SUMMARY

1. Since Morocco's last Trade Policy Review (TPR) in 2009, its economy has continued to grow at an average annual rate of 3.7% and to diversify, helped by a stable macroeconomic framework with moderate inflation and interest rates. The trade reforms introduced since the last TPR also contributed to this performance by stimulating competition on the domestic markets, encouraging innovation and creating new jobs, one of the main challenges facing the Moroccan economy. According to the World Bank classification, Morocco is currently a lower-middle-income country.

2. Following the shock created by the financial crisis of 2008, international trade and investment were particularly responsive to the reforms introduced. During the period 2009-2014, goods exports regained and then surpassed their 2008 level, with an annual growth rate of 10% in terms of the national currency, the dirham. Goods imports grew still faster, causing the trade deficit to widen. Services exports continued their dynamic growth, reaching US$14 billion, equivalent to close to 60% of goods exports. The current account deficit, which reached almost 10% of GDP in 2012, fell to below 6% of GDP in 2014.

3. The automobile industry performed well, accounting for 30% of Morocco's total exports – double its share for 2009 – thanks partly to European direct investment in the free zones. Tourism continued to expand rapidly, and is one of the country's main sources of foreign exchange. Agrifood exports also gained in importance, while retaining their traditional role as a source of family employment and income for the rural population. In the case of certain plant products such as beans, tomatoes, olives and certain leguminous plants, Morocco accounts for a substantial share of world exports. On the other hand, exports of crude phosphates, which are still under a State monopoly, declined sharply in spite of a national strategy to limit the global supply and influence the price of phosphates and their byproducts.

4. Because Moroccan coastal waters are subject to intensive fishing, the new Halieutis plan is seeking to ensure the sustainability of fishery resources, and to upgrade and modernize the sector and improve its competitiveness and performance. Within the WTO, Morocco has submitted a proposal in the framework of the rules negotiations on fisheries subsidies in which it argues that special and differential treatment should permit developing country Members to be exempt from any ban on subsidies.

5. Morocco imports the bulk of the energy it consumes, partly from its Arab partners, and from Spain in the case of electricity. Over the past few years, consumer subsidies for petroleum products considerably widened the budget deficit, which reached 7% of GDP in 2012 before falling back to 4.6% in 2014. These subsidies are currently being phased out. Considerable amounts are also being spent under the Government's economic development policy which rests on three pillars: State supply of integrated production infrastructure to private investors; subsidies and other incentives granted to private investors, including for exports; and programmes to train the labour force in new techniques.

6. With more than ten agreements currently in force, Morocco is one of the countries that has concluded the largest number of trade agreements. Its main trading partner is the European Union (EU), both on the import side (approximately half of the total) and the export side (two thirds of the total). The partnership was reinforced by a Free Trade Agreement (FTA) in 2000, supplemented by a protocol on trade in agricultural products in 2012. However, this agricultural trade is still hampered by a whole array of measures such as threshold or minimum entry prices, seasonal restrictions according to domestic production, and other forms of quotas. In spite of the wide range of preferential trade agreements in force, it is agricultural imports on an MFN basis that developed fastest during the period.

7. Morocco has participated actively in the work of the WTO, including in the area of notifications. It has notified, under Category A, a considerable number of measures covered by the Agreement on Trade Facilitation, but as of November 2015 it had not yet ratified the Agreement. Fresh steps were taken to shorten the time during which goods remain in customs zones and ports. Known operators can now carry out more than 30 operations remotely, including the release and clearance of goods. The computerization of customs procedures has included, *inter alia*, digital signature of customs declarations, e-payment, and electronic validation of bank guarantees. Thanks to the new "PortNet" electronic platform, electronic data and information can be exchanged

between port operators involved in foreign trade. A framework agreement between Customs and the Directorate-General of Taxation (DGI) also enables approved economic operators to exchange tax data, thereby avoiding much of the red tape caused by the complexity of the Moroccan taxation system.

8. However, outside the export free zones (ZFEs), in which tax, banking and exchange incentives are among the main attractions, "import commitments" are still required under the exchange regulations, in addition to the detailed declaration. Goods entering or leaving the ZFEs are exempt from all duties and taxes. A business tax of 8.75% is charged after the fifth year of operation, instead of the usual tax of 30%. Eligibility for ZFE status does not require companies to export a minimum share of their output: there is no ceiling on the share of their sales in Moroccan national territory. The conditions governing these companies' exports and domestic sales are specified on a case-by-case basis. As a result, this regime will tend to generate competition to the detriment of the rest of the local economy. At the same time, there are several different laws governing the same tax incentives, and numerous exemptions are available.

9. The customs duty on imports has undergone a major reform which has led to a decrease in both the number and the rates. Thus, the average MFN tariff rate fell from 20.2% in 2009 to 12.5% in 2015. The average rate for agricultural products (WTO definition) decreased from 44.5% in 2009 to 30% in 2015. In the case of non-agricultural products, the simple average decreased from 16.3% in 2009 to 9.5% in 2015. The number of tariff peaks (duties higher than 15%) fell from 47% of the total tariff schedule in 2009 to 33% in 2015, i.e. still close to one third of the total. The number of variable duties also decreased, with certain products such as rice and maize no longer subject to them. The duty rates currently vary depending on the import price, the season and/or the domestic harvest, chiefly in the case of wheat and sugar. At the same time, the WTO-bound tariff quotas are not always applied.

10. The stated objective of the Plan Maroc Vert (Green Morocco Plan) for sustainable agricultural development is to protect traditional production sectors from foreign competition while fostering international competitiveness of exportable products, and to promote local processing of imported inputs, thereby replacing imports of finished goods in order to narrow the trade deficit. Accordingly, the reform seeks to apply the principle of tariff escalation, depending on the degree of processing (from inputs, through semi-finished products to finished goods). Another objective is to narrow the difference in taxation between the FTAs and the MFN regime in order to avoid the deviation of trade towards inefficient producers.

11. Thanks to the reform, the number of tariff lines for which the applied rates continue to exceed Morocco's WTO bound rates has decreased from 1,373 in 2009 to 792 today. These cases have existed ever since 2000, when Morocco amalgamated the tariff and the fiscal import levy (PFI), which as a rule stood at 15%, by adding them together. Needless to say, the two had been bound separately at the WTO, the former as a tariff and the latter in the category of "other duties and taxes". However, in spite of this amalgamation, several other duties and taxes are still levied on imports alone, and should probably be rationalized. These include the "parafiscal" taxes (0.25% of customs value), the "stamp" duty, the "storage" tax (4-14% of the customs value if the goods stay more than three days in customs), the "administrative" fees, the "computer" tax, and the tax for the control and stamping of imported handmade carpets (5%). The import taxation system is further complicated by two different VAT regimes (the "internal" and "import" regimes) with or without "right of deduction" of VAT paid on inputs.

12. Morocco has introduced a new legal framework governing trade defence measures, and has set up an Import Monitoring Commission responsible for such measures. Since 2008, several new anti-dumping and safeguard duties have entered into force, some of them involving FTA partners, generally in the form of quotas above which additional duties apply. A new Competition Council has been tasked, under the Constitution as amended in 2011, with ensuring transparency and equity in economic relations, *inter alia* by analysing and regulating competition on the different markets, and controlling unfair trade practices and economic merger operations. The Moroccan Accreditation System (SEMAC) was introduced in 2013 in the Ministry responsible for industry, which is in charge of accreditation and evaluating the technical competence of certification, testing and qualification bodies. The purpose of this reform is to facilitate the process of bringing local manufactures into line with international quality standards while preserving the comparative advantage deriving from their uniqueness as local Moroccan products.

13. In 2010, Morocco set up a new National Food Safety Board (ONSSA), responsible for the safety of consumers, animals and plants, fishery products and animal feed, as well as for controlling and approving agricultural inputs (seed, pesticides, fertilizer) and veterinary medicines, and applying the legislation and regulations on veterinary and phytosanitary health control. The ONSSA takes a sample and issues a certificate of analysis for each import of food products. The new law of 2010 on the protection of animals and animal health, the health safety of food of animal origin, animal feed and animal byproducts is the outcome of a joint Morocco-EU project on sanitary and phytosanitary measures. Its provisions cover all stages of production, handling, treatment, processing, packaging, presentation, transport, storage, distribution, sale and export of primary products, food products for human consumption and animal feed.

14. In 2014, Morocco abolished the foreign exchange undertaking linked to the obligation to repatriate export proceeds, which remains in force. Export subsidies are granted for certain agricultural products in order to reduce freight costs to certain destinations. The Moroccan Export Insurance Company (SMAEX) provides insurance at subsidized rates against political risks, disasters and non-transfer, as well as special commercial risks for companies which export capital goods, carry out public works, or supply services lasting over one year. It also covers risks relating to market surveys and fairs.

15. Since Morocco's last TPR, there have also been changes to its legislative framework for intellectual property. A new law has been introduced to raise the level of industrial property protection in Morocco and to bring the legislation into line with the country's international commitments, notably the TRIPS Agreement and the Trademark Law Treaty. An Agreement between Morocco and the European Patent Organization on the validation of European patents was signed in 2010. Morocco is not a member of the Patent Law Treaty. The Customs Administration has been given increased responsibility under the new legislation, which allows for automatic suspension of the release into circulation of goods suspected of being counterfeit or pirated or their automatic confiscation at the border. The 2014 Finance Law strengthened the legal instruments available by making counterfeiting a first category customs offence.

16. A new Government Procurement Code was enacted in January 2014 in order to harmonize government procurement rules for all government and regional authorities and more than 200 public institutions that were not previously covered. The privatization process, which had enabled Morocco to channel a large volume of foreign direct investment to the energy, financial services, telecommunications and tourism sectors during the period 2000-2010, subsequently began to slow down. The State still holds significant shares in the main telecommunications companies, banks, and insurance companies as well as railway and air transport companies. The State also invested heavily in ports, motorways and railways, providing what should be a further boost to Morocco's foreign trade. The Moroccan banks have made substantial investments in the African banks under GATS Mode 3. There are still some restrictions on foreign presence in the road and air transport and insurance sectors, as well as in professional services, which are largely reserved for Moroccans.

17. In conclusion, thanks to Morocco's numerous reforms to its trade regime since the last TPR and its efforts to develop transport, telecommunications and Internet infrastructures, its economy has continued to grow vigorously. The government's current objectives are to continue opening up the economy to foreign trade, to promote sustainable development, particularly in agriculture, and to develop rural areas, notably through eco-tourism. These objectives are more likely to be met in full if a major regulatory reform is undertaken to simplify the tax system and to ensure greater freedom of exchange, while at the same time harmonizing the rules governing ZFE enterprises with those applicable to companies operating outside the ZFEs. This would enable the economy to become even more competitive and would make it easier to set up new companies and create new jobs.