

V. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

1. Up until the end of the 1980s, Morocco's trade relations with the rest of the world had three main features: the limitations of foreign participation in the activities of certain sectors (so called "Moroccanization"), an import substitution policy, particularly in respect of agricultural products, (the food self-sufficiency policy, for example), and promotion of exports of manufactures, particularly textiles and clothing.

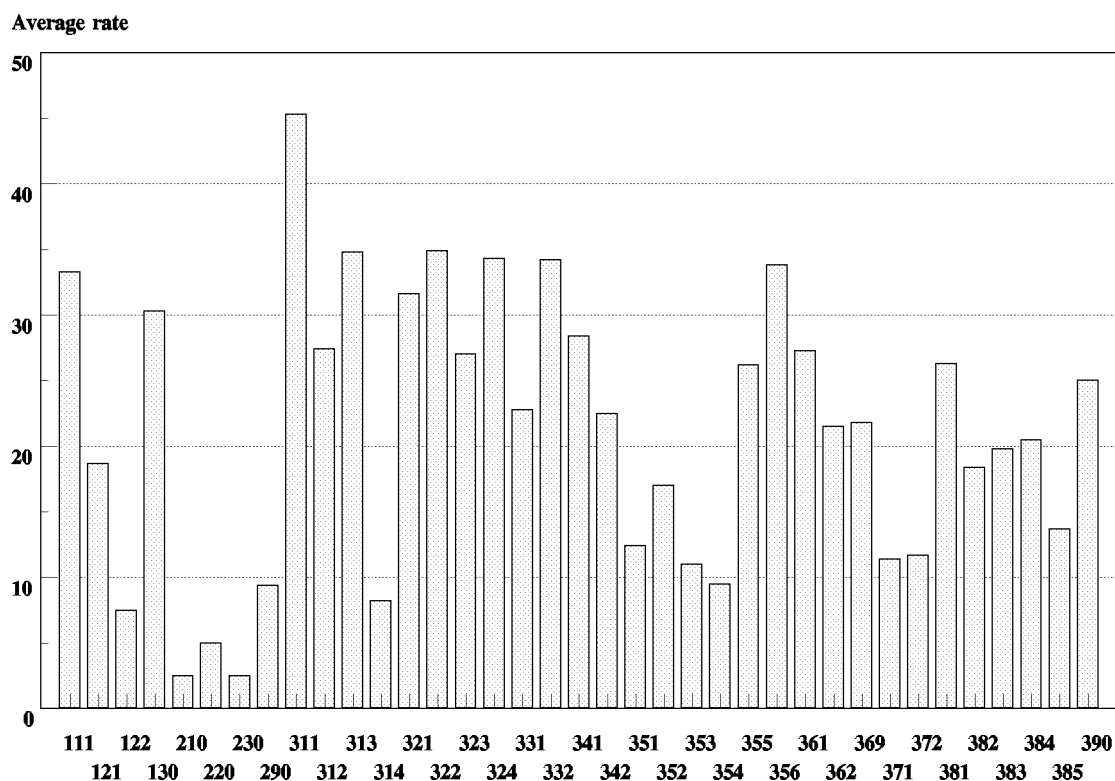
2. The drop in the world price of phosphate, the country's main export, and frequent drought contributed to a shift in economic policy. Currently, foreign participation is not only welcomed but actively encouraged. In view of the commitments made in the context of the WTO and the objectives of its new food policy (food security), Morocco is gradually eliminating quantitative restrictions on imports of agricultural products (Section IV.2(vii)). This policy suggests that once the replacement of tariff barriers by tariff equivalents has been completed, agricultural primary products and by-products are likely to be heavily protected by tariffs. However, in accordance with its commitments under the WTO Agreement on Agriculture, like other participants, Morocco will have to lower the levels of tariff equivalents. Chart V.1 and Table AV.1 show the structure of tariff protection of the major products groups for 1995.

3. The emphasis placed on job creation and technology transfer in the formulation of trade policy seems to be resulting in the automatic protection of sectors where prospects for export and import substitution are thought to be good. The various charges placed on exports during the 1980s have hence been abolished. Production of goods with high domestic value added is encouraged.

4. An effort is being made to open up the services sector to foreign participation. Prompted by policy of promoting exports, liberalization of this sector will consist not only open up some of the main branches (tourism, telecommunications and banks) to investment in foreign human and material resources but will help to make export industries more competitive by reducing their indirect costs. Road transport is one of the branches where foreign participation is not envisaged.

5. Under the WTO Agreement on Trade in Services, Morocco's commitments are substantial in tourism, telecommunications and some financial services, but limited in insurance and international road transport amongst other sectors.

Chart V.1
Average customs tariffs by sector, 1995



ISIC ^a Major groups

111	Agriculture and livestock production	351	Industrial chemicals
121	Forestry	352	Other chemical products including pharmaceuticals
122	Logging	353	Petroleum refineries
130	Fishing	354	Petroleum and coal products
210	Coal mining	355	Rubber products
220	Crude petroleum and natural gas production	356	Plastic products
230	Metal ore mining	361	Pottery and china
290	Other mining	362	Glass and glass products
311-312	Food	369	Other non-metallic mineral products
313	Beverages	371	Iron and steel
314	Tobacco	372	Non-ferrous metals
321	Textiles	381	Metal products
322	Clothing	382	Machinery, except electrical
323	Leather products	383	Electrical machinery
324	Footwear	384	Transport equipment
331	Wood products	385	Professional and scientific equipment
332	Paper products	390	Other manufactures
341	Furniture, except of metal		
342	Printing		

^a ISIC, International Standard Industrial Classification.

Source : Government of Morocco; and WTO Secretariat estimates.

(2) Agriculture, fishing and related activities

(i) Characteristics

6. In Morocco, agriculture occupies approximately 40 per cent of the total active population and 80 per cent of rural workforce. Its contribution to GDP formation, slightly less than 20 per cent in the last two decades, has dropped and now accounts for only 15 per cent, largely as a result of drought.

7. Morocco's main crops are cereals, particularly wheat and barley. A total area of 9 million hectares is given over to agricultural production, more than half of it to cereals. Apart from fruits and vegetables for export, crops include beet, sugar cane, olives and tomatoes. Some farmers raise bovine animals, sheep and goats and almost 30 per cent of the country's total surface area is used for grazing.

8. Modern farms cover approximately 1 million hectares and produce wine, citrus fruits, vegetables and cereals. They account for some 25 per cent of agricultural output (80 per cent of domestic wine and citrus fruits, one third of vegetables and 15 per cent of cereals) and 80 per cent of agricultural exports. Other types of farm use traditional methods and grow crops largely for family consumption; more than one third of farmers grow subsistence crops.

9. Lands are often inherited and farmed by the family. Parcelling has been accelerated by the rate of population growth: only 1 per cent of farms are larger than 50 hectares. Part of the rural population works on farms for wages. The government's agrarian reforms affected irrigated areas or areas where development projects were under way.

10. Approximately 10 per cent of crop land is irrigated. Farmers bear 40 per cent of irrigation costs. Fertilizers are used very little; the State stopped subsidizing them in 1991. Morocco has had frequent droughts since the early 1980s. As a result, and although a food self-sufficiency policy has been implemented throughout the period, the country imports substantial quantities of commodities, particularly wheat, oils, sugar and milk. Apart from in the drought years, however, the share of food products in total imports has dropped steadily. It fell from 20 per cent in the early 1980s to less than 15 per cent in the recent years with normal harvests. The reason for this is that production has improved in the modernized areas which have irrigation.

11. The agricultural sector's main assets are an early Spring and hence early crops, and the fact that Europe is close and has higher labour costs. Morocco exports fruits (citrus fruit in particular) and vegetables, either fresh or canned, including tomatoes, courgettes and beans. There is currently a boom in exports of cut-flowers. Taken all together, plant products account for approximately 15 per cent of the country's exports earnings.

12. Activities in the fishing sector (including financial compensation under fishing agreements and sales of licences to foreigners) bring in as much in export earnings as all plant products together. Virtually the whole fish catch is exported since Moroccans consume little fish. The fishing sector is currently suffering from inadequate warehousing and processing capacity. As a result, approximately one third of the catch is processed into by-products such as fish oil and meal. The aquaculture sector is expanding.

(ii) Policy objectives and instruments

13. Agricultural policy is currently based on the four following objectives: guaranteeing food security; improving farmers' income; protecting and preserving natural resources; and integrating agriculture into the domestic and world markets. By food security the authorities mean achieving a strategic rate of steady supply from domestic production in conditions of cost efficiency.

14. A policy to protect domestic production has been launched. Apart from customs duties, which are generally higher on agricultural products (especially foodstuffs) than on other goods, import licensing and levies are at present the main components of the policy.¹ Specific incentives have been introduced. For example market integration is being pursued by means of incentive measures and a legal framework for the organization of marketing, storage, packaging and processing channels. At the same time the State is gradually withdrawing from production and marketing and handing them over to private operators.

15. Agricultural income is to be improved by reducing production costs through higher productivity and easing the constraints on activities up- and downstream of agricultural production. Other incentives are exemption from import duties and taxes, exemption of agricultural income from all taxes until the year 2000 and production subsidies (Table V.1). Aid is granted from the Agricultural Development Fund set up for the modernization of agriculture with targeted investment. The agricultural sector also receives funding from the National Agricultural Credit Bank (CNCA) on preferential terms.

