

# Morocco: Trade Brief\*

## Trade Policy

Morocco has been implementing trade reforms since 1996 (with greater intensity in the past two years), most notably abolishing most quantitative import restrictions and privatizing a number of parastatals. However, the restrictiveness of Morocco's trade regime, especially in agriculture, remains higher than its Middle East and North Africa (MNA) and the lower-middle-income country comparators. The latest Trade (MFN) Tariff Restrictiveness Index (TTRI) is 21.4 percent, yielding a rank of 123<sup>rd</sup> (out of 125). The 2007 MFN simple and import-weighted tariff averages are 23 percent and 17.7 percent, both lower than in the early and mid-2000s, but still substantially above comparators' means. Reflecting the importance of preferential trade agreements, Morocco's trade-weighted applied tariff (including preferences) is much lower at 9.3 percent. However, agricultural protection remains very high with the MFN tariff average at 43 percent and the trade-weighted tariff average (including preferences) at 23 percent. The country has recently embarked on a program of market opening through preferential trade liberalization that will lead to substantially freer trade in industrial products with the EU (by 2012) and the United States (by 2015). These efforts will rapidly reduce the restrictiveness of Morocco's trade regime, but agricultural protection will remain very high and the risk of trade diversion will be increased.

## Market Access

According to the latest Market Access TTRI (including preferential rates), Morocco ranks 38<sup>th</sup> out of 125 countries. Morocco's nonagricultural products in particular face lower barriers to international markets than its regional and middle-income group comparators. This is due to Morocco's exports benefiting from preferential market access in the EU, the United States, Turkey, and the European Free Trade Association (EFTA). Preferences granted by the Greater Arab Free Trade Area (GAFTA) partners are subject to import licenses, which are rarely if ever accorded.

## Behind the Border Constraint

Morocco's performance is middling in terms of business climate and institutional environment. Its Doing Business overall rank is 129<sup>th</sup> (out of 178) but a better 67<sup>th</sup> on the Trading Across Borders subcategory, the latter improving significantly since last year (the rank was 89). A similar picture applies to logistics performance, where the country is ranked 94<sup>th</sup> (out of 151) on the Logistics Performance Index, at par with the regional and lower-middle-income country average, but lower than the upper-middle-income country average. Some of the main obstacles to trade expansion include difficult access to financing, poor quality of roads and transport services, relatively high import costs (including port charges), rigidities in the labor market, and a poorly educated workforce. Only 57 percent of the population has access to telephones and mobile phones, and 20 percent to the Internet, although all have improved substantially since the early 2000s due to the government's efforts to develop the information and communications technology (ICT) sector to take advantage of global outsourcing opportunities. The country's secondary school enrollment rate at 52.4 percent in 2006 is higher than that of low-income countries and about two thirds the regional and middle-income country group averages.

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\*As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>.

## Trade Outcomes

Reflecting its rapidly improving trade policy, Morocco's trade performance also shows a marked improvement with an estimated annual growth of 17.5 percent in 2007, ranking 6<sup>th</sup> out of 160 countries, following a 2005–06 average trade growth of 7 percent. The impressive trade outcome performance in 2007 is significantly higher than its regional and comparator income group averages. However, its openness ratio at 81 percent is still lower than the regional and middle-income country groups. With an export concentration index of 15.9, Morocco's export base is more diversified than its comparators' (although many in the region are poorly diversified fuel exporters). The country has been for some time a large exporter of services, especially linked to tourism (export earnings from services are equivalent to over 40 percent of total exports and generally rising). It also enjoys a significant inflow of remittances (34.4 percent of exports).

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