Association des Chambres de Commerce
et d'Industrie de la Méditerranée

Association of Mediterranean
Chambers of Commerce and Industry

ASCAME

ASCAME:

The Moroccan Economic and Business Guide

The official publication of the Association of Mediterranean Chambers of Commerce
and Industry and of the Moroccan Chambers of Commerce

G.E.O.C

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EDITORIAL

Mr Jilani BENM'BAREK,
President of ASCAME

Forging a Mediterranean of Shared Peace And Prosperity

For centuries the countries of the Mediterranean have established and maintained close economic and commercial ties.

It was with a view to paying tribute to this important heritage that a group of pioneers, conscious of the important role of the Mediterranean region, decided to establish the Association of Mediterranean Chambers of Commerce in Barcelona on the 1st of October, 1982.

In doing so, the Mediterranean chambers of commerce took the first steps towards forging closer cooperation between the region's businesses and institutions in order to boost economic and commercial relations.

The following objectives of the Association of Mediterranean Chambers of Commerce and Industry are worthy of mention:

- Improved communication between the business and public sectors.
- Bringing elected representatives and members of chambers of commerce into direct contact in order to achieve greater consensus on and understanding of the region's economic problems.
- Setting up and coordinating inter-sectorial and inter-regional partnerships in the countries of the Mediterranean.
- Widening the scope of exchanges in the fields of technology and know-how.
- Studying the means of developing certain sectors such as tourism bearing in mind that these should compliment each other and that competition should be free and fair.

In order to achieve the goals it has set, the Association of Mediterranean Chambers of Commerce and Industry has taken a series of measures ranging from organizing and participating in special events to the training of professional of the chambers of commerce of the Southern Mediterranean countries by members of Northern Mediterranean countries.

The Association's undertakings do not exclude any sector of the economy. A case in point is the concept of franchising which has been able to develop and flourish as a result of forums organized in Barcelona and Marseilles, which are now in their fifth round. These forums have, in turn, led to rival forums being held in Morocco, Algeria and Tunisia.

The organization of the two Meditour Forums on tourism investment in the Mediterranean held in Tangiers in 2003 and in Anatolia in 2006 greatly benefited the tourism industry.

The fishing sector is expected to make rapid strides as a result of the ERMES project. Other examples are manifold.

The Association of Mediterranean Chambers of Commerce and Industry concerns itself with the environment and research as well as other issues. It was with environmental issues in mind that the Association took part in the European Union Project named "A Blue Mediterranean on the Horizon of 2020". As regards research, the Association is one of the organizers of the Euro-Mediterranean Convention on the transfer of technology. This convention brings together the world of academia and the business sector in order to bolster research by giving researchers the opportunity to see the fruits of their labour.

For a quarter of a century the Association of Mediterranean Chambers of Commerce and Industry has make its mark as a promoter of meetings and dialogue not only among chambers of commerce but also between businesses, public institutions and governments in order that the future of the Mediterranean region be seen in a different light and one in which the words peace, tolerance, dignity and shared prosperity will not be said lightly.

At its heart, the Association of Mediterranean Chambers of Commerce and Industry no longer dreams of a Mediterranean that is blue, peaceful, prosperous and fair – it firmly believes it can be achieved.

In a world that has become a global village we are striving to make our own modest contribution to ensuring the Mediterranean is a good place to live for the generations to come.

I ask your help in taking up this great challenge.

Jilani BENM'BAREK
President of the Association of Mediterranean Chambers of Commerce and Industry

ASCAME: The Association of Mediterranean Chambers of Commerce and Industry

Your Gateway to do Business in the Mediterranean

The Association of Chambers of Commerce and Industry of the Mediterranean or the ASCAME is an international organization of international reach and purpose, voluntary and with no aim to derive benefit from its activities. It unites the Chambers of Commerce and Industry as well as other similar institutions originating from the Mediterranean pool. Any Chamber of Commerce and Industry or institution established on the shore of the Mediterranean Sea linked to the purposes of the ASCAME may become members if apply with a written demand to the President of the Association. All the demands of membership should be first accepted by the Executive Committee and then ratified during an Ordinary General Assembly on simple majority. The status of member may be lost consequently to the decision of the General Assembly for instance for non payment of membership duties for three consecutive years. The members have also the voting status and may be elected to the Executive Committee as well as to the Board at the sole condition that the member belongs to a Chamber of Commerce and Industry of the Mediterranean area.

The ASCAME is the result of a fundamental agreement between the institutional actors to intensify and institutionalize the cooperation between the Chambers of Commerce and Industry of the Mediterranean shore. The first initiative of its kind dates back to the first assembly of the Chambers of Commerce and Industry in 1982 held at the Chamber of Commerce and Industry of Barcelona at will of its president, M. Josep M.Figueras. Since then the association has kept growing in scale and depth. At present day more than 240 institutions are members of the ASCAME which correspond to the total number of countries boarding the Mediterranean, but the total potential of bodies that could become member overcome 500. It represents hence the most extensive association, in the region. It has obtained wide recognition among the most important international institutions such as the European Union. This is precisely due to the fact that the official purpose of the association corresponds to the aims set by the Barcelona process.

The Euro-Mediterranean Conference of Ministers of Foreign Affairs, held in Barcelona on 27-28 November 1995, marked the starting point of the Euro-Mediterranean Partnership (Barcelona Process), a wide framework of political, economic and social relations between the Member States of the European Union and partners of the Southern Mediterranean.

The latest EU enlargement, on 1st May 2004, has brought two Mediterranean Partners (Cyprus and Malta) into the European Union, while adding a total of 10 to the number of Member States. The Euro-Mediterranean Partnership thus comprises 35 members, 25 EU Member States and 10 Mediterranean Partners (Algeria, Egypt, Israel, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey).

The Barcelona Process is a unique and ambitious initiative, which laid the foundations of a new regional relationship and which represents a turning point in Euro-Mediterranean relations. In the Barcelona Declaration, the Euro-Mediterranean partners established the three main objectives of the Partnership:

1. The definition of a common area of peace and stability through the reinforcement of political and security dialogue (Political and Security Chapter).
2. The construction of a zone of shared prosperity through an economic and financial partnership and the gradual establishment of a free-trade area (Economic and Financial Chapter).
3. The rapprochement between peoples through a social, cultural and human partnership aimed at encouraging understanding between cultures and exchanges between civil societies (Social, Cultural and Human Chapter).

The Euro-Mediterranean Partnership comprises two complementary dimensions:

The bilateral dimension: The European Union carries out a number of activities bilaterally with each country. The most important are the Euro-Mediterranean Association Agreements that the Union negotiates with the Mediterranean Partners individually. They reflect the general principles governing the new Euro-Mediterranean relationship, although they each contain characteristics specific to the relations between the EU and each Mediterranean Partner.

The regional dimension: Regional dialogue represents one of the most innovative aspects of the Partnership, covering at the same time the political, economic and cultural fields (regional co-operation). Regional co-operation has a considerable strategic impact as it deals with problems that are common to many Mediterranean Partners while it emphasizes the national complementarities.
The multilateral dimension supports and complements the bilateral actions and dialogue taking place under the Association Agreements.