Table V.1
Subsidies to agricultural production and fishing, 1987-93
(in thousands of dirhams)

	1987	1988	1989	1990	1991	1992	1993 ^a
Total	570	594	679	773	828	1,033	1,179
of which:							
Regional office for agricultural development (regional development)	146	141	138	175	164	165	155
National Fisheries Office	4	4	4	4	4	3	...

... Not available.

a Estimated.

b In millions of dirhams

Source: IMF (1995b); and Government of Morocco.

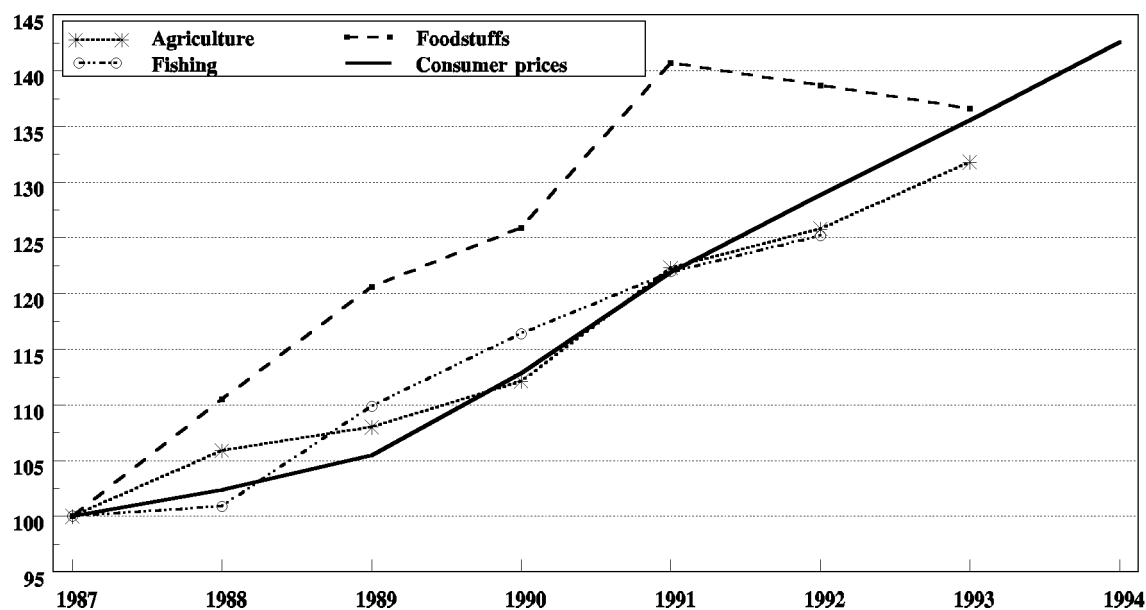
16. Consumer sales prices of the main staple foodstuffs (sugar, edible oils and domestic flour) have been kept low by subsidies. This has naturally affected the consumer price index (Section IV.4(iii)(b) and Charts V.2 and V.3). The direct cost of these subsidies should be financed by variable levies (Section IV.2(iii)(a)) and the State budget.

¹Completion of the dismantling of import licensing for agricultural imports, particularly foodstuffs, has been postponed. It was planned for 1993 (Rutherford et al., 1994) then for 1994 and 1995 (Section IV.2(vii)).

Chart V.2

Wholesale price index, agricultural sector, 1987-94

1987=100

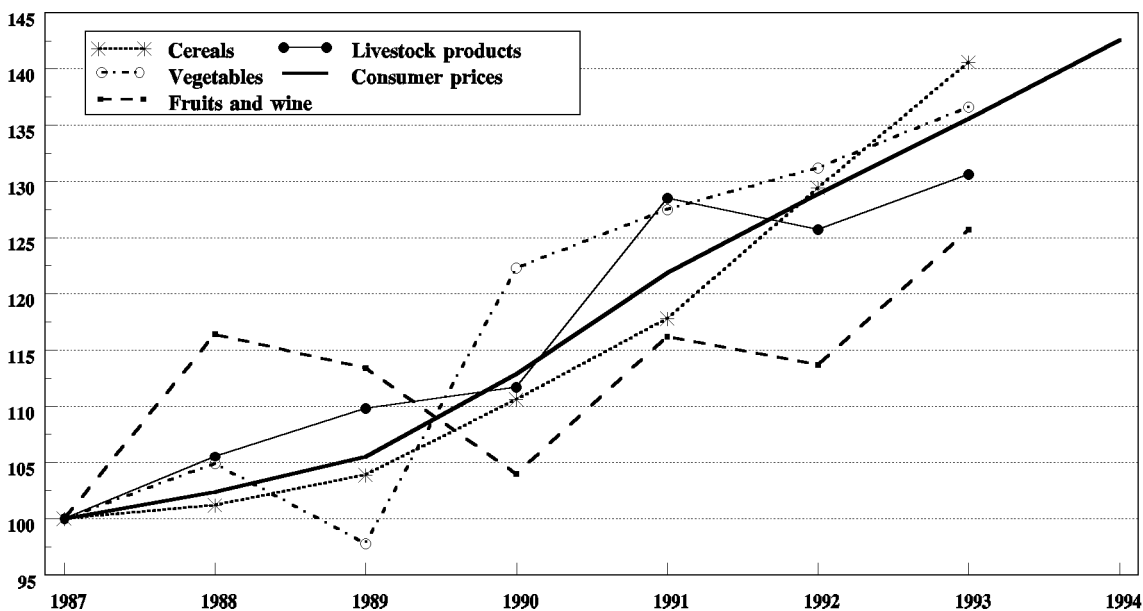


Source : IMF (1995b); and WTO Secretariat estimates.

Chart V.3

Wholesale price index, selected agricultural products, 1987-94

1987=100



Source : IMF (1995b); and WTO Secretariat estimates.

17. Special measures have been implemented during the 1995 drought.² They consist of a subsidy of up to 50 per cent for composite animal feed, exemption from custom duties and taxes for imported animal feed (bran pellets, dried beet pulp, desiccated alfalfa), reinforcement of sanitary coverage and provision of equipment for cattle watering in the provinces most affected by the water shortage. Since the 1993 drought, public works requiring considerable manpower have been undertaken - the establishment of water points, road improvement, reforestation and stone clearance - with a view to creating jobs in the rural sector.³ The main objective is to curb the rural exodus of some 300,000 people a year; the phenomenon is more acute during periods of drought.

18. In the context of the WTO Agreements, Morocco undertook to introduce tariff quotas on certain agricultural products. At the same time it completed binding all its tariff lines and the tariffication of quantitative restrictions. Initial tariffication rates were 380 per cent for ovine meat, 287.5 per cent for bovine meat, 311 per cent for certain types of oils, 224 per cent for durum wheat and wheat, 190 per cent for soft wheat, 148.5 per cent for barley, 160.5 for maize, 233.5 for unmilled rice, 256 per cent for milled rice, 217 per cent for sorghum or flat-grain Indian millet, 184 for millet (Section IV.2(ii)(d)). Tariff quotas are planned for meats, milk, cereals, oilseeds, sugar and oilcakes (Section IV.2(ii)(e)). A time-table established by an Order of the Ministry of Foreign Trade sets the new dates for the liberalization of products still subject to restrictions, particularly licensing, in the first half of 1996 (Section IV.2(vii)).

19. Evidence of the State's gradual disengagement from production and marketing activities is the fact that 18 public agricultural enterprises, 10 of them in the sugar sector alone, are currently on the list of enterprises to be privatized. Also on the list is Fertima, a public firm responsible for importing and distributing fertilizers.

(iii) Policy by type of agricultural product

(a) Cereals

20. Cereals are generally grown using traditional methods. Harvests depend on the level of rainfall between November and March. Only crops grown on modern farms (less than 25 per cent), in particular soft wheat, are irrigated. Currently, the three main cereals cultivated are barley, durum wheat and soft wheat. Consumption of barley and durum wheat is higher in the rural than the urban sector; barley is also used for animal feed.

21. Cereals are imported by private operators under supervision of the National Interprofessional Board for Cereals and Pulses (ONICL), a public establishment. Some 150 wholesaler and agricultural cooperatives are approved for the marketing of cereals. A licence is required for marketing soft wheat and exporting cereal flours except rice flour. Since 1988 the prices of all cereals except soft wheat are set freely on local markets. However, the ONICL intervenes occasionally through the approved operators to set a price which will ensure a minimum revenue for producers. As from 1989 this price has been reckoned on the basis of the 1986 producer prices adjusted for inflation. It has generally been higher than the international prices of the cereals concerned.⁴ Law No. 13-89 provides for a system of variable levies on imports of these goods (Section IV.2(iii)(a)). In the first half of 1995 the ordinary tariff rate was 45 per cent on cereals and 2.5 per cent on seeds.

²The 1995 drought has been more severe than those of 1992 and 1993.

³Le Monde, of 26 April, reports that 1,300 wells are planned for 1995.

⁴Kydd and Thoyer (1992).

22. Producer prices of soft wheat and its derivatives are set by an interministerial commission.⁵ There is government support for the consumer price of domestic flour (from soft wheat with a high extraction rate); the ONICL refunds to millers the difference between the price of sale to the consumer and the cost of production (grain price plus average fixed milling cost). Refunds are currently granted for 1 million tonnes of domestic flour per year; the quota is shared between the different regions of the country according to the distribution of the target population. Prices are uniform throughout the country and at each stage of marketing; operators (traders, millers, bakers) receive a fixed per unit margin.⁶

23. In addition to the marketing system, there is a free market on which some 60 per cent of domestic production of soft wheat is consumed, either directly on the farms or in the surrounding areas. The limited capacity of funding available to approved operators, the low margins granted to distributors and transport and storage costs are a disincentive to collection of the whole domestic output. A subsidy of 40 dirhams has been granted for each tonne of soft wheat grown for domestic flour production and kept in storage by private operators for one month (Section IV.4(i)).

