum's Global Competitiveness Report 2013-2014: http://www3.weforum.org/docs/GCR2013-14/Morocco.pdf. The surveyed companies cite inefficient government bureaucracy as the most problematic factor for doing business in Morocco, followed by corruption and lack of access to finance.

9. Efficient Capital Markets and Portfolio Investment

Money and Banking System

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.

With a market capitalization of $55 billion and 76 listed companies, it is the third largest exchange in Africa, after South Africa and Egypt. The market is currently dominated by institutional investors which act on long-term trends. Short-selling, which would enable investors to profit from the downward trend, is not allowed on the CSE at present.

The market in Morocco is shallow and illiquid compared to other emerging and frontier markets, with many large firms controlled by privately owned holding groups. The Morgan Stanley Capital International's (MSCI) 2012 Annual Market Classification Review announced in June 2012 Morocco's reclassification to "Frontier Markets" from "Emerging Market" status, mainly due to its illiquidity. The report stated that, "the MSCI Morocco Index is more in line with the size and liquidity requirements of Frontier Markets following a significant decrease in liquidity since 2008, which resulted in a simultaneous decrease in the number of constituents in the MSCI Morocco Index."

The 1993 Law on the CSE has changed little over the years, and efforts are ongoing to further liberalize the management of the CSE and to empower the market regulator.

Morocco's banking system is one of the most liberalized in North Africa. Nonetheless, it is highly concentrated, with the six largest banks accounting for 85 percent of banking sector assets and access to finance, particularly for small and medium sized enterprises, remains challenging.

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 U.S. Mission has not received any reports of efforts by the private sector or industry to restrict foreign participation in standard-setting organizations. The government has actively sought out the participation of foreign investors for discussions on improving the business climate in Morocco.

In the 2013-2014 World Economic Forum's Global Competitiveness Report (http://reports.weforum.org/the-global-competitiveness-report-2013-2014/) Morocco dropped from 70th to 77th place out of 148 countries. In the report's eighth pillar, "Financial Market Development" Morocco received a score of 4.6 (down from 4.8 a year before) for "availability of financial services" (where 1 = not at all; 7 = provides a wide variety). Morocco received a 2.8 (down from 3.2 a year before) for "ease of access to loans" (where 1 = difficult; 7 = easy). Morocco improved its score from a year before from 5.3 to 5.7 for "soundness of banks" (where 1 = insolvent and may require bailout; 7 = generally healthy with sound balance sheet). Morocco was ranked 41 out of 148 countries on soundness of banks.

Several international financial institutions (IFIs) and major regional and bilateral organizations continue to be active in Morocco. In August, 2012 the IMF approved a $6.2 billion precautionary and liquidity line (PLL) as a buffer against fluctuations in oil prices and potential fallout from the downturn in Europe. According to the IMF survey, "the liquidity line provides Morocco with a useful insurance policy for meeting immediate financing needs should these risks materialize. It aims to strengthen investors' confidence and facilitate international market access by signaling that Morocco's current policies are sound, and that the authorities have adequate resources to draw upon if needed. The PLL is precautionary, and Morocco has said that it does not intend to draw on it in the absence of exogenous shocks."

According to the IMF's Third Review under the PLL Arrangement, "Morocco's macroeconomic performance improved in 2013, supported by strong policy commitment and implementation, as well as the insurance provided by the PLL. Important measures taken by the authorities helped reduce fiscal and external vulnerabilities and strengthen the economy's resilience." The review can be found here: http://www.imf.org/external/pubs/ft/scr/2014/cr1465.pdf

Among the main legal reform projects for the banking sector is the creation of a new provision that will enable banks to specialize in offering Islamic products. These new banks, called participatory banks, will be supervised by the Sharia Financial Committee to ensure the products are sharia-compliant.

On April 24, 2014 the Ministry of Economy and Finance (MoEF) released a draft law allowing for the creation of Islamic insurance companies, known as solidarity insurance, based on Sharia rules. Minister of Economy and Finance Mohamed Boussaid indicated that interest in Islamic insurance is growing steadily and will occupy a more prominent place within the international financial system. The draft law highlights the need for contracts to precisely stipulate the form of financial compensation of the insurance company, the amount of this compensation, how surpluses are distributed between participants, and the insurance company's financial investment policy. The law also forbids the Islamic insurance company from providing any other conventional insurance services.

A new chapter called "macro-prudential supervision" is also being added to the current banking Law 34-03 to create a new governmental supervisory body (the Supervisory and Coordination Committee of Systemic Risks) to analyze the risks of the financial market.

10. Competition from State-Owned Enterprises

Reform of the state-owned enterprise sector in Morocco has undergone three distinct phases: 1) structural reforms in the 1980s; 2) modernization of their environment in the 1990s; and 3) the liberalization of numerous industries in the 2000s.

The public enterprise portfolio consists of 241 state-owned enterprises (SOEs), 42 percent of which operate in productive sectors and 38 percent in the social domain, according to a 2012 report by the OECD (http://www.keepeek.com/Digital-Asset-Management/oecd/governance/towards-new-arrangements-for-state-ownership-in-the-middle-east-and-north-africa/corporate-governance-of-state-owned-enterprises-in-morocco_9789264169111-8-en#page4). The Treasury has direct equity interest in 44 companies, 43 percent of which operate in the infrastructure sector. Act No. 69-00 on State Financial Control of Public Enterprises, adopted in 2003, defined Moroccan SOEs for the first time using three distinct categories: (1) state companies are those in which public bodies hold all the equity, (2) public subsidiaries are companies of which public bodies hold more than half the equity, and (3) semi-public companies are companies of which public bodies hold less than half of the equity.

Forty-nine percent of SOE firms are affiliated with three public holding companies (*Caisse de Depot et de Gestion*, OCP SA, and *Banque Centrale Populaire*); 119 are local or regional in scope; 53 have subsidiaries or affiliates abroad; and 11 are publicly traded.

Several sectors remain under public monopoly, managed either directly by public institutions (phosphate production, rail transport, some postal services, acceptance of savings through the national savings bank, airport services) or by the municipalities (wholesale distribution of fruit and vegetables, fish, slaughterhouses). Several activities that were traditionally run by the government are now open to private domestic or foreign operators, under the delegated management or concession arrangements generally subject to tendering procedures. This is the case, for example, with water and electricity distribution, construction and operation of motorways, and the management of non-hazardous wastes.

OECD Guidelines on Corporate Governance of SOEs

The Moroccan National Commission on Corporate Governance was established in 2007. It prepared the first Moroccan Code of Good Corporate Governance Practices in 2008. Based on the OECD Principles of Corporate Governance, it applies to both the private and public sectors. Recognizing the specific features of the SOE sector, the Commission drafted in 2011 a code dedicated to state-owned enterprises, drawing on the OECD Guidelines on Corporate Governance of SOEs. The code, which came into effect in 2012, is aimed at enhancing SOE's overall performance. It requires greater use of standardized public procurement and accounting rules, outside audits, the inclusion of independent directors, board evaluations, greater transparency, and better disclosure.

Moroccan SOEs are overseen by boards of directors or supervisory boards. These bodies are governed by the Financial Control Act and the Limited Liability Companies Act. The MoEF's Department of Public Enterprises and Privatization monitors SOE governance. Pursuant to Act No. 69-00, SOE annual accounts are published. Under Act No. 62-99, or the Financial Jurisdictions Code, the Court of Accounts and the Regional Courts of Accounts audit the management of a number of public enterprises.

Currently, a number of governance-related initiatives are a priority. These include an initiative that aims to help SOEs contribute to the emergence of regional development clusters. The government is also attempting to improve the use of multi-year contracts with major SOEs as tool to enhance performance and transparency.

11. Corporate Social Responsibility (CSR)

OECD Guidelines for Multinational Enterprises

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. Morocco's national contact point is the Moroccan Investment Agency (www.invest.gov.ma).

CSR has gained strength in tandem with Morocco's economic expansion and stability. The country's businesses are slowly taking responsibility for the impact of their activities on the environment, communities, employees and consumers. For example, CGEM has awarded "social labels" to companies based on a systematic analysis of the effects of their activities. The Moroccan Association of Textile and Apparel Industries also award a "*Fibre Citoyenne*" label to worthy companies. Additionally, Morocco launched the UN Global Compact network in 2006 in Casablanca. The project provides support to companies who affirm their commitment to social responsibility. The major trade unions (CDT, UMT, UGMT, and FDT) and CGEM were among its initial members. Maroc Telecom joined in November 2012, demonstrating its commitment to adhere to the Compact's principles in the area of human rights, labor law, environment, and corruption.

AmCham in Morocco has five committees, including one that promotes good corporate citizenship and social responsibility. The Director General of Dell is currently the Chairperson of this committee, which focuses on recognizing excellence in CSR of AmCham members. The committee also develops public-private sector partnerships and implements programs that have an educational, philanthropic, and/or socially responsible nature within the broader context of U.S.-Morocco economic relations.

12. Political Violence

Morocco is a monarchy with a constitution, government, Parliament and judiciary, in which ultimate power and authority rest with the King. A process of qualified democratic reform is underway, and the country is broadly regarded as politically stable. The U.S. government maintains excellent relations with Morocco and designated Morocco a Major Non-NATO Ally in 2004. A series of terrorist bombings in Casablanca in March 2003, March and April 2007, as well as the bombing of the Argana Café in Marrakesh in April 2011, underscore that Morocco continues to face a terrorist threat. Counterterrorism cooperation is excellent. The Moroccan Government aggressively investigates terrorist suspects and has dismantled a number of terrorist cells over the past years.

Demonstrations occur frequently in Morocco and usually center on domestic issues. Most demonstrations have been peaceful and orderly. There are infrequent reports of anti-American sentiment and isolated instances of violence. In September 2012, protesters held demonstrations in Casablanca in response to the video, *The Innocence of Muslims,* produced in the U.S. The largest turnout of the two demonstrations consisted of 200 - 300 protesters who gathered near the U.S. Consulate.

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 took to the street in numbers of between a few hundred to tens of thousands almost every Sunday from its inception through March 2012. It has since attempted to inspire new popular protests, but attendance is often low. Unions and labor groups occasionally organize public demonstrations to protest working conditions, salary levels, or other social benefit issues.

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 sovereignty over the territory remains disputed. 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.

13. Corruption

According to the 2013 State Department's Country Report on Human Rights Practices, Moroccan law provides criminal penalties for official corruption, but the government does not implement the law effectively. Officials often engage in corrupt practices with impunity. Corruption is a serious problem in the executive branch, including police, as well as the legislative and judicial branches of government. There have been reports of government corruption and several notable prosecutions. In July 2013 courts sentenced the director general of the National Airports Office to five years in prison for embezzlement of public funds. Observers generally consider corruption a serious problem, particularly among magistrates. In 2013, courts sentenced magistrates from Kenitra, Taza, Meknes, and Inezgane to prison terms for corruption.

The King, who has made statements calling for judicial system reform since 2009, acknowledged the judiciary's lack of independence and susceptibility to influence. Many members of the well-entrenched and conservative judicial community are loath to adopt new procedures.

The Central Commission for the Prevention of Corruption (ICPC) is the agency responsible for combating corruption but lacks authority to require responses from government institutions. In 2010 ICPC set up an internet portal for civil society and small businesses to identify instances of corruption: www.stopcorruption.ma. ICPC also publishes quarterly reports covering specific cases of corruption and the outcome of any subsequent prosecution. ICPC acknowledges that the anticorruption situation has not improved significantly and that governmental policy continues to lack a strategic dimension and effective commitment.

In addition to ICPC, MOJL and the government accountability court have jurisdiction over corruption issues but have pursued no high-profile cases. The inspector general of MOJL investigated 107 ethics complaints against judges in 2012, which resulted in the referral of three judges to the Supreme Judicial Council for disciplinary measures.

Observers have noted that there is widespread corruption in the police force. The government claims to investigate corruption and other instances of police malfeasance through an internal mechanism. Authorities did not provide official information on the results of the investigations.

See more at: http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper

In the 2013 Corruption Perception Index published by Transparency International (TI) http://www.libertadciudadana.org/archivos/ipc2013/2013_CPIBrochure_EN.pdf, Morocco dropped 3 spots from its 2012 rank of 88 to 91 out of 177 countries. Government officials have criticized the Index, which reflects public perceptions concerning corruption, for not emphasizing 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.

The latest TI report on Morocco:
http://www.transparency.org/gcb2013/country/?country=morocco.

UN Anticorruption Convention

Morocco signed the UN Convention against Corruption in 2007 and hosted the States Parties to the Convention's Fourth Session in 2011.

Morocco has published its anti-corruption measures here:http://www.invest.gov.ma/upload/documents/en_Doc_223.pdf

14. Bilateral Investment Agreements (BITs)

Morocco has BITs with the following countries:

- Argentina
- Austria
- Bahrain
- Belgium
- Benin
- Cameroon
- Central African Republic
- Chad
- China
- Croatia
- Czech Republic
- Denmark
- Dominican Republic
- Egypt
- El Salvador
- Equatorial Guinea
- Finland
- France
- Gabon
- Germany
- Greece
- Hungary
- India
- Indonesia
- Iran

- Italy
- Jordan
- Kuwait
- Lebanon
- Libyan Arab Jamahiriya
- Luxembourg
- Malaysia
- Mauritania
- Netherlands
- Oman
- Pakistan
- Poland
- Portugal
- Qatar
- Republic of Korea
- Romania
- Senegal
- Slovakia
- Spain
- Sudan
- Sweden
- Syrian Arab Republic
- Tunisia
- Turkey
- Ukraine
- United Arab Emirates
- United Kingdom
- United States of America
- Yemen

Morocco's BITs: http://unctad.org/Sections/dite_pcbb/docs/bits_morocco.pdf

The U.S. and Morocco signed a BIT on July 22, 1985, but its provisions were subsumed by the investment chapter of the U.S.-Morocco FTA, which entered into force on January 1, 2006. The BIT's dispute settlement provisions remain in effect for ten years after the effective date of the FTA for certain investments and investment disputes which predate the Agreement.

Investment Chapter of the FTA:
http://www.ustr.gov/sites/default/files/uploads/agreements/fta/morocco/asset_upload_file651_3838.pdf

Bilateral Taxation Treaties

The U.S. signed an income tax treaty with Morocco in 1977: http://www.irs.gov/pub/irs-trty/morocco.pdf.

15. OPIC and Other Investment Insurance Programs

Morocco signed an agreement with OPIC in 1961. The agreement was updated in 1995 and ratified by the Moroccan parliament in June 2004. The agreement can be found here:
http://www.opic.gov/sites/default/files/docs/africa/Morocco-1995.pdf

In August 2013, OPIC provided its consent for a new $40 million, eight-year term loan facility with Attijariwafa Bank to support loans to small and medium-sized enterprises (SMEs) in Morocco under a risk sharing agreement between OPIC and Citi Maghreb. OPIC has a long history of supporting projects in Morocco and has provided finance or insurance support to 22 deals over the past four decades. This recent agreement between Citi Maghreb and OPIC is OPIC's first risk-sharing agreement for the banking sector in Morocco.

16. Labor

Morocco is in a paradoxical situation: large numbers of graduates are unable to find jobs commensurate with their education and training, while employers complain of skills shortages and mismatches. According to some U.S. companies in Morocco, qualified labor is not only rare, it is also expensive, with wages equivalent to those in France.

In 2012 the World Bank described the problem of youth unemployment in Morocco as "very serious." Youth (aged 15 to 29) make up about 30 percent of Morocco's total population and 44 percent of the working age population (aged 15 to 64). According to a June 2012 World Bank report, Moroccan youth are largely excluded from the sustained economic growth the country has experienced in the last decade.

World Bank report: http://www.youthpolicy.org/national/Morocco_2012_Youth_Report.pdf

The national unemployment rate for the first trimester of 2014 was 10.2 percent (up from 9.4 percent from the same period last year) with urban unemployment reaching 14.6 percent compared to 5.1 percent rural unemployment. Overall, 20.2 percent of youth aged 15-24 were unemployed (36.7 percent urban youth unemployed versus 9.9 percent rural youth unemployed) and 17.5 percent of university graduates were unemployed. Nearly 20 percent of graduates in urban areas were unemployed. Unemployment rates are disproportionately higher for graduates from universities, secondary schools, and vocational training institutions that have open enrollment.

Source : *Haut Commissariat au Plan* http://www.hcp.ma

Lowering youth unemployment is a government priority since high youth unemployment has historically resulted in serious social and political tensions. Moreover, without a trained workforce capable of increasing productivity, Morocco cannot generate sufficient prosperity through private-sector growth.

USAID is launching a $38 million project to address this challenge and enhance the employability of young Moroccans. The project will help university and vocational students' transition from school to work by building stronger links between education institutions and the private sector.

According to the State Department's Country Report on Human Rights Practices (http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper), the Moroccan constitution grants workers the right to form and join unions, strike, and bargain collectively, with some restrictions (S 396-429 Labor Code Act 1999, No. 65/99). The law prohibits certain categories of government employees, including members of the armed forces, police, and some members of the judiciary, from forming and joining unions and from conducting strikes. The labor code does not cover domestic workers.

The law concerning strikes requires compulsory arbitration of disputes, prohibits sit-ins, calls for a ten-day notice of a strike, and allows for the hiring of replacement workers. The government may intervene in strikes. The government generally respects freedom of association and the right to collective bargaining. Labor disputes (S 549-581 Labor Code Act 1999, No. 65/99) are common and in some cases result in employers failing to implement collective bargaining agreements and withholding wages. Trade unions complain that the government at times uses Article 288 of the penal code to prosecute workers for striking and to suppress strikes.

Once strong and politically influential, the Moroccan trade union movement is now fragmented and no longer possesses the political clout it had 50 years ago when it helped lead the country to independence. Nevertheless, 5 of the more than 25 trade union federations remain strong enough to wield some political influence. Although unions claim high membership rates, Morocco has about 600,000 unionized workers, less than six percent of the 11.26 million person workforce.

Investors continue to view labor regulations as a significant constraint. They complain that procedures regarding lay-offs remain complicated and onerous, imposing a significant financial burden on companies. Rules regarding foreign personnel are also vague and can lead to conflicting interpretations and arbitrary decisions.

Morocco's labor code prohibits all forms of forced or compulsory labor. Penalties for forced labor include a fine for the first offense and jail term of up to three months for subsequent offences. The minimum age for employment in all sectors is 15 (S 143 Labor Code Act 1999, No. 65/99). The law prohibits any employee from working more than 10 hours per day except under specific circumstances.

Morocco's minimum wage for the industrial sector (SMIG) was recently renegotiated and will increase by ten percent to 13.46 dh/hour (or $1.66/hour) by July 2015. While the minimum wage will increase consumer purchasing power, many in the business community fear a loss of competitiveness. According to Morocco's business association CGEM, minimum wage has increased annually between 2001 and 2012 by 9.7 percent while inflation has increased by 1.7 percent. In exchange for the increase in minimum wage, CGEM has asked for the government to update its regulation on strikes and the Labor Code.

Morocco has ratified the following International Labor Organization (ILO) conventions:

Forced Labor Convention (1957); Right to Organize and Collective Bargaining (1957); Equal Remuneration (1979); Abolition of Forced labor (1966); Discrimination-Employment and Occupation (1963); Minimum Age (2000); and the Worst Forms of Child Labor Convention (2001). Morocco has yet to ratify the Freedom of Association and Protection of the Right to Organize Convention.

For a list of the 62 ILO conventions Morocco has ratified, see here: http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102993 .

17. Foreign Trade Zones/Free Ports

Instituted by Law 19-94 (Dahir No. 1-95-1 dated January 26, 1995), export processing zones are identified areas of the customs territory where industrial and commercial export activities are exempted from customs regulations, foreign trade and exchange control. Each zone is created and defined by a decree which stipulates the nature and activities of the companies that can operate in the zone.

Free zones in Morocco include: Nouaceur Free Zone in Casablanca; Tanger Free Zone; Tanger Automotive City; Tetouan Shore; Oujda Free Zone; and the Atlantic Free Zone.

Detailed information on Morocco's free zones (French): http://www.ilo.org/wcmsp5/groups/public/@ed_dialogue/@actrav/documents/publication/wcms_183548.pdf.

General information on Morocco's free zones (English): http://www.invest.gov.ma

Morocco's National Pact for Industrial Emergence aims to attract investment in aeronautics, automobile, offshoring, electronics, textile and leather, and the food industry.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source		USG or international statistical source		Source of Data
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domesti		$96.75		$95.98	International Source: http://www.worldbank.org/en/country

c Product (GDP) (*billion U.S. Dollars)*	(2012)		(2012)		Local Source: http://www.bkam.ma/
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		
U.S. FDI in partner country (*Millions U.S. Dollars, stock position)*	(2012)	1. $217.72 2. $1,900 3. $600	(2012)	$613	USG Source: Bureau of Economic Analysis 1. Morocco's government statistical source provides information on FDI flows* http://www.oc.gov.ma/portal/ 2. Moroccan Ministry of the Economy and Finance reports stock: http://www.finances.gov.ma/fr/SitePages/Home.aspx 3. Unofficial host country press cites the total value of U.S. FDI stock to Morocco $600 million: http://financenews.press.ma/Economie/maroc-usa-une-visite-royale-a-forte-connotation-economique.html
Total inbound stock of FDI as % host GDP	(2012)	1. 3.8 % 2. 49.2 %	(2011)	22%	International Source: The IMF's Coordinated Direct Investment Survey reported that total FDI stock* to Morocco in 2011 were estimated at $21 billion: http://cdis.imf.org/ 1. Morocco's government reported that total FDI flows* to Morocco in 2012 were estimated at $3.7 billion: http://www.oc.gov.ma/portal/ 2. Morocco's Ministry of the Economy and Finance reported that total FDI stock to Morocco in 2012 was $47 billion http://www.finances.gov.ma/fr/SitePages/Home.aspx

*Official statistics from the host country on FDI stock are unavailable.

TABLE 3: Sources and Destination of FDI

Inward Direct Investment		
From Top Five Sources (*US Dollars, Millions*) End of 2011		
Total Inward investment	21,059	100%
France	15,580	74%
Sweden	1,203	6%
Spain	1,109	5%
Kuwait	607	3%
Switzerland	535	3%

Source: http://cdis.imf.org

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

mixed legal system of civil law based on French law and Islamic law; judicial review of legislative acts by Supreme Court

International organization participation:

ABEDA, AfDB, AFESD, AMF, AMU, CAEU, CD, EBRD, FAO, G-11, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), 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

Section 6 - Tax

Exchange control

Exchange controls are in place over Moroccan currency. However, foreign nationals resident in Morocco are entitled to transfer cash saved from their Moroccan wages

Treaty and non-treaty withholding tax rates

The Moroccan government is eager to encourage foreign investment. This is reflected by the territoriality principle for taxation applicable to corporations mentioned above. In addition, Morocco has concluded about 47 treaties including a multilateral agreement with MAU (Maghreb Arab Union: Algeria, Tunisia, Libya and Mauritania) for the prevention of double taxation, mainly with developed countries. Morocco's list of treaty-partners include Belgium, Canada, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Romania, Spain, the United Kingdom and the United States. However, the treaty signed with Sweden was cancelled and has not been applicable since 2007.

Most of the tax treaties are based on the UN (United Nations) model and do not contain specific anti-abuse provisions. Reduced withholding tax rates vary from one treaty to another. Of special interest is the treaty with France which offers advantages involving self-employed foreigners and payments for technical assistance and contracts (eg imported supplies).

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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