The existing MEDA program, funded and managed by the European Commission, is the main financial instrument for the Euro-Mediterranean Partnership. From 1995 to 2003, MEDA committed 5 458 million euros in co-operation programs, projects and other supporting activities, the regional activities comprising around 15% of this budget. The other important source of funding is the European Investment Bank that has lent 14 billion euros for developing activities in the Euro-Mediterranean Partners since 1974 (at least 3.7 billion only in 2002-2003).

The beneficiaries of support measures may include not only the Euro-Mediterranean partners but also local authorities, regional organizations, public agencies, local or traditional communities, organizations supporting business, private operators, cooperatives, mutual societies, associations, foundations and non-governmental organizations.
The strategy is to establish the Euro-Mediterranean area as a common space of peace, stability and prosperity by fostering supranational cooperation and dialogue. A sustainable economical association has to be developed with regard to the most valuable assets in the region which are culture and the human resource. Understandably the ASCAME is in close relationship with the MEDA program and is widely supported by a whole range of European Union projects.

The ASCAME presents some very specific features if compared with similar organizations which definitely explains its dynamic development and firm striking root in the region. Mostly thanks to the rewarding collaboration and support of the European Commission, the reports and studies presented at the General Assemblies of the ASCAME have an unquestionable interest and shed light on the core issues of regional importance such as infrastructure, communications, tourism industrial and commercial cooperation and education. The sole studies being not enough ASCAME helps to apply the strategies of cooperation and coordination aimed at the comprehensive social and economic development of this supranational geographical area which is the Mediterranean.

ASCAME's headquarters are located at the Chamber of Commerce and Industry of Barcelona in Spain at Casa Llotja del Mar – Paseo de Isabelle II – with possibility to be transferred in any place member of the organization after decision by an Ordinary General Assembly. The ASCAME possesses its own legal identity in the frame of Spanish legal statute regulating the right of association.
The current dynamics could not have been achieved without the enthusiasm of all of the associated institutions and especially of some individuals who have greatly contributed to fill this mission with a concrete sense. If it is not surprising that the chambers of commerce usually represent the driving international force of a country's economy, the less usual fact is their association in recognition of the interest of adding up the synergies while working closely together at related issues. However it must be underlined that the growing interdependence of the economies at a global level but more importantly in regional subsystems compels the interactions between influential institutions of authority such as the chambers of commerce and industry.

As already mentioned the establishment of the ASCAME on the first of October 1982 fits in a more global move towards cooperation between the national organizations of commerce. Its main objective is to sustain and further a constant link between its members so as to engage for instance in common research activities or actions. The primary motivation behind these activities being always the pursuit of commercial technical and industrial development the ASCAME acts therefore as a powerful tool of harmonization in the region. Originally the considerations leading to the establishment of the ASCAME have been the following. First of all, from the historical point of view the Mediterranean countries have a common cultural pool as well as a long track of commercial and economic relationships. At the same time the potential of economic development in this area is well known offering a rich reserve of primary resources, a high level of cultural development and a dynamic tourism industry. However the cohesion and the growth in the area have slowed down at the down of the 20th century. It is the goal and the ambition of the Mediterranean countries to win back their prestige and their geoeconomical situation by working closely together. Any objective is virtually at reach through constant common effort and cooperation especially between the Chambers of Commerce and Industry of the member countries.

To resume the rationale behind the establishment of the ASCAME is not only to further interregional cooperation but also to assemble a unique blend of expertise and synergies provided by the chambers of commerce and industry so as to become a valuable partner and advisor to the governments. Indeed the chambers of commerce and industry represent the most proficient institutions in questions relative to the specific features and issues of the economies of the member countries. The interregional perspective adopted by ASCAME adds a supplementary strategic edge to the questions treated by the Working Commissions. In other words, ASCAME is a privileged observatory of economical and commercial activities within the Euro-Mediterranean Area.

The specific actions put forward by the ASCAME are as follows. The organization initiates programs, makes recommendations and influences policies so as to promote entrepreneurial culture and a common corporate spirit in the region. One of the objectives is to improve and to harmonize up to a common level the corporate communication tools so as to establish a solid and sustainable link within the region. It is commonly admitted that corporate communication abilities are a sine qua none condition for a flexible and reactive market and furthers therefore the flows of information as well as the synergies within a given economical region. From this point of view the implementation of an E-business project corresponds to the comparable ambition to make the vital information available directly to the concerned business and institutional actors. Moreover a special emphasize is put on the spread of sector specific information which is managed by the organization of Sector Forums. These actions are directly dedicated at the support of Mediterranean businesses within one sector, sharing the same worries and interests. These conferences create a forum of debate encompassing all concerned groups or individuals an active space of dialogue and exchange of ideas and projects. After all ASCAME constitutes a group of dynamic and dedicated leaders of the business community which proactively participate in the elaboration of the pivotal role of the private sector in the economic activity. One suitable example of such a forum is the Meditour dedicated to support investment in the tourism industry in the Mediterranean region. Organized by the ASCAME with the special support of the Tangier Chamber of Commerce and Industry the objective of this forum was to promote a gathering of agents from the tourist industry, which will be particularly focused on the Mediterranean region. The forum was also designed to encourage the exchange of projects and experiences in order to facilitate agreements and foster international alliances across different sectors. These activities are all geared towards the objective of laying down the foundations of a truly Mediterranean brand, which will act as a main axis within the global tourist industry. The forum is conceived for tourist industry professionals and companies, in addition to public officials and tourist industry specialists and consultants. Participation in MEDITOUR is open to ASCAME member states and to companies from other regions (USA, Japan, Canada, Germany, UK, as well as countries from the Gulf area etc.).

And finally, taken as a whole, ASCAME's action is aimed at creating and reinforcing an independent strong brand specific to the Mediterranean and focused as much on its historical content as on its current dynamics and qualities. Generally speaking this work is to result in a powerful marketing tool for the specialties and products manufactured in the considered area.

The structure of the current organization has been shaped and adapted during the regular general assemblies of the organization staged in a different member country each time. However the first moves towards the establishment of the organization itself have not been without obstacle. Though the determination of the initial promoters has been firm the apparent diversity of cultures, religions, languages and levels of economical development has brought prejudice upon the initiative. On the other hand a comparable association of chambers of commerce and industry between the northern

and the southern shores of the sea has never existed before.

The first General Assembly has been prepared and promoted under the presidency of M. Josep M. Figueras (CCI of Barcelona), MM. Paul Fabre (CCI of Marseilles), Manolis Niadas (Le Piraeus), Antonio Pellizetti (Genoa), Mohammed El Abbassy (Tangier), Soubi Dib Joub (Lattakia), Mohamed Zerzeri (Tunisia) and Nikola Pavletic (Rijeka) there a first act of agreement has been signed.

According to the document of continuity every 18 months a General Assembly takes places assembling all the members of ASCAME.

Upon the initiative of the Executive Committee the prerogatives of the General Assembly are as follows:

- The determination of the policy, the strategy and the agenda of the ASCAME allowing meeting its objectives.
- The admission of new members or their exclusion from the Association
- The adoption of the budget
- The approval of the membership payments
- The approval of the elections to the Executive Committee
- The approval of the election of the President of the Association by the Executive Committee.

A General Assembly is per definition composed of all the members of the association. It defines during the meetings the general strategy and politics of the association. The Assembly may meet as an Ordinary General or Extraordinary General Assembly.