24. The liberalization of national and international trade in all cereals which began in 1988 is to be pursued under a recently-adopted law. It establishes liberalization of trade, processing, and the movement and storage of cereals. The ONICL will be responsible in particular for managing regulatory stocks of cereals.⁷

(b) Sugar products

25. Morocco produces sugar from beet (approximately 80 per cent of output) and cane, which are grown mainly in irrigated areas. Domestic production covers about two thirds of local requirements (Chart V.4). A very small amount of refined sugar is imported.

26. Morocco has six factories producing raw sugar, two refineries and seven integrated units (for production and refining of raw sugar). The plants are working under capacity owing to lack of raw materials.⁸ Average annual per capita consumption of sugar is 30 kg.: loaf and granulated sugar account for more than 80 per cent of consumption.

27. The State currently intervenes at all stages of sugar production from the pricing of beet and cane to refining. Cane, beet and sugar prices are set by an interministerial commission at the beginning of each production season. Prices are identical throughout the Kingdom except where premiums are applied which may be 25 or 40 dirhams per tonne of cane depending on the region. The consumer sales price is subsidized (Table IV.3). Raw sugar production factories receive compensation for the relatively high price of cane and beet. The Compensation Fund also pays integrated factories compensation equal to the difference between the price of sale to consumers and an "economic" price composed of costs considered justified plus a return on capital.

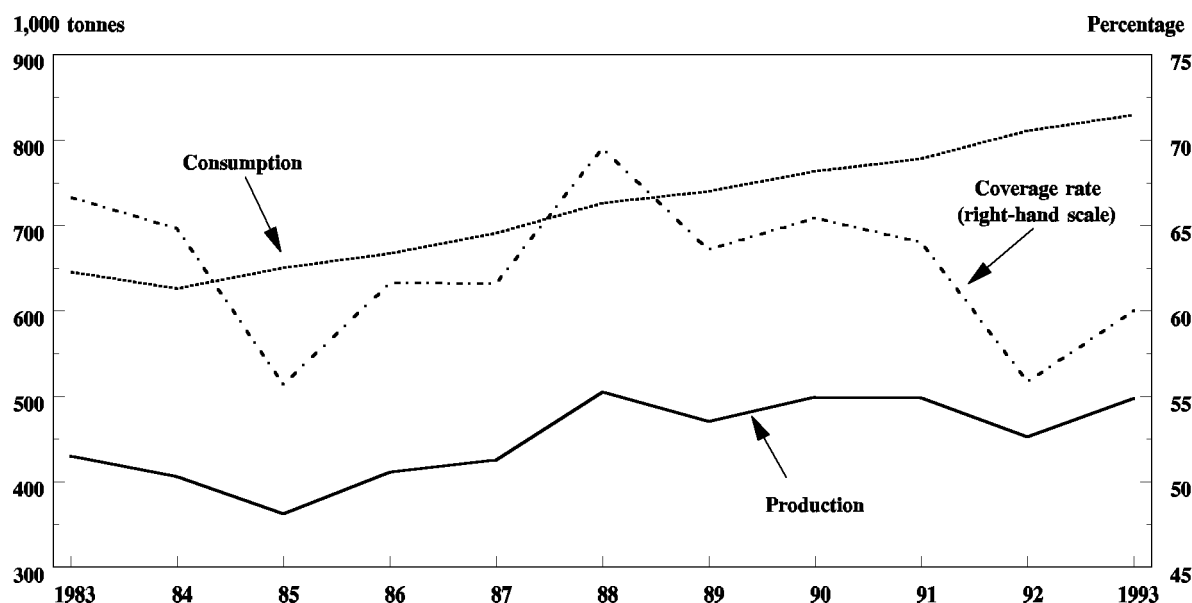
⁵The ONICL pays transport and storage costs in the form of a fixed margin.

⁶According to the World Bank (World Bank (1994a)) there is a system of assigning quotas for milling soft wheat for domestic flour, and operators' access to this branch is also regulated.

⁷The Law on the importation of cereals was published on 21 June 1995 in Official Bulletin No. 4312; the Prime Minister's Office is currently examining the implementing texts.

⁸Kydd and Thoyer (1993).

Chart V.4
Domestic sugar production and coverage of requirements, 1983-93



Source : BMCE Revue d'information, May 1995.

28. A system of variable levies is planned whereby the price of imported raw sugar can be aligned with the price of local production (Section IV.2(iii)(a)). The levies are applied after the imposition of customs duties which, in the first semester of 1995 were 12.5 per cent for raw sugar (the ordinary rate of duty for finished products is 45 per cent). The price of imported raw sugar is equal to the price of sale to the consumer minus a standard margin negotiated by the Compensation Fund and the three national refineries.

29. An Optimization Plan published in 1988 provided for a three-stage reform of the sugar sector.⁹ Stage one provides for the renewal of sugar sector activities by the end of the first five years. The second stage is deregulation and will abolish the monopoly of the National Board for Tea and Sugar (ONTS) over imports (Section IV.2(xii)). A fixed reference price and a single margin for refineries are to be introduced and will replace State regulation of prices. The last phase will be privatization of factories. There has been some delay in implementation of the Plan which started in 1990. The stages currently envisaged for implementation are: demonopolization of the ONTS which began in 1993; the application of tariff equivalents at the border, planned for 1996; the elimination of all margin and price regulation in the sector as from 1996¹⁰; privatization of State factories (under way); and the upgrading of sugar facilities.

⁹Kydd and Thoyer (1993).

¹⁰An article in the May 1995 BMCE Revue d'information indicates that the State will continue to set prices after liberalization of activities in the sector.

(c) Fruit and vegetables

30. In 1993, Morocco's exports of fresh, canned and packaged fruit and vegetables amounted to 3.4 billion dirhams (approximately 9 per cent of total export earnings). The main destination is the EU and more particularly France. Exports of fruit and vegetables (i.e. fresh tomatoes and courgettes) to the EU are subject to seasonal tariff quotas; except for payment of a minimum entry price, the quotas are duty free.¹¹ In 1993 there were 155 fruit and vegetable canning plants employing 23,200 people. They had a turnover of 3.17 billion US dollars, of which exports accounted for 2.5 billion. There is a 2.5 tariff on seed imports; the ordinary rate is 45 per cent for imported fruit and vegetables and their products.

31. Morocco also has a wine and cider production industry and 19 plants for the production of non-alcoholic beverages; in 1993 they employed over 4,000 people and had an output of 2.31 billion dirhams, partly for domestic consumption, and exports brought in 88 million dirhams.¹²

(d) Oilseeds and derivatives

32. Morocco produces vegetable oils, in particular sunflower, soya-bean, rapeseed and olive oil; sunflower oil production is currently booming. As in the sugar sector, the State intervenes at every stage of production except in the case of olive oil which is entirely in the hands of private operators. COMAPRA, a State company which is to be privatized, has the monopoly on purchasing the raw materials from producers. SEPO, a private firm, has the monopoly on pressing. Refining is done by 14 factories to which quotas are assigned. The buying price for the raw materials and unrefined oils, and the processing margins are fixed by an interministerial commission. Admission to operate in the branch was regulated until September 1993 when a law was passed deregulating admission to the oilseed pressing and extraction industry and the edible oil refining sector.

33. Oilseeds and unrefined oil are imported under the control of BURAPRO, a State company. Vegetable oil imports are subject to licensing (except for olive oil, Table AIV.2). Law No. 13-89 provides for a variable levy on imports of oilseeds and their derivatives, but the levy has apparently never been applied (Section IV.2(iii)(a)). Consumer subsidies on edible oils rose from 430 million dirhams in 1989 to 745 million in 1993 (see Table IV.3). Customs tariffs range from 2.5 per cent on seeds and fruits for sowing and 12.5 per cent on unrefined oils to 45 per cent on refined oils in the first half of 1995. Morocco plans to liberalize importation and local marketing of these products as from 1996, once the accompanying measures are in force (Section IV.2(vii)).

(e) Tobacco

34. The Régie des tabacs, a State company, has the monopoly on production and marketing of tobacco and tobacco products. The tariff rates applying in the first half of 1995 were 2.5 per cent on imports of raw or unmanufactured tobacco and on tobacco refuse; 12.5 per cent on tobacco extracts and essences and 7.5 per cent on other types of tobacco.

35. In 1993 output by the six tobacco companies amounted to 3.7 billion dirhams. They employed 2,870 people. Exports amounted to 5 million dirhams, a 124 per cent increase over 1992.

¹¹For fresh tomatoes for example, the maximum quota level fixed for the period from 1 November to 31 March is 130,000 tonnes at an entry price of 560 ECUs per tonne. This is lower than the price for MFN imports.

¹²See Table AIV.1 for details of indirect internal taxes on these products.

(f) Livestock

36. Local meat production (bovine, ovine, caprine and poultry) covers a large part of consumption which dropped from 14.8 kg. per capita in 1971 to 9.6 kg. in 1991.¹³ Special measures have been applied during the 1995 drought (Section V.2(ii)). At present there is government support for the transport of animal feed (except hay).

37. In June 1993, tariff equivalents of 100 per cent or higher were established for live animals, meats, dairy products and some of their by-products. The tariff rate was 365 per cent for non-breeding ovine animals and their meat at the end of the first half of 1995. Meat prices are set by the market; only slaughter taxes and distribution margins are still fixed. Locally, the price is based on daily market price lists.

(iv) Fishery products and by-products

(a) Developments in production and trade

38. The Moroccan fleet comprised 2,600 ships and 12,000 small fishing vessels in 1994. Catches rose from about 550,000 tonnes in 1990 to almost 750,000 tonnes amounting to a value of 4.9 billion dirhams in 1994. Sardines, of which Morocco is one of the leading world producers, account for approximately 75 per cent of catches and are canned for export.¹⁴ Morocco also fishes tuna, mackerel and anchovy.

39. Deep-sea fishing has expanded rapidly. It rose from approximately 26,000 tonnes in 1980 to about 135,000 tonnes in 1994, and in 1993 accounted for less than 25 per cent of total catches and more than 65 per cent of earnings. Catches are composed mainly of duikers, white fish, pelagic fish, crustaceans, molluscs and shellfish. They are exported to Japan, Spain, Italy, France and a few African countries. Aquaculture (shrimp, sea bream, bass, eels, clams and oysters) is expanding: earnings amounted to 29 million dirhams in 1990 and 96 million in 1994. The State directs and encourages the development of aquaculture; it is one of the sectors to benefit from the Maritime Investment Code.

40. Fish is also used in manufacturing fish oil and fish meal. Activities in the sector are mainly in the hands of private operators; one public firm producing fish-based food for export is on the list of companies to be privatized.

41. The issuing of licences to foreign vessels under fishing agreements accounts for a substantial part of earnings; financial compensation from the EU and Japan amounts to 102 million ECUs and 7 million United States dollars respectively.

(b) Government policy

42. The Government's medium-term objectives are to exceed 1 million tonnes of fish production and to bring in 1 billion United States dollars from the Sector's exports. It plans to double annual domestic fish consumption to bring it to 400,000 tonnes (i.e. an average annual per capita consumption of 15 kg.) and to create 100,000 new jobs.¹⁵

¹³World Bank (1994b).

¹⁴Morocco also exports agar, a red seaweed extract.

¹⁵Currently, the Moroccan fisheries sector directly or indirectly employs 400,000 people.

43. The Government grants fishing activities tax advantages and exemption from VAT and corporation tax. Coastal fishing companies receive a rebate of two points on financial charges for credits granted for the purchase, construction and modernization of their vessels. The State also granted a premium of 15 per cent of the price of certain equipment for the modernization of vessels. Another premium equal to 5 per cent of the price of an identical new vessel was granted for the demolition of old ships. The premiums could not be in addition to the exemption granted to activities in this sector from profit tax or the general tax on income; their grant was not contingent upon the purchase of parts, equipment or vessels of Moroccan origin. According to the authorities, the premium system has recently been abolished.

44. The price of industrial fish is fixed by local fishery committees in which ship owners and industrialists are represented. The committees advise the administration on general matters related to fishing and the sale of sea products. The administration intervenes in pricing only to arbitrate and, more often, to officialize the agreed prices. However, the price reflects the fact that employers are required to recruit larger crews than are really necessary.¹⁶ In 1994 to create a job cost 1,500 United States dollars for a small motor vessel and 100,000 United States dollars for a deep-sea fishing vessel.¹⁷ The ordinary tariff rate for imports of fish products is 35 per cent.

45. As part of its food policy, the Government is encouraging the establishment of a cold chain to cover the entire Moroccan territory. The Ministry of Maritime Fishing and the Merchant Navy has carried out a pre-feasibility study for a project to set up a cold storage and distribution network for fresh and deep frozen pelagic species for domestic consumption, especially in inland areas. Implementation of the project has been entrusted to private companies. A first experimental unit has been set up in Agadir for "Surimi" (a sardine-based fish paste) as part of a programme for the diversification of fishery production. Other new prepared, deep-frozen and ready-to-eat products are under study. A campaign to promote fish consumption is also envisaged.

46. Morocco intends to reinforce its maritime surveillance system and has put out a preliminary international call to tender for a study of the installation of a satellite surveillance system. Major work is being done to extend and improve five ports. The aim is to extend such work to all ports by 1997.¹⁸ At the initiative of private operators, Morocco and Mauritania have harmonized their trade policies on duikers, particularly with a view to controlling supply.

(c) Bilateral agreements

47. Morocco and Spain were bound by a Fishing Agreement signed in August 1983. With Spain's accession to the European Community (EC) in January 1986, Morocco signed an agreement with the EC in February 1988. It limited annual captures by European fishermen in Moroccan territorial waters to 95,000 tons in exchange for a licence of 70 million ECUs. The Agreement was renewed in May 1992 for a further period of four years after a two-month transition period. Under the second agreement with the EC, Morocco received a 102 million ECUs yearly for licences; the agreement's expiry date, initially 1996, was brought forward to 30 April 1995. Negotiations have been under way since April 1995 on the unloading in Moroccan ports of catches by the holders of fishing rights; a reduction in catches according to species and a reduction of the Community fleet; observance of biological rest periods; improved European market access conditions for Moroccan canned sardines. The negotiations are part of a broader partnership agreement between Morocco and the EU.

¹⁶Leymarie and Tripier (1993).

¹⁷Jeune Afrique, No. 1794, 25-31 May 1995.

¹⁸Jeune Afrique, No. 1794, 25-31 May 1995.

(3) Mining and quarrying

48. The mining sector has an important place in the national economy. The weight of the sector is reflected in its share in national exports, the number of jobs it provides and its participation in establishing the necessary infrastructures for social and economic development. In 1994, export earnings from mining products amounted to 3,551 million dirhams.

49. Morocco is the world's leading exporter of phosphate. It holds approximately one third of the market and more than half of world reserves. Lead, copper, zinc, chemical manganese, silver, salt and cobalt are also among its main mining products. Morocco also produces coal, destined almost entirely for local consumption. The policy for local development of mining products seems to have contributed to increasing the share of finished and semi-finished products in exports; it was aimed principally at phosphate products.

50. The State's main role is to organize and direct development of the mining sector, improve structures and create an environment designed to improve the competitiveness of mining companies. The strategy is to make the sector more attractive to private investment in prospecting and development and to consolidate achievements. Efforts by the Ministry of Energy and Mines are focused mainly on reforming and updating rules and regulations; stepping up geological and mining research; maintaining and reinforcing existing plant; adding greater local value to mining products; encouraging small and medium-sized enterprises; and promoting the useful substances and industrial mineral sector. An effort has been made to restructure and improve public establishments and enterprises to make them competitive.

(i) Phosphate

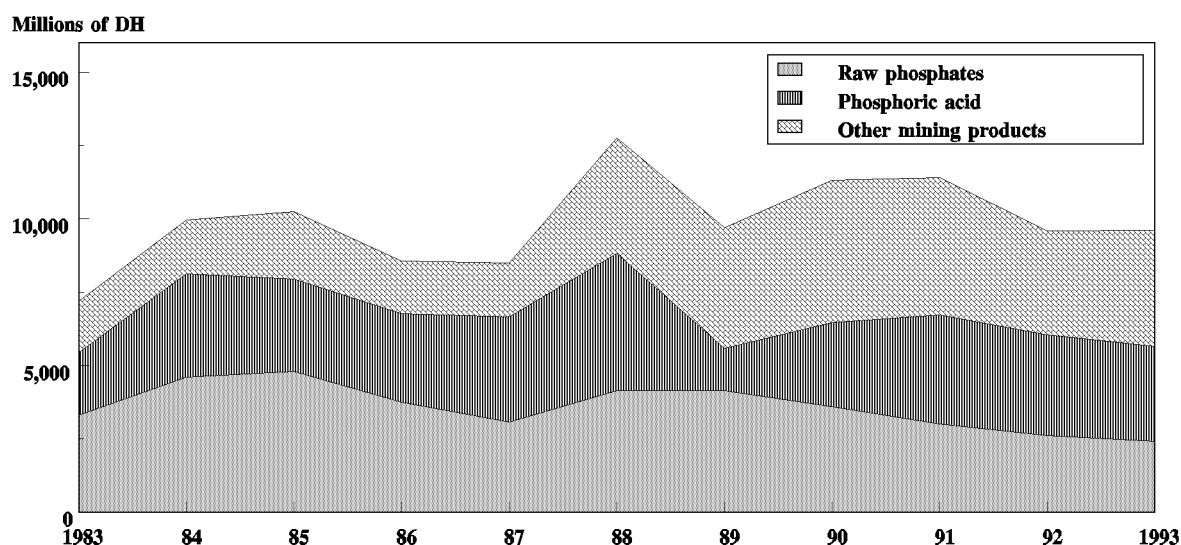
51. Phosphate accounts for some 25 per cent of the country's export earnings. The Government's aim is to develop raw phosphate further in order to increase the share of phosphate products in the sector's earnings; acids and fertilizers currently account for approximately 7 per cent of the value of phosphate-based exports (Chart V.5). The long-term objective is to increase Morocco's share in world trade in phosphates and by-products from its current level of approximately 15 per cent to 20 per cent by the year 2005.

52. For more than two decades the share of by-products in Moroccan phosphate trade has continued to increase to the detriment of raw phosphate. This change in structure is due to the establishment of a large scale chemical processing industry. Overall, installed capacity allows processing of 11.5 million tons of phosphates in the form of phosphoric acid or solid derivatives, particularly diammonium phosphate, ammonium phosphate and triple superphosphate. L'Office chérifien des phosphates, a State-owned company, holds the monopoly for mining and processing phosphate and marketing phosphate products (Section IV.3(v)). It therefore has a leading role on the world market for phosphates and phosphate products.

53. Since the mid-1970s, the sector has suffered in particular from the steady drop in world prices, land fallowing and the ecological concerns of countries importing industrial fertilizers. The share of fertilizers in total export earnings was approximately 10 per cent in 1990 and has now dropped to about 8 per cent.¹⁹

¹⁹According to Leymarie and Tripier (1993), Morocco's consumption of fertilizers is among the lowest in the world and is one-third lower than that of countries with comparable economies.

Chart V.5
Exports of mining and phosphate products, 1983-93



Source : BMCE Revue d'information, July-August 1994.

54. The relatively high consumption costs of manufacturing these products (investment, sulphur, energy and transport) limit its advantages.²⁰ Morocco's phosphate products will come up against competition from exports by the countries in transition which, in addition, produce their own sulphur. However, benefits are expected from multilateral liberalization, particularly tariff cuts in the importing countries.²¹

(ii) Other extractive industries

55. Almost three quarters of Morocco's lead - about 127,000 tons a year - is mined by the Touissit Mining Company. Ore processing is largely in the hands of its main customer, the Oued El Heïmer lead foundry. Average raw lead exports for the period 1979 to 1993 amounted to 54,000 tons for a value of 227 million dirhams.

(4) Manufacturing

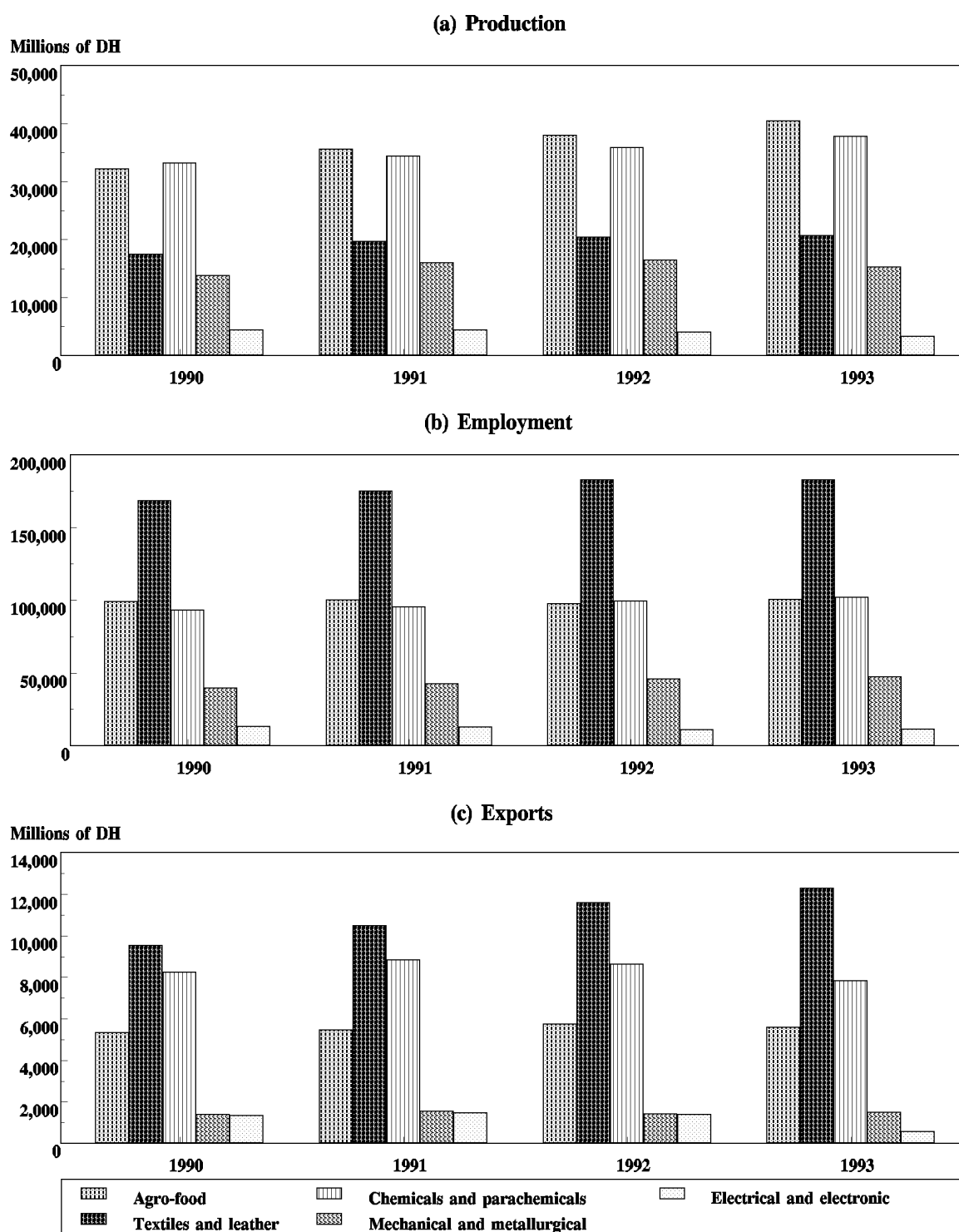
56. Textiles and clothing, automobile assembly and the manufacture of spare parts, electronic and electrical assembly, refineries and drug manufacture account for most of the enterprises in Morocco's manufacturing sector. Chart V.6 shows trends in production, exports and employment in the major branches of the industry since 1990.

²⁰Bocoum (1992).

²¹Rutherford et al. (1994).

Chart V.6

Trends in the major branches of the industrial sector, 1990-93



Source : Government of Morocco.

57. Between 1991 and 1993, the level of production in textiles and clothing, the sector's leading branch, amounted to approximately 20 billion dirhams, of which exports represented a growing share (54 per cent in 1990 and almost 60 per cent 1993). The branch accounted for some 44 per cent of Moroccan exports of industrial products, and has the largest proportion of exporting firms in the whole sector. Its share in total export earnings is approximately 25 per cent. This performance is entirely due to the clothing branch.

58. To combat contraband and informal activities, in November 1994 the Government lowered tariffs on some imports of industrial products not manufactured locally. The sector's competitiveness is still affected by high energy costs. Raw materials not produced in Morocco are as a rule imported duty-free, whereas in the first half of 1995 tariffs on other types of imports ranged for the most part from 2.5 to 35 per cent.

(i) Textiles and clothing

59. The textiles and clothing branch has several small family-scale firms; approximately 55 per cent of the 1,800 enterprises employ fewer than 50 workers and account for 16 per cent of production. The branch employs a total of 183,000 people, 56 per cent of them women. Its assets are its proximity to Europe and lower labour costs (Chart V.7).

60. The branch produces fabrics, some 75 per cent of which are consumed locally, knitwear, and ready-to-wear garments, 90 per cent of which are exported. Ready-to-wear firms import approximately 90 per cent of their production inputs. There is considerable subcontracting in the form of Outward Processing Traffic (OPT).²² Inputs for OPT are imported free of customs duties and import taxes.

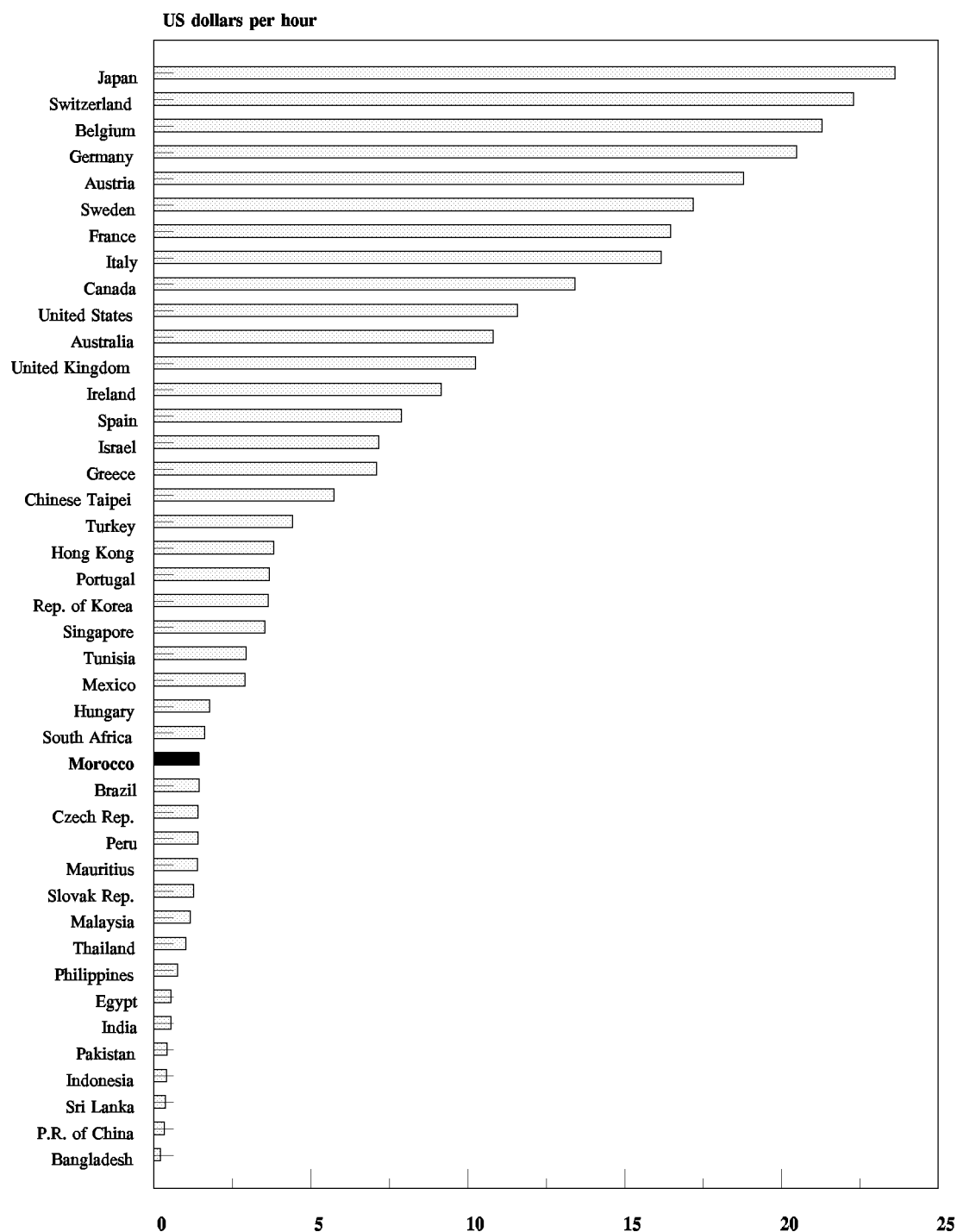
61. Morocco was not a participant in the Multifibre Arrangement (MFA). However, it has a voluntary export restraint arrangement with the European Union for certain products. Since December 1991, the arrangement applies only to trousers (Section IV.3(iv)).²³ Agreed quantities have increased by approximately 63 per cent since 1991 and stand at 43.8 million units in 1995. As Table V.2 shows, implementation of the restraints was fairly flexible; exports exceeded the levels set. Agreed quantities for OPT are increasing steadily and in 1995 are almost double those for ordinary exports of trousers (28.3 million units as opposed to 15.5 million). The phasing-out of quantitative restrictions on exports of products from this branch envisaged in the WTO Agreements could have only a limited medium-term effect on Moroccan exports since the latter are among the goods to be liberalized under the EU programme at the end of the transitional ten-year period.²⁴

²²de Coster (1994).

²³The EU has informed the WTO Textiles Monitoring Body that in the context of its preferential trading agreement with Morocco, consultation levels have been agreed in the form of a transitional arrangement. They will be eliminated once the free-trade area is established.

²⁴WTO (1995).

Chart V.7
International comparison of labour costs in the textiles and clothing industry, Summer 1993



Source : Werner International, INC.

Table V.2

Voluntary restraints on textiles, 1990-93

(millions of units)

	1990		1991		1992		1993	
	Agreed quantities	Results	Agreed quantities	Results	Agreed quantities	Results	Agreed quantities	Results
Trousers								
France	14,984	25,142	15,963	23,690	18,750	21,546	19,988	25,565
Germany	4,346	3,124	4,608	3,675	5,458	4,220	5,790	5,634
Benelux	1,612	1,322	1,718	1,670	1,726	2,029	1,839	2,222
United Kingdom	800	372	840	232	1 025	2 261	1 079	4 864
Others	3,558	3,030	3,746	5,061	5,141	7,321	5,396	8,200
Total EU	25,300	32,990	26,875	34,328	32,100	37,377	34,092	46,485
Shirts								
France	9,750	12,540	10,127	12,167	n.a.	n.a.	n.a.	n.a.
Benelux	550	359	567	246	n.a.	n.a.	n.a.	n.a.
Total EU	10,300	12,899	10,694	12,413	n.a.	n.a.	n.a.	n.a.
Blouses								
France	2,720	2,122	2,868	1,847	n.a.	n.a.	n.a.	n.a.
Dresses								
France	1,367	673	1,475	380	n.a.	n.a.	n.a.	n.a.

n.a. Not applicable.

Source: IMF (1995b).

62. Tariff rates on imported textiles and clothing range from 0 to 35 per cent. Tariff protection is progressive; the lower rates apply to raw materials and semi-finished products. Apart from inputs, imports are subject to a 15 per cent fiscal import levy (PFI) and an ordinary VAT rate of 19 per cent. Privatization of 11 of the State-owned companies operating in this branch is planned.

63. To improve export performance, the measures decided on by the Government and the industry are diversification of products and destinations, and quality improvement in the clothing branch and the various related services. A training scheme has been set up for this purpose, covering fashion design, presentation of collections and related activities. Contacts have been made with designers and distribution firms in Spain and Portugal with a view to setting up partnership networks.

(ii) Transport equipment

64. Production in the transport equipment sector registered an overall decline of 19 per cent between 1992 and 1993. It was most marked in railway vehicles (53 per cent), private vehicles (27 per cent), commercial vehicles (9 per cent) and aeronautical construction and aircraft repair (11 per cent). There were 102 establishments in the sector in 1993. The 42 firms with foreign participation operating in the sector account alone for 66 per cent of production, 71 per cent of value added and 76 per cent of exports.

65. The activities of the Moroccan automobile industry are assembly of cars and commercial vehicles, repairs and the manufacture of certain spare parts for vehicles. Firms currently operating the sector include Renault Maroc, SOPRIAM, SOMACA, SMEIA, Berliet, SAIDA, Autohall et SIAB, and Somami-Rahali.

66. The automobile industry has been experiencing difficulties for several years. From 1992 to 1993, registrations of private cars of Moroccan origin dropped by 45 per cent whereas those of imported cars, whatever their origin, increased; registrations of commercial vehicles of Moroccan origin also fell by 33 per cent. Exports of spare parts for private cars dropped from 198 million dirhams in 1992 to 158 million dirhams in 1993.

67. In June 1994, the government invited tenders for the construction of an "economy" car. Fiat Auto SPA was awarded the contract and the agreement it signed on 23 June 1995 with the Moroccan Government provides for the production of 6,000 "Fiat Uno" in 1995, 14,500 in 1996 and 19,500 in the first nine months of 1997. Thereafter, the "Fiat Uno" will be replaced by a new make called "178" that Fiat is reportedly in the process of designing.²⁵

68. A subsidiary of Fiat is to be established in Morocco. SOMACA, a semi-public company, will purchase spare parts from it for assembly of "economy" cars. The cars will be sold on the local market by the Fiat subsidiary at the unit price of 64,000 dirhams for the petrol version and 70,000 dirhams for the diesel version. CKD imports for assembly of "economy" cars are exempt from customs duties and PFI. VAT on the production of the car is 7 per cent instead of the ordinary 19 per cent rate applying to the branch. However, the percentage of Moroccan components to be incorporated in the production of the "economy" car is to increase; spare parts of Moroccan origin may be exported in exchange (Section IV.2(xi)).

69. Under the 1995 tariff, the ordinary rate of duty is 35 per cent on imported new vehicles. However, imports of unpainted CKD parts with non-welded chassis are subject to a rate of 7.5 per cent and imports of SKD parts, to a rate of 17.5 per cent.²⁶

(iii) Other activities

70. The Moroccan pharmaceutical industry currently has 24 laboratories representing more than 260 foreign laboratories and producing almost 3,500 patent drugs. The sector accounts for almost 80 per cent of the drugs market which amounted to 3 billion dirhams in 1993. Output reached 2.7 billion dirhams in 1993, - 2.3 per cent of industrial production - and exports amounted to 250 million dirhams.

71. The ordinary rate of duty on drugs is 30 per cent and PFI is 12.5 per cent. The Ministry of Public Health examines applications to operate in the pharmaceutical sector, authorizes importation of raw materials and finished products and reviews and fixes drug prices. Prices for the sale of drugs to the public are determined on the basis of c.i.f. prices, import duties and taxes and a distribution margin.

²⁵SOMACA was already producing 1,000 "Fiat Uno" annually under licence. This information has mostly been drawn from Africa Economic Digest, 22 May 1995; Jeune Afrique Economie, 17 April 1995; Marchés Tropicaux, 5 and 12 April 1995; Le Matin du Sahara et du Maghreb, 24 June 1995; and Middle East Economic Digest, 7 July 1995.

²⁶SKD: *semi-knocked down*. The importation of CKD cycles and motorcycles is subject to a tariff rate of 2.5 per cent.

72. In 1993 the electrical and electronic equipment branch had 113 establishments including 32 export firms. It had a turnover of 3.05 billion dirhams of which exports accounted for 560 million dirhams. The insulated electric wires and cables sector is the largest, accounting for 40 per cent of the total turnover. There is reportedly a considerable amount of subcontracting particularly in electronics (assembly of electronic cards and semi-conductor-based components).

73. Morocco also produces approximately 10,000 tonnes of crude oil, almost 600,000 tonnes of coal and approximately 25 million cubic metres of natural gas annually. Crude oil accounts for approximately 13 per cent of the country's total imports. It is refined domestically and a small quantity is re-exported.

74. On 1 January 1995 the provisions on the control of imports of petroleum products were repealed. These products now enter freely. However, in order to operate, importers must obtain authorization from the administration, which is subject to their possessing adequate reception and storage facilities. A new law amending and supplementing the Dahir on the petroleum sector has just been enacted and published in the Official Bulletin.

75. In January 1995 a new pricing system was adopted for petroleum products based on the monthly indexation of ex-refinery prices with reference to international quotations. A similar system is applied in stabilizing fiscal charges on energy products, where fuel oil and coal charges are harmonized. With the completion of privatization of all distribution companies in 1994, it was decided to transfer the two local refineries (SAMIR and SCP) to the private sector.

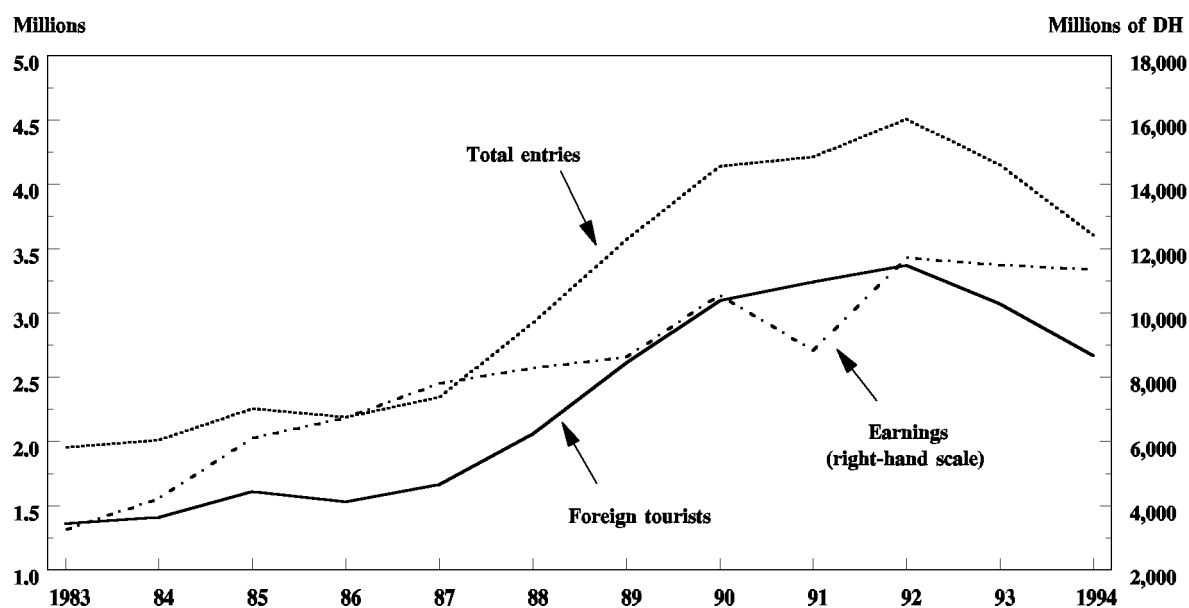
(5) Services

76. Services account for approximately 50 per cent of GDP formation. Tourism, electricity, telecommunications, transport and financial services are among the leading branches. In the context of the General Agreement on Trade in Services, Morocco has bound market access conditions in several sectors, including professional services, other services to enterprises, value-added services in telecommunications, services relating to the environment, financial services and tourism. All commitments exclude the physical presence of foreigners except for certain executives and experts.

(i) Tourism

77. Tourism is one of Morocco's major sources of foreign currency, bringing in almost 11.5 billion dirhams annually (Chart V.8). Some 4 million tourists, many of them Moroccans residing abroad, have visited the country annually since the early 1990s. The sector employed 536,000 people directly or indirectly in 1993.

Chart V.8
Tourism: Entries and earnings, 1983-94



Source : BMCE Revue d'information, April 1994.

78. In 1994 Morocco's reception capacity was approximately 90,000 beds in 553 establishments (hotels, residences and holiday villages, seaside resorts) more than 60 per cent of which were hotels with three or more stars.²⁷ Hotel prices are fixed by agreement between the Hoteliers Federation and the regional associations of the hotel industry. Total reception capacity of establishments has varied little in the last few years. The tourism sector suffers from the relatively high cost of transport due to the fact that fuel is expensive in Morocco.

79. There was an overall drop of 13.2 per cent in the number of entries in 1994. The Gulf crisis and tension in the region were a disincentive to European tourists who account for more than 60 per cent of the total. According to the authorities, a substantial decline in tourists from other Maghreb countries (approximately one third of total tourists) in 1994 had no significant effect on earnings since their subsistence expenditure in Morocco has been relatively low in the past. Of the 37 hotels on the list of enterprises to be privatized, 16 have already been transferred to private operators (Table AIV.4).

80. An investment charter reproducing the advantages granted by all the investment codes is in the process of being adopted by the Moroccan authorities (Section III.2). According to several publications, the codes grant exemptions from customs and taxes on imported capital goods, loans on preferential terms and special advantages for the acquisition of land for the construction of hotels. It has also been decided recently to reschedule the debt of hoteliers and reduce VAT in the sector. The Government grants a reduction of interest rates on certain credits for investment in the sector and spends approximately 150 million dirhams yearly in promoting tourism.²⁸ A mobile police force to be responsible for the safety of tourists is envisaged.

²⁷Morocco also has 954 unclassified hotels with a total of almost 27,000 beds.

²⁸*Euromoney* May 1994 (supplement).

81. Under the General Agreement on Trade in Services, Morocco has guaranteed market access and national treatment for foreign suppliers of accommodation services. Its commitments cover in particular cross-border supply, consumption abroad and commercial presence. Restaurants and other tourism services have also been bound under two modes of supply: consumption abroad and commercial presence. Travel agencies outside Morocco must supply their services through agencies established on Moroccan territory; foreign agencies may establish a commercial presence in Morocco only after obtaining an operating licence.²⁹ Tourist guides must be Moroccan nationals. However, groups may be accompanied by "tour leaders".³⁰

(ii) Electricity

82. Electricity is produced from thermoelectric and hydroelectric sources; the National Electricity Board (ONE) is responsible for production and transport. Distribution is also carried out by the ONE in rural areas and several urban centres, or by 10 municipal administrations in the large urban centres. A decree law currently allows the ONE to subcontract the production of electricity of over 10 MW on condition that the producer supplies the energy produced exclusively to the ONE and that the clauses on economic balance in the contract are observed.

83. Tariffs are fixed by an Order of the Minister for Promotion of the Economy delegated to the Prime Minister's Office, after consultation with the Interministerial Price Commission. They are set in proportion to the tension at which electricity is consumed; there is no preferential treatment for any sector or firm. According to the authorities, in 1994 taxes levied on fuels and coal used by the ONE accounted for approximately 12.5 per cent of the cost of electricity produced by the ONE.

84. Table V.3 shows the level of energy production and consumption in Morocco.

85. In view of the low rural electrification rate, a new programme is being implemented. It integrates all methods of electrification (network and renewable resources) and is designed to raise the rate to 80 per cent by the year 2010 - i.e. coverage of 2 million households and 12.3 inhabitants.³¹ One billion dirhams' funding for the programme will come from the ONE, local communities and consumers who pay under an instalment system.

²⁹The requirements for obtaining the licence are a diploma from a tourism institute or more than five years experience as a director or head of a travel agency, good moral conduct and sound finances.

³⁰GATS/SC/57, 15 April 1994.

³¹Currently, rural electrification covers 400,000 households, i.e. 2.4 million rural inhabitants; this represents an electrification rate of 21 per cent.

Table V.3
Energy production, 1987-93

	1987	1988	1989	1990	1991	1992	1993
	(in millions of kilowatt/hours)						
Production							
Net electricity production	6,724.0	7,000.0	7,592.0	8,025.0	8,073.0	9,123.0	9,390.0
Hydroelectricity	805.7	915.0	1,134.0	1,196.0	1,246.0	981.0	450.0
Thermo-electricity	5,918.3	6,085.0	6,458.0	6,829.0	6,827.0	8,142.0	8,940.0
	(in millions of tonnes)						
Crude oil extraction	18.3	20.0	13.0	15.0	11.4	9.0	10.0
	(in millions of cubic metres)						
Natural gas extraction	73.7	83.0	62.0	57.0	38.4	24.0	24.0

Source: IMF (1995b).

(iii) Telecommunications

86. Telecommunications is a major industry in terms of infrastructure and is helping to improve the performance of several branches of production, including tourism. The Moroccan telecommunications network had 1 million subscribers in 1994. Telephone density rose from 0.96 in 1983 to 2.5 in 1992; it is the lowest in North Africa where the average was 3.6 in 1992.³² The waiting period for a telephone line is four months. The sector employs 13,400 people.

87. The National Post and Telecommunications Office (NPT) holds the monopoly on the State's behalf for the establishment of networks and provision of telecommunication services. Telephone services and telex account for virtually all earnings.³³ They brought in 3.9 billion dirhams in 1992 and 4.6 billion dirhams in 1993 (approximately 2 per cent of GDP). Half the earnings come from international communications, particularly with the European Union. Private promoters are allowed to operate telecommunication terminals from private premises of which there were 479 at the end of 1994.

88. The tariffication system is based on the principle of tariff equalization between international and domestic services. In accordance with the principle of universal service, where operations are not profitable in certain regions, the ONPT passes on the loss of earnings to other regions. According to the authorities, as compared to the EU, rates in Morocco are lower for local and trunk calls and considerably higher for international calls. Table V.4 shows that, apart from Saudi Arabia, it costs less, at the regular 1994 rate, to call Morocco from the 10 countries selected than vice versa.

³²El Yahyaoui (1994). Telephone density is defined as the number of main telephone lines per 100 inhabitants. The African average was 1.5 in 1992.

³³Toumi (1994). Mr. Toumi is the Director of Studies and Planning at the Moroccan Ministry of Post and Telecommunications.

Table V.4
Telephone rate per three minutes, 1994
Regular rate (US dollars)

Country	Rate (from Morocco)	Rate (to Morocco)
India 02/05/94 (1 US\$ = 31.37)	10.77	7.17
United States (AT & T)	9.22	7.77
United Kingdom (BT) 14/06/94 (1 US\$ = 0.64)	4.611	2.66
Saudi Arabia 12/04/94 (1 US\$ = 3.75)	6.16	6.72
Singapore 15/03/94 (1 US\$ = 1.53)	10.77	8.85
Hong Kong 13/05/94 (1 US\$ = 7.73)	10.77	5.43
Japan 15/03/94 (1 US\$ = 100.15)	10.77	14.97
Australia 11/04/94 (1 US\$ = 3.60)	10.77	6.79
South Africa 12/04/94 (1 US\$ = 3.60)	10.77	7.05
Germany 16/02/94 (1 US\$ = 1.60)	4.61	2.44

Source: International Telecommunication Union, Geneva.

89. All equipment for communication, including by radio, must be type-approved by the ONPT; the approval process takes one month on average. According to the authorities, current telecommunications standards in Morocco are those prescribed by international organizations, more particularly the International Telecommunication Union. "Callback" services are forbidden.

90. In the context of the WTO General Agreement on Trade in Services, Morocco has bound market access conditions for electronic mail, telephone voice messaging, permanent information retrieval and database servers, improved telefax and protocol conversion. All these services must be supplied through the public network. There is reportedly to be a law authorizing their liberalization. The ONPT will continue to hold the monopoly for telephony and telex and liberalized services will be provided using ONPT media. Accompanying measures for liberalization are reportedly under study.

91. The government is planning to maintain exclusive monopoly rights for a certain period on the establishment of infrastructure networks for the point-to-point telephone service and telex. All other services and networks will be opened up under the licence authorization or declaration regime. Implementation of the liberalization programme should contribute to the prosperity of Moroccan

telecommunications.³⁴ Apart from providing opportunities vis-à-vis partner countries, the authorities hope that it will create jobs and contribute to the transfer of technology. However, the network needs technical improvement.

(iv) Transport

(a) Maritime transport

92. The Moroccan fleet had 44 units with a total tonnage of 250,500 tonnes dead weight in 1994. It transported an overall tonnage of 5.17 million tonnes in 1994 as opposed to 5.76 million in 1993. Twenty-eight per cent of it was transported by the Moroccan Navigation Company (COMANAV), a state owned enterprise which operates in competition with private Moroccan companies.

93. Obsolescence of its vessels and lack of funding are among the Moroccan fleet's current difficulties and explain the drop in its activities. The coverage rate of its relations with the exterior in the area of maritime transport was 25 per cent in 1994 as opposed to 30 per cent in 1993. Passenger and vehicle transport prices have remained unchanged since 1990.

94. According to the authorities, there are no restrictions on traffic, but on certain lines there are conference agreements in accordance with the UNCTAD Code of Conduct for Liner Conferences. The shipowners themselves monitor implementation of the agreements and there is no intervention by the authorities in the sharing of traffic. The shipowners also fix shipping tariffs. Intervention by the Merchant Navy Administration is confined to supervision of security, registering new foreign shipowners operating on regular lines, and liner traffic. Tramping (dry bulk, liquid bulk, homogeneous merchandise) is completely free.

95. The objective of the Ministry of Maritime Fisheries and the Merchant Navy is to combat "unfair competition" from foreign shipowners, particularly those operating with "substandard" vessels. The Administration ensures that new shipowners give adequate guarantees that service will be maintained for a reasonable length of time and that they operate with vessels that meet international safety standards. The Ministry's policy on passenger and vehicle transport is mainly focused on diversifying transit points, and increasing the number of turn-arounds and transport capacity.

96. Morocco participates actively in the work of the Negotiating Group on Maritime Transport Services established on completion of the Uruguay Round and has to present its final report by June 1996 at the latest. The negotiations are comprehensive in scope and are aimed at commitments in international shipping, auxiliary services, and access to and use of port facilities with a view to removing restrictions within a fixed time-scale. Until the negotiations are completed, Article II of the General Agreement on Trade in Services and paragraphs 1 and 2 of the Annex on Article II Exemptions are suspended in their application to this sector.

97. The National Port Authority (ODEP), another State enterprise, holds the monopoly for the management and operation of the country's 20 ports (11 of which are commercial).

(b) Air and rail transport

98. Morocco has 11 international airports and seven national airports. The country is served by Royal Air Maroc (RAM) and a charter company. RAM has 29 aircraft, 27 of which are for medium- and long-haul flights. According to some sources, air freight rates from Tunisia to certain European

³⁴Toumi (1994).

destinations are considerably lower than those from Morocco.³⁵ The National Airport Authority (OMDA) holds the monopoly on the State's behalf for the management and operation of airports.

99. Regular tariffs are governed by bilateral agreements. They are decided on in IATA annual conferences and submitted to governments for approval. Each company must submit to the Ministry of Transport for approval the tariffs it wishes to apply on routes to Morocco. Charter rates are fixed by common agreement between the carrier and the tour operator; they must include ground service costs. Freight tariffs are submitted the Ministry of Transport for approval with the agreement of the Ministry of Finance.

100. Morocco has 1,900 km. of rail track of which 1,000 km. are electrified and 270 km. two-way. Studies on several projects to extend existing networks or create new lines have been finalized. The National Railway Board (ONCF) holds the monopoly for operating and managing the lines on the State's behalf.

(c) International road transport

101. Authorization for international road transport (TIR) is granted by a national commission. Permits for circulating on the national territory are issued to foreign transporters by the customs service on behalf of the Ministry of Transport. The National Transport Company (ONT), a public establishment, levies fees on TIR contracts involving national roads; other fees are also levied.³⁶

102. According to the authorities TIR is a recent activity in Morocco. The country has signed bilateral agreements to ensure that domestic firms have a share of the domestic market and to promote bilateral cooperation in the sector. Consequently, Morocco does not apply the MFN principle to international road transport. This exemption is registered on the final list of MFN exemptions submitted by Morocco under Article II of the General Agreement on Trade in Services.³⁷

(v) Financial services

103. The Moroccan banking system comprises 41 banking establishments. Currently, the Ministry of Finance sets the maximum lending rate, the minimum deposit rate, compulsory outlays (including compulsory reserves) and prudential regulations. The Bank Al-Maghrib is responsible for enforcing regulations and supervising banks. Its statutes allow it to set the terms on which it refinances the banks.

104. As part of the liberalization and modernization of the banking system, a new law which came into force in July 1993 established the principle of the universal bank. Foreign banks wishing to become established in Morocco are subject to the same approval and management requirement as Moroccan banks. Currently, foreign shareholders have majority holdings in five Moroccan banks. The reform also covers protection of depositors, in particular through the establishment of a Collective Deposit Guarantee Fund financed from the contributions of credit establishments which receive public funds.

³⁵World Bank (1994a), based on the "Etude des coûts des facteurs" produced by the General Economic Federation of Morocco (CGEM).

³⁶According to the World Bank (World Bank, 1994a), the ONT levies a 6 per cent fee on the value of all such contracts. Costs relating to the various formalities are estimated to be approximately 10 per cent of the cost of heavy goods transport.

³⁷GATS/EL/57, April 1994.

105. An offshore finance market has been established in Tangier for banks and companies dealing in portfolio management and acquisition of holdings. Only branches and subsidiaries of banks of international repute may be established there, and they must have a minimum capital or endowment of US\$500,000. Offshore banks are exempt from registration fees and stamp duty on the official documents establishing their charters, increase in capital and acquisition of business premises. They are also exempt from VAT on capital goods and equipment necessary for their activities and from import duties and taxes on equipment, moveable property and capital goods needed for their operations. Dividends distributed to shareholders, interest on customer deposits and investments, and interest on loans from offshore banks are also exempt from all charges. Three offshore banks are currently operating in Tangier, and there is a stock exchange in Casablanca.

106. Under the General Agreement on Trade in Services Morocco has bound market access by commercial presence on a reciprocal basis for all financial services (except insurance). Morocco reserves the right to limit participation of foreign capital in large banking establishments where this would lead to a take-over.³⁸ New credit establishments may be set up freely provided that they observe prudential regulations. Cross-border supply is bound for loans to finance investment and commercial transactions and for guarantees and commitments. Supply and transfer of financial information and similar services are bound without limitations, regardless of the mode of delivery, subject to the supplier being a legal person. Residents may acquire foreign stocks and shares, subject to authorization and in accordance with exchange regulations.

107. With regard to insurance, two state owned enterprises are on the list of companies to be privatized. Morocco's revised list of financial service commitments requires all insurers to have a registered place of business in Morocco. All reinsurance companies are required to draw up a reinsurance plan under existing regulations on insurance, reinsurance and exchange and subject to assignment of operations to the Central Reinsurance Company. Commercial presence for reinsurance activities is not subject to restrictions. GAN, AGF, UAP and Zurich Assurance are the foreign companies with shares in the equity of Moroccan insurance companies.

108. As of January 1994, VAT on financial operations has been reduced from 14 to 7 per cent and taxes on dividends from stock market operations have been lowered from 15 to 7.5 per cent.

³⁸Article 24 of the Moroccan Banking Law defines a take-over as the faculty of any shareholder, whether a natural or legal person, to influence in a decisive manner, alone or together with other shareholders, the decisions of an establishment's General Assemblies and Board of Governors, by reason of his share in the capital or his voting rights.