The first General Assembly presided by M. Figueras was devoted to the questions divided in five fields: Transport and Communications, Energy and Primary resources, Commerce Technology and investment, Tourism and finally Environment. The status of the president of the Assembly has been determined as well as his main duties which are precisely to maintain a constant link between the members so as to promote and coordinate joint research activities and studies. The first General Assembly also determined the basic structure of the organization. It had been decreed that an Executive Committee composed of the Presidents of each chamber of commerce and industry would represent each member country and a permanent secretariat has been established. The number of Vice-president Chambers has been established at 4 in 1983.

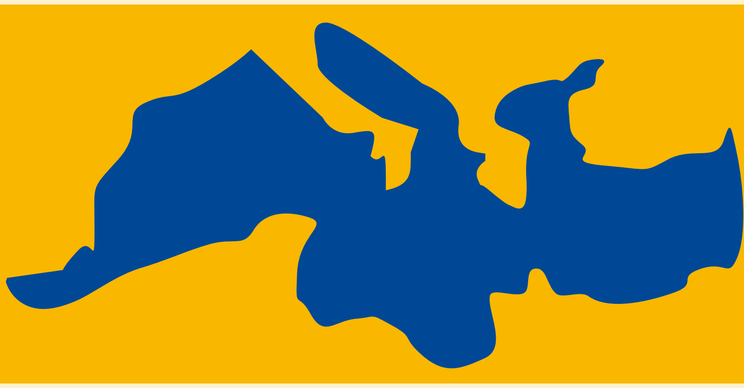
Established n April 1983 the Executive Committee was first composed of the President of the ASCAME and another 16 members which are the CCI of Marseilles, Genoa, Rijeka, Tirana, Le Piraeus, Istanbul, Nicosia, Lattakia, Beirut, Cairo, Tripoli, Malta, Tunis, Alger, Tangier, Barcelona. This committee holds regular meetings directed by the President and concerning the nominations of the president or the vice-presidents, the approval of the different reports by the Commissions as well as it coordinates the future activities of the ASCAME and its exterior relations. The Executive Committee assembles upon convocation of the President or upon the demand of at least one third of the members. The agenda has to be fixed at least one month before the meeting. Two meetings at least are to take place every year with one of them taking place at the same moment as the General Assembly. The decisions of the Executive Committee are taken at simple majority of the present voters.

The Board of the ASCAME is composed of eight Chambers of Commerce and Industry chosen between the members of the Executive Committee. It comprises a President, six Vice-presidents and a treasurer. The choice of its members is to reflect the natural equilibrium in its human and geographical dimension in the Mediterranean area. The Board acts on behalf of the Executive Committee in the current matters and establishes regular reports. The President of the ASCAME is elected by the Executive Committee which is to ask for the approval of the General Assembly. The President is acting as a representative of the General Assembly. In other words he is to embody the Association. He is to convoke the meetings of the Executive Committee as well as of the board and the General Assembly. The execution of the decisions taken during the General Assembly is also part of his duties. The function of the President is not a gainful occupation and its mandate last for two years. Mandates can only be renewed once.

As concerning the permanent secretariat it is in charge of the organization of the conferences and the assemblies of the executive and working bodies of the organization. The publication of a regular bulletin is also part of its responsibilities. The General Secretary is linked to the chamber where the headquarters currently are. This chamber supports then all the charges of the General Secretary. It is in charge of the following functions:

- The control of the decisions taken by the General Assembly, the Executive Committee and the Board under the authority of the President.
- The archives of the ASCAME including the scripts of the Assemblies, the documents, the press articles etc
- The secretariat of the meetings of the General Assembly, the Executive Committee and the Board.
- The treasurer is a full member of the Board. He is nominated by the Executive Committee and his nomination has to be ratified by the General Assembly. Among his functions is the establishment of the budget, the continuous control of the accounts and the annual establishment of the financial report. His mandate is a one-time renewable two year function.

The Working Commissions and the Committees of experts have represented the central part of ASCAME since its foundation. Already at the first assembly five Working Commissions have been assembled. Their main themes are the "Transport and Communication" issue, "Tourism", "Industrial and Technological Cooperation" and finally the equally important "Relations with the EU". These four permanent Working Commissions select during their meetings before the General Assemblies the priority issues to be discussed, do the research and elaborate reports which are to be presented to the Executive Committee. These reports present precise strategies to be undertaken as well as the argumentation and criteria used in each specific situation.



INTERVIEW

Mr Jilani BENM'BAREK,
President of the Association of
Mediterranean Chambers of Commerce and Industry (ASCAME)

The Association of Mediterranean Chambers of Commerce and Industry celebrates its 25th anniversary in 2007. What do you consider to be the Association's greatest achievements over the years?

Having been created on the 1st of October, 1982, the Association will celebrate its 25th anniversary in Barcelona in October, 2007. These celebrations will take place under the patronage of His Majesty King Juan Carlos I, who has always given his support to the Association as well as shown a keen interest in all matters related to the Mediterranean.

Among the Association's major achievements in this quarter of a century one can point out the following:
the creation of two Franchising Forums held in Barcelona and Marseilles, the result of the initiatives of the Barcelona Chamber of Commerce and Industry and the Marseilles Chamber of Commerce. These Forums are now in their fifth round. The most important aspect of these two forums has been the fact that they were directly responsible for the development of the concept of franchising in the countries of the Southern Mediterranean. As a result, Morocco and Algeria have set up their National Franchising Federations. Tunisia, Lebanon and Egypt are committed to doing the same. Malta and Turkey are moving quickly in the same direction and Libya and Syria are showing great interest.

- The success of the two tourism events: 'MEDITOUR 2003' held in Tangiers,
- Morocco and 'MEDITOUR 2006' held in Anatolia, Turkey.
- The third MEDITOUR event will be held in Hammamet, Tunisia in 2008, and the fourth in Malaga, Spain in 2010.
- Participation in the creation of a tourism observatory in Malaga instigated by the Malaga Chamber of Commerce.
- Participation in the setting up of several specialized events such as a Transport
- Logistics Trade Fair, an Environment Trade Fair, a Cosmetics Industry Trade Fair and a Fishing Trade Fair etc.
- The signing of important conventions with organizations that have much in common with our own. In this vein a charter of cooperation and good will was signed in Barcelona on the 13th of March 2002 by five major organizations, these being the International Chamber of Commerce, The European Chamber of Commerce, AICCC, the Association of Mediterranean Chambers of Commerce and Industry and the Spanish Federation of Chambers of Commerce.
  This ceremony took place in the presence of His Majesty King Juan Carlos I as well as the then Head of the Spanish Government Jose Maria Aznar and Jordi Pujol, Chief of the Generalitat of Catalonia.
- The starting up of the Mediterranean Institute of International Commerce to be established in Tunisia and attended by students from all the Mediterranean region. This Institute will award higher education diplomas.

The Association's achievements are many. Perhaps its major achievement has been the fact that it has remained in existence while other organizations created at the same time have disappeared like shooting stars. This denotes the commitment of the Mediterranean business sector to making the region one of peace and prosperity.

What were the aspirations of the Association at the time of its creation, back in 1982? What are its present concerns and how are these different from those of 25 years ago?

In October 1982, the pioneers who took the initiative to set up the Association and who came from the Chambers of Commerce of Barcelona, Marseilles, Tunis, Istanbul, Tangiers and Cagliari, had great ambitions but never imagined the Association would grow to its present size. In fact, the Association was really set on its present path on the 6th of May 2001 following the adoption of new organizational statutes during an extraordinary general assembly held in Tunis. This assembly brought together more than two hundred delegates, representing the entire Mediterranean region. The new statutes, the result of more than a year's work opened the door to allow all Mediterranean chambers without distinction to be able to participate as full members in the development of business in the region and in forging closer links between those actively involved in the Mediterranean economy.

The countries of the Mediterranean have very different economic conditions. Nevertheless, they have numerous common interests and shared characteristics. What, in your opinion, are the major economic forces at play in Mediterranean countries?

It is true that while the countries of the Mediterranean have different economic conditions they at the same time share many common interests and characteristics due to their geographical location and shared past, as well as having certain products, particularly in the agricultural sector, in common, together with a jovial disposition of character. The principal power of the countries of the Mediterranean countries lies in the realization that in this world in which markets are becoming more globalized as each day passes it is in their own interest to work together and accept each other, despite any differences that might exist, particularly those between the North and the South, thus making their differences a force in itself. It is in this way that the Association contributes to bringing businesses together in the context of the Mediterranean through organizing economic forums and events, special partnership days and joint missions.

What are the Association's major current projects aimed at reinforcing economic cooperation among the countries of the Mediterranean?

My answers to your previous questions will already have given some idea of the Association's major projects. Without wishing to repeat myself, the sectors in which the establishment of regional ties are envisaged are:

- The training of professionals and technicians of the chambers of commerce of the Southern Mediterranean countries by their colleagues in Northern Mediterranean countries. This kind of training, within the Association itself, ensures a general training likely to be of interest to all the different sectors through the transfer of technology and know-how from the North to the South and among the Southern countries themselves.
- Cooperation in the tourism sector, the principal source of revenue in the Mediterranean region, at the same time freely accepting that competition exists and ensuring that the latter be loyal and transparent.
- Setting up a Mediterranean 'Common Market' in which goods and individuals are allowed to circulate freely and in which regional products are granted privileged status.
- Investment by the countries of the Northern Mediterranean in the countries of the Southern Mediterranean in attempt to counter some of the problems of immigration.

What do you see as the Association's role as regards and what measures can it take regarding the economic challenges facing its member countries?

The Association's role is more of a moral than a material one. The Association itself does not have the means to finance projects and programmes. The only finances currently at the Association's disposal are its member's annual fees. In terms of the moral support it can offer, the Association can play a major role by intervening on behalf of individual businesses in order to resolve disputes that could, potentially, lead to law suits through conciliation, mediation and arbitration.

The Association should furthermore constitute an information resource serving businesses and chambers of commerce alike.

To what extent do you believe that the liberalization of world business has so far favoured the Mediterranean countries' development? What steps should they take to benefit fully from this liberalization?

The effect of the liberalization of world business has only become apparent since China joined the WTO. The is, nevertheless, reason to believe that the 'Tsunami' that China could cause in the Mediterranean could have a positive effect for at least two reasons:

- several European countries whose businesses moved their production plants to China have changed their tune.
- the Mediterranean countries have reacted by relocating their goal posts to adapt themselves to the situation. A case in point is the textile industry which after suffering considerable losses in 2004 and 2005 has begun, since the end of 2006, to find its feet again.

Generally, the liberalization of world business will, in the long term, have a positive effect on the countries of the Mediterranean. The latter must carry out major reforms if they want to compete successfully.

What do you believe the Association should do to improve business relations in the Euro-Mediterranean Zone?

In 2010 the Euro-Mediterranean Free Exchange Zone will become a reality unless there are some nationalist inspired surprises lying in wait. This concept of free exchange zone encompassing Europe and the countries of the Mediterranean has its origins in a shared desire to bolster commercial and economic relations in a general sense within an area encompassing eight hundred thousand consumers.

For this reason commercial relations cannot improve, develop and expand unless good will prevails on the part of all involved. There are serious potential dangers to be contended with if the agreements are only partially implemented, as would be the case, for example, if the free circulation of goods was permitted, but not the free circulation of individuals.

We place great hopes on this Euro-Mediterranean free trade zone in which all those involved should be engaged on the same path - the path to a win-win situation and shared prosperity.

Competitive advantages and specialization are the keys to accessing international markets. What way are the countries of the Mediterranean moving in this direction?

The countries of the Mediterranean enjoy several advantages. There are several aspects in this regard, notably:

- The quality of Mediterranean agricultural products such as olive oil, dates, fish, citrus fruits etc. These have proven beneficial effects on health and people often speak of the 'Mediterranean diet'.
- The fact that there are products which are specific to the Mediterranean such as cork.
- The proximity of the countries of the Southern Mediterranean to those of the North, a factor which reduces transportation costs and shipping delays.
- The availability of skilled Southern Mediterranean manpower, which is furthermore very competitive in terms of cost.
- The level of university education professionals have received, not only in Tunisia and Morocco, but throughout the Southern Mediterranean.

What projects and plans does the Association have for the future?

The Association is already involved in some major projects including:

- The European Union Commission Project 'A Blue Mediterranean on the Horizon of 2020'.
- The Euro-Mediterranean Free Exchange Zone envisaged for 2010.
- Follow up on the deliberations held in Barcelona from the business sector's standpoint.

The Association would like greater involvement in European Union projects in a limited consultational capacity or to meet specific requests in several domains such as tourism, information technology, renewable energy, new sources of energy, the environment, arbitration etc.

The Association is a valuable tool. One should know how to use it for the good of the Mediterranean region, not forgetting the African Continent which could one day make up the third side of the triangle.

Mr Jilani BENM'BAREK,
President of ASCAME

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EDITORIAL

H.E. Mr Salaheddine MEZOUAR
Minister of Industry, Commerce and Economic Development

I feel exceptionally privileged, in my capacity as Minister of Commerce, Industry and Economic Development of the Kingdom of Morocco, to write a preface to this publication of the Mediterranean Association of Chambers of Commerce and it suits the occasion to point out some of the many commercial opportunities that my country has to offer.

In this respect, I can but congratulate the Mediterranean Association of Chambers of Commerce for their praiseworthy undertaking, reflecting as it does its role as a bridge between those actively engaged in business on both sides of the Mediterranean, which has long been the cradle of civilization and fostered the coming together of cultures.

I would, furthermore, like to use this opportunity to briefly outline the latest economic policies drawn up by the Moroccan authorities with a view to strengthening competition within the country as well as achieving an enhanced position in the global market.

Indeed, Morocco has embarked upon the realization of a new industrial strategy which has clearly delineated targets and time constraints. This strategy, known as the Economic Emergence Programme, envisages, on the one hand, the consolidation and development of the existing economic infrastructure, and, on the other hand repositioning Morocco in the arena of global commerce by setting up new trading frameworks in those sectors which are experiencing rapid growth.

This strategy, drawn up without any regard to complacency, throws much light on the reality of our country's economic framework and its position among global emerging markets.

The first cornerstone of this strategy is the development of offshore subsidiaries in Morocco, particularly in the services and administration sectors which, as well as having enormous growth potential, will contribute to shaping Morocco's economic future.

The second cornerstone envisages the creation of an export-oriented industrial assembly zone conceived with a view to accelerating Morocco's exports of assembled products to Europe. This concept centres on offering investors and industrialists a designated zone which would enable them to operate in optimal commercial and technical conditions, that is to say specific benefits and infrastructures, simplified administrative procedures and tax incentives etc.

As regards the third cornerstone of this Economic Emergence Programme, this bases itself on modernization and the re-launching of the three traditional driving forces and growth areas of commercial activity – the agriculture and food sector, the seafood processing sector and the textiles sector.

Finally, as far as the fourth cornerstone of this process of accelerating and competitively modernizing the present day industrial infrastructure is concerned, three major projects will be undertaken in order to modify and complement the existing panorama. This involves improving the business environment in general, putting in place mechanisms to make operational and financial transactions within businesses more professional and reinforcing
support to developing sectors as well as restructuring those sectors experiencing difficulties.

In short, what I have mentioned above constitute the priorities that have been established at the highest level of the State authorities as part of a national master plan and they go hand in hand with the Government's unceasing drive to implement structural reforms dating back more than two decades, aimed at guaranteeing businesses, pivotal factors in the growth process, the conditions required for the creation of jobs and wealth and an environment conducive to attracting investment while, at the same time, enabling them to develop and open up successful international markets abroad.

It is on the basis of these reforms that the Morocco's winning hand will bring about tangible evidence of our country's capacity to confront the Twenty-First Century with confidence as well as develop a competitive economy, characterized by investment and growth.

A privileged geographical position, diverse potential opportunities and natural resources, quality welcoming infrastructures and quality communications, a competent labour force receptive to new technologies, growing driving force sectors with great economic potential
- these are the cards that the Moroccan economy holds, an economy that is dynamic and performing and well capable of taking the new millennium in its stride.

H.E. Mr Salaheddine Mezouar
Minister of Industry, Commerce and Economic Development

The Moroccan Economic and Business Guide

Moroccan law provides three main structures for businesses enterprises. The first ones are share companies, within which are the stock company (SA), the limited liability company (SARL) and the limited company with shares. The second form for businesses is the partnerships, and the last structure is entities with specific regulations (investment companies, co-operative societies, consumer co-operative and friendly societies).

Besides the sole partnership, the SA and the SARL are the two most widely used types of commercial companies in Morocco.

The Stock Company (SA)

The corporation is a commercial company in which the partners are called shareholders due to a right represented by negotiable stocks or shares, and are only liable up to the extent of their contribution. In return, a new law of October 17, 1996 regulates stock companies. This law applies to all stock companies established on or after October 17, 1996.

Companies established prior to that date have until January1, 2000 to comply with the provisions of the new law. Under the new law, an SA must have paid-in capital of at least USD 34,184 and at least five shareholders which can be either legal entities or individuals. The maximum number of shareholders is unlimited. It can be incorporated only after the capital is entirely subscribed. The minimum nominal value of the shares is USD11.4.
All stock companies must appoint at least one statutory auditor. The new law on stock companies, published in October 1996, requires the auditor to express an opinion on the annual accounts.

The Limited Liability Company (SARL)

The limited liability company is halfway between partnerships and share companies. Small entities generally adopt this form, in part because the rules governing the formation and operations of limited liability companies are less stringent than those that regulate stock companies. The shareholders are only liable up to the amount of their contribution.

A new law of May 1, 1997 regulates the SARL established on or after May 1, 1997. Companies established before this date are granted a transitional period until January 2000 to comply with the new regulations. Under the new law, a SARL must have paid-in capital of at least USD11,395 and may have between one and 50 shareholders.

If the number of partners of a SARL grows to exceed 50, the company must be converted to a stock company. The articles of limited liability companies specify the rules governing transfers of shares. A majority of shareholders, generally 75 per cent, is required to approve the transfer of shares to a third party. The limited liability company must appoint at least one statutory auditor.

Taxation

Moroccan income tax is payable at the corporate rate by resident companies, non-resident companies deriving taxable income from activities carried out in Morocco and branches of foreign companies carrying on business activities independent of those performed by their head office. In general, only Moroccan-source income is subject to tax.

Individuals are liable to Moroccan income tax only on income arising in Morocco. However, in the case of income from employment received by a resident individual, the whole of that income is deemed to arise in Morocco whether the duties of employment are performed in Morocco or abroad and wherever the income is paid. In effect therefore, a resident individual is liable for Moroccan income tax on his worldwide employment income.

Incentives

Prior to 1996, Morocco used to have various investment codes for exports, tourism, industry, mining, maritime, handicraft and real estate investments. These codes have been cancelled starting from January 1, 1996. Morocco has however adopted and investment charter which sets up the main objectives regarding the promotion and development of investments in Morocco within the next ten years.

The charter's main objectives are to improve the tax environment, review the tax incentives and set up new incentives for investments.
Moreover, the income tax incentives regarding exports, industrial and handicraft investments have been maintained through their inclusion in the corporate tax law in 1996.

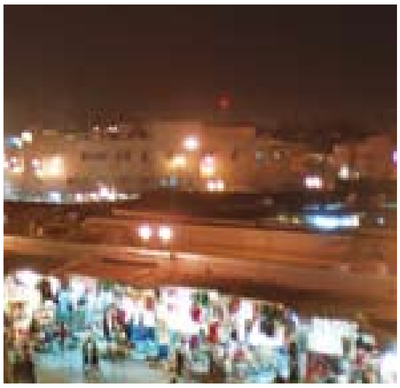
Exchange Control

Remittances of capital and related income to non-residents are guaranteed. No limitations are imposed on the time or amount of profit remitted. Loans must be authorised by the Office of Exchange Control.

Visa Requirements

To be employed in a company, a foreigner must be a resident in Morocco and obtain an authorisation from the Ministry of Labour. A non-resident cannot stay more than three months in the country. Nationals of certain countries require visas to enter Morocco.





2. The Business Environment

Morocco is a highly attractive place for foreign investment. Its excellent location and trade agreements with the EU and countries in Africa and the Middle East, as well as its geostrategic location for easy access and communications, make it a preferred regional business centre. The country's social and political stability, skilled labour pool, and soaring gross domestic product are assets that any serious investor or business will find very competitive. In addition, Morocco has implemented several laws and incentives for businesses.

The Moroccan business environment has been improved by the promotion of the Free Trade Agreement, promoting simplified, transparent trade and investment procedures, and improving access to finance. In 2003 Morocco renewed its efforts to upgrade the overall business environment and to foster private sector development. The authorities have taken steps to create a level playing field and to remove obstacles to the creation of new enterprises.

These comprised measures to implement the competition law and the establishment of one-stop investment windows at regional level. Furthermore, a working group proposal to enhance the competitiveness of the economy has been partly taken up in the 2004 budget law. These measures complement steps taken in 2002 - the launch of the new decentralised investment scheme and the opening of regional investment centres - in order to attract foreign direct investments.

Foreign and locally owned investments are treated equally (with the exception of the construction sector) and 100 per cent foreign ownership is permitted in most sectors. There is no screening requirement for foreign investment, but the latter is restricted in some sectors, including mobile telecommunications. Foreigners can invest in the agricultural sector but cannot own agricultural land. Regulations prevent foreign firms from having a majority stake in a Moroccan insurance company. Both residents and non-residents may hold foreign exchange accounts, subject to restrictions and requirements. Personal payments, transfer of interest, and travel payments are subject to limits, documentation requirements, and approval in some cases.

Taxes and Tariffs

At the core of Morocco's effort to attract foreign business lies the 1995 Investment Charter Law, whose simplified tax code replaced dozens of antiquated investment laws. The tax incentives within the Investment Charter include a 2.5 per cent discounted tax rate for land acquisitions intended for housing developments, a 0.5 per cent tax on any company contributing to capital formation or capital increase, and an exemption from registration fees associated with the purchase of land intended for capital investment.

As an additional incentive measure, Morocco simplified the country's customs schedule, applying two flat-rate tariffs on all imported machinery, parts,

equipment, capital goods, and accessories bought into Morocco to expand a business.

The Charter also shields foreign investors from paying value added tax (VAT) on imported equipment, materials, and goods. The law exempts start-up firms from license fees, corporate taxes, and general income taxes for five years. Thereafter, new businesses are required to pay a tax that is deeply discounted.

Government Sponsored Development Programs and Safeguards

The State Enterprise Contract, a business incentive program offered by the Moroccan government, underwrites the cost of on-the-job vocational training, land acquisition, and building construction for qualifying start-up businesses.

Another cash grant program, the Hassan II Fund, named after the former Moroccan King, rewards new enterprises that venture into selected markets, including electronics, information technology, vehicle subcontracting, leather processing, and ready-to-wear clothing.

The Petroleum Code is another government program that offers generous support to oil exploration firms searching for new sources of hydrocarbons. Under the terms of the Petroleum Code, companies that discover energy reserves in Morocco are only required to pay franchise duties of five per cent and ten per cent, respectively, on the production of natural gas and oil.

As a result of the Free Trade Agreement and World Trade Organisation accession process, Morocco is moving to protect foreign investors. These legal safeguards are offered in the form of sectorial codes that regulate business sectors, ranging from mining to handicrafts. With rare exceptions, these codes are applied equally to domestic and foreign investors.

Several of Morocco's sectorial codes have recently been revised to attract international companies. These incentives provide selected sectors (mining, export industries, tourism, real estate, handicrafts, and maritime) with partial or total exemptions from the VAT, income tax, and import duties.

Additional sectorial incentives are available to businesses that invest in one of Morocco's several Free Trade Zones (FTZs). The biggest FTZ, in Tangier, offers a variety of incentives to investors who set up businesses on undeveloped FTZ land. These incentives include exemptions from duties and taxes associated with the acquisition of land, license and urban taxes for 15 years, VAT on all exported goods, and corporate taxes for five years, with a reduced 8.75 per cent corporate tax thereafter.

Regional Investment Centres

Morocco's proactive business climate is energized by its 16 Regional Investment Centres (RICs), which serve as 'one-stop shopping centres' for foreign businesses willing to enter the Moroccan market.

RICs are located in major cities throughout the country and they are linked to key government ministries by an electronic commerce system, the e-Government Cyber Network. Trained staff at each RIC assists new businesses in the preparation of license applications and other documents. With the support of a RIC, a start-up business can be fully licensed and up and running within two days.

3. Bodies Dedicated to Support Business Implementation and Investment Attraction

The third edition of the five-year conference series 'the Fundamentals of Investment' was held on the 1st and 2d of December 2005 in Rabat, under the High Patronage of His Majesty King Mohammed VI. This year the theme was: 'Socially Responsible Investment'.

This international conference has become the main forum for investment in Morocco and hosts over 600 participants each year. It attracts decision makers in the field of politics, economics and academics from all over the world.

The two previous editions were based on the following themes: 'Investment: links and impact' and 'Investment: a territorial commitment' respectively.

Following the example of the previous edition, which brought together over 800 decision makers from countries such as Thailand, the United States, Spain, France, Australia, Austria, Egypt and Algeria, a scientific committee oversaw the thematic framework.

Moroccan Centre for Export Promotion

The Moroccan Centre for Export Promotion (CMPE) is a non-profit public Organization under the auspices of the Ministry of Foreign Trade. CMPE was established in June 1981 to serve as the national focal point for trade promotion and export development.

CMPE's General Information Department offers two kinds of services, aimed to assist two distinct audiences. The first, concerns mainly Moroccan exporters and provides information about market possibilities and different methods of market penetration. The second is information for overseas buyers about the quality and availability of products offered to exportation by Morocco.

To assist exporters in penetrating and expanding into overseas markets, CMPE collects and analyzes data regularly on the ever-changing global economy, as well as business trends, economic policies and structures, foreign trade and commercial conditions

CMPE receives visits of foreign trade delegations (importers) and assists them to reach targeted Moroccan products and potential suppliers. The services include: planning visit programmes, meeting buyers at the point of arrival (most usually at the airport) and accompanying them on visits to potential suppliers. CMPE can also arrange meetings and trade contacts between buyers and Moroccan exporters taking place at its own offices. The services are available not only in the course of mission of incoming buyers groups, but also for individual buyers visiting Morocco.

CMPE together with the Ministry of Foreign Trade, Business associations and other Authorities annually organise a number of economic, trade and partnership missions to major existing and emerging markets. By participating in these missions, Moroccan companies can develop business contacts and network with foreign officials, business leaders and international buyers.

Led by CMPE officials, Specialised Marketing Missions have the objective of exploring and identifying new trade opportunities for selected product markets. Selection of products and markets is based on prior research to enhance the chances of success. These specialised missions get participants the opportunity to meet with a focused group of importers and buyers. These missions organised on a smaller scale are focused on specific product or services markets.

4. *The Transportations Sector*

At the start of December 2004, Morocco received a budget support loan of 240 million euros from the African Development Bank (ADB) to fund part of its Transport Sector Reform Programme (TSRP). The programme aims to cut state funding in transport while making the sector more receptive to the needs of the economy. Another programme, the National Road Construction Program (PNCRR), was launched by Moroccan authorities in 1995 to break the isolation of the rural world.

The transport sector contributes around six per cent of the value added of the internal gross production. It brings 15 per cent of the state budget returns and soaks around 25 per cent of the national energy consumption.

Road Transport

Morocco has an outstanding network of 59,198km of paved roads, which extend throughout the country, even into the Sahara.

With 1,000 km of highways, Morocco built a link between its major cities. The north-south axis is made of large highway axes: Casablanca – Tangiers – Tetouan – Sebta, Casablanca –Marrakesh – Agadir – Taroundant, and Casablanca – El Jadida. The East-west axis links the cities of Rabat, Fes and Oujda.

Over a nine-year period, some 10,000 km of rural roads were built at a pace of 1,300 km every year.

These roads, in addition to the Morocco-Spain fixed link and the development of the road axes between Tangiers and Lagos and between Rabat and Cairo, will help Morocco play its historical role of linking point between European countries, on the one side, and Africa, Maghreb countries and the Arab world on the other.

In preparation for a liberalisation of the transport sector, the government is investing in new bus fleets for the major cities in order to make services more attractive to private sector operators.

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Railway Transport

The Moroccan government hopes to make far more use of the rail network in order to ease exports to Europe and beyond.

At the heart of its transport strategy is a plan to build a rail tunnel under the Mediterranean, between Punta Palomas in Spain and Punta Malabata in Morocco. Preliminary work on the 39km-long tunnel began in 2004, although construction work will take years to complete.

The National Railway Board (ONCF) supervises the whole set of railway transport in Morocco. The country has an excellent railway system with

1,907km of track and a fine intercity passenger service utilizing 669,637 passenger cars. Moroccan railways transported 18.5 million passengers in 2005, with 39,390 available seats. Overnight train services running throughout Europe can connect with Morocco.

Air Transport

Air transport is operated by two Moroccan air companies: Royal Air Maroc (RAM) and Air Inter. Out of a total of 60, Morocco has 19 international and national airports, the most important of which are the airports of Casablanca (Mohammed V), Tangiers (Tanger-Boukhalef), Rabat (Rabat-Sale), Fes (Fes-Saiss), Laayoun (Al Massira), Marrakesh (Menara), Oujda (Angad), in addition to the airports of Al-Hoceima, Tetouan and Ouarzazate. Morocco also has one heliport. Royal Air Maroc is the national air carrier and provides domestic and international service. Many other foreign airlines serve Morocco, including Air France, British Airways and Saudi Arabian Airlines. Scheduled flights from all major cities in the Middle East, Europe and North America (New York and Montreal) serve Morocco.

In 2003-2004, the global air traffic of airports witnessed good results: Royal Air Maroc registered more than two millions passengers on international lines, which represents an 18 per cent increase compared to the previous period.
In 2004, Royal Air Maroc invested in new aircrafts and bought four new planes: two Airbus A321-200 and two B737-800.

The average occupancy rate on international flights in 2004 reached 62 per cent, which is stable compared to the previous year.

Shipping

The government is keen to attract greater private sector participation in the port sector. This is aimed at boosting port capacity, reducing turnaround times and generally improving efficiency.

Morocco has 24 harbours, covering 98 per cent of the country's trade. Every year, they receive nearly 9,000 calls of fleets. They handle some 40 million tons of goods a year and receive a fishing fleet of nearly 2,600 vessels, with an overall catch of 600,000 tons.

The Moroccan fleet, which is owned by 15 companies, operates in free competition with foreign fleet. Four of these are state-owned companies, whereas the others are owned by private operators.

There are six ports and terminals in the Kingdom: Agadir, Casablanca, Mohammedia, Nador, Safi, and Tangier. Port facilities are well developed in Casablanca, Agadir, Tangier, Kenitra, Safi and Mohamedia, while ferries operate from Algeciras, Malaga and Almeria in Spain, from Sete in France, and from Gibraltar.

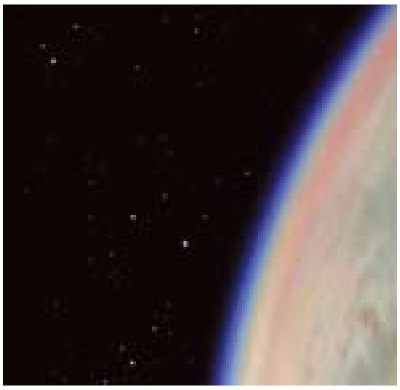
Moroccan harbour traffic reached 52.7 million tons in 1999, thus recording an increase of 9.1 per cent compared to 1998. Imports which made up 51.5 per cent of harbour total traffic, increased by 12.7 per cent while exports recorded an increase of 5.7 per cent, rising from 22.7 million tons in 1998 to nearly 21 million tons in 1999.
The global traffic includes 140.509 tons of fishery products valued at USD56.1 million. Casablanca remains the most active port with about 10.2 million tons of exports and 9.3 million tons of imports, followed by the port of Mohammedia with two million tons of exports and less than eight million tons of imports. Jorf Lasfar harbour reached three million tons of exports and a little more than six million tons of imports.

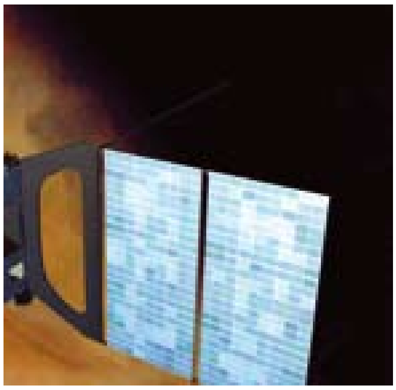
The Merchant Navy

The Moroccan merchant navy fleet holds the first rank among Arab and African maritime transporters, the second rank in the transport of chemical products at the world level and the first ranks in passengers transport at the African level. With a transport capacity of 600,000 tons, the 22 companies compose a merchant fleet of 66 units.

Morocco's maritime transport assets have made it possible to cover 30 per cent of the national bill of maritime freight, corresponding to USD226 million, making thus an important saving of currency. The volume transported can reach a loaded total of 20,482,000 tons, including 10,220,000 tons of phosphates, and an unloaded total of 22,144,000 tons, including 7,082,000 tons of hydrocarbons.

The merchant marine represents a total of 41 ships: five cargoes, six chemical tankers, nine containers, 13 passengers' cargoes, one petroleum tanker, two refrigerated cargoes, and five roll on/roll off. Five ships are foreign-owned: one by France, two by Germany, one by Switzerland, and one by the UK.





5. Communications and Telecommunications Sector

In his drive to create more employment opportunities for his people and to push Morocco to the forefront of development, King Mohammed VI is spearheading efforts to develop his country's telecommunications and Information Technology (IT) fields.

Morocco possesses one of the largest telecommunications network in Africa, with top quality facilities and services. The Economist Intelligence Unit ranks Morocco as having the most autonomous telecommunications regulatory body in all of the African continent as well as the Middle East. It also found Morocco to have the second best overall regulatory structure in Middle East and Africa, just behind Israel.

The Government of Morocco introduced competition into all telecommunications services on January 1, 2002, resulting in an important increase of sales. The sales volume of the Moroccan telecommunications sector has increased three folds between 1998 and 2004, and it currently represents five per cent of the Kingdom's GDP.

Progress has also been made in infrastructure development, with connected lines increasing from 827,000 in 1993, to over three million by the end of 2000.

Morocco possesses state-of-the-art telecommunications means. It is linked to Europe and North America through sub-marine cables and satellites. These means are set to be further consolidated and adapted to match the evolution of technology through Morocco's participation in major international projects planned by Europe and America through submarine optic fibres and "Intelsat" and "Arabsat" satellites.

The King's decision in 1997 to restructure telecommunications within the Ministry of Post, Information Technology and Communications has produced an independent regulatory body, the Agence Nationale de Réglementation des Télécommunications (ANRT), and a new system operator, Maroc Telecom.

Maroc Telecom

A government-owned company, Maroc Telecom is the first operator in the Maghreb region and the second one in Africa. The group's principal activity is the provision of telecom services in Morocco, including land lines, mobile phones and Internet services. The land lines division includes the provision of public phones throughout Morocco. Mobile services are provided via a GSM network, and land-line and Internet services are provided over more than 9,700 kilometres of fibre optic cables.

Maroc Telecom is the first investor in Morocco with USD333 millions. The Moroccan telephone operator provides services to nearly seven million customers. Maroc Telecom, which is a main shareholder in the

Mauritanian Mauritel, intends to explore the European market given the presence of a large Moroccan community that has specific needs in telecommunications.

The operator contributes to job generation and Morocco hosts at present half outsourced call centres of France that have created 10,000 jobs.

Internet

The Internet is developing in Morocco in a spectacular manner. Cyber-cafés have sprung up throughout Morocco's largest cities and in rural areas. Paying an affordable USD1 an hour, young Moroccan cybersurfers are gaining hands-on computer expertise that is propelling them into government-sponsored IT degree programs at Morocco's top universities. Many international companies are looking to Morocco as a source of talented IT technicians and engineers who can develop computer systems.

Microsoft and Compaq have chosen Morocco as their regional headquarters, while Hewlett Packard has been in the country for some time.

Mobile Phones

Mobile subscriptions have increased dramatically with the inauguration of a second Global Satellite Messaging (GSM) license in April 2000. The winning bidder Meditel, a consortium led by Spain's Telefonica, paid about USD1.1 billion for a fifteen-year license to operate under relatively unfettered competition.

Maroc Telecom, that was already providing GSM service, has boosted marketing and promotional activities to counter its competition. As a result, subscribers have jumped to over two millions and the use of mobile phones has increased by 600 per cent over the last year. There are currently more mobile phone users than land line users.

This commercial surge means Morocco's telecommunications business could compete in the international marketplace. Furthermore, the Kingdom is very close to Europe and the Middle East, which makes it easy to use it as a platform to work for them.



Key Sectors of the Moroccan Economy
1. Picture of the Moroccan Economy

Morocco's strategic trading location, large consumer class, potent economic growth, more than USD50 billion annual gross domestic product (GDP), and successful implementation of financial restructuring programs supported by the World Bank, International Monetary Fund and the Paris Club, make this North African nation very attractive to investors.

Since 2001, the growth rate has improved, rising to 5.5 per cent in 2003. This improvement reflected the 20.6 per cent increase of agricultural output. The inflation rate has been below 3 per cent since 1997. In 2003 the government succeeded in meeting its target average inflation of two per cent, supported by favourable domestic and international developments.

Economic Growth and Reforms

The growth of Morocco's real GDP was 4.4 per cent in 2004, down slightly from the previous year. The 2004 depressed growth rate was due to a poor wheat crop, and because of increased foreign competition with the country's textile industry. Economists at the U.S. Department of Commerce project Morocco's GDP will grow at a robust rate of 5.1 per cent in 2006.

With a population close to 30 million, Morocco has implemented several economic reforms since 1980 in order to bolster the country's microeconomic balance and accelerate its integration into the world marketplace. The measures are boosting per capita income, lowering fiscal and current account deficits and are credited with subduing the country' rate of inflation to 2.2 per cent.

Reforms have modernized the stock market, eased the availability of credit, revised laws that regulate corporations, relaxed foreign trade and exchange systems, protected intellectual property rights, established commercial law courts, and opened all economic sectors to foreign investment.

Many of these reforms were implemented to enable Morocco to qualify for trade agreements with the European Union (EU) and the United States. Morocco's newly signed EU Association Agreement offers the country tariff-free access to European markets. The 2004 Free Trade Agreement with the United States offers American exporters greater access to markets in Morocco, and by extension the EU. Morocco also maintains a number of trade agreements with other African and Arab countries.

Privatisation

The engine of Morocco's steady economic growth is privatisation, which has been underway for more than two decades.

Components of the energy sector were among the first state-run businesses to be sold off to the private sector. Later, the 1989 Privatisation Law accelerated the commercial acquisition of 114 public enterprises.

After successfully privatising the telecom sector in 2000-01 the government's privatisation efforts were stepped up in 2003. In the first quarter of 2003, an 80 per cent stake in the tobacco company Régie des Tabacs was sold for USD1.6 billion, exceeding the targeted privatisation receipts for the whole year. Other privatisation projects include the sale of a further 15 per cent of Maroc Telecom, 90 per cent of two sugar firms, 20 per cent of Banque Centrale Populaire as well as a printing plant.

At the urging of the World Bank and the International Monetary Fund, Morocco has also opened its increasingly market-oriented economy to invest in telecommunications, water distribution, energy production, textiles, information technology, and road construction.

Strong Sectors

Strong industries in Morocco include phosphate rocking, mining and processing, food processing, leather goods, textiles, construction and tourism. Morocco has a strong mineral sector, which is dominated by its phosphate reserves. It is estimated that the country holds three quarters of the world's phosphate reserves. Morocco's mining sector is experiencing continued growth overall, with a particularly large surge in the production and export of phosphates. Domestic consumption of phosphate derivatives (phosphoric acid and fertilizers) jumped 12 per cent in 2004, while raw phosphate exports in the same period climbed over three per cent.

Morocco and Pakistan have recently agreed to build a USD200 million phosphoric acid plant 100 miles inland from Casablanca that will annually export up to 375,000 tons of urea and di-ammonium phosphate to Pakistan when it is operational, in 2006.

Although key sectors within Moroccan manufacturing are experiencing growth, notably food-processing and the assembly of electrical and mechanical goods, the country's textile industry has seen a slight decline due to strong competition from Chinese and Indian competitors.

Although recent textile production has experienced a drop in domestic demand for finished wearing apparel due to a flood of duty-free imports from the EU, there is good news for the sector. U.S.-based Fruit of the Loom recently announced plans to relocate all of its Irish spinning, knitting, and dyeing operations to Morocco. Its facilities will assemble underwear, sportswear, and children's clothing. The Free Trade Agreement with the United States provides opportunities for this industry and Moroccan firms are already certified and supplying major American brands.

The country's construction industry has lately experienced a boost from major infrastructure improvement projects, including government-financed port facilities and roads, the creation of public housing, and the development of several coastal tourism destinations. The government's earmarking of USD303 million to rebuild the Mediterranean port city of Al Hoceima, which was heavily damaged by a 2004 earthquake, is also fuelling growth in the construction sector.

Although the numbers of tourists and tourist nights stayed have not recovered to levels enjoyed by the Moroccan hospitality industry prior to September 11, 2001, tourism continues to be a vital component of the national economy, contributing nearly USD3 billion each year to the country's GDP. Morocco 2010, an initiative underwritten by the Ministry of Tourism, has poured millions of dollars into the country's hospitality infrastructure. By 2010, the program is expected to double Morocco's total number of hotel beds to 230,000.

Agriculture and Energy

Morocco's strongest economic sector is agriculture, which includes fish, wheat, barley, citrus fruit, vegetables, olives, and livestock. Moroccan farmers have lately carved a large niche in Europe's booming organic foods market.

The agricultural sector accounts for 13 to 20 per cent of the country's GDP depending on the impact of weather conditions on its output, and employs approximately 40 per cent of the labour force.

With the major portion of its agricultural produce being exported to Europe without processing, the country is missing out on a significant opportunity for increasing its value.

One of Morocco's main challenges is moving its economic dependence away from its agricultural sector. Morocco's vulnerability to irregular rainfall patterns results in erratic agricultural output. This has encouraged its government to work towards economic diversification, particularly towards manufacturing and services, which presently account for 35.8 per cent and 43 per cent, respectively, of Morocco's GDP.

Morocco's energy sector, which includes electricity production, should sustain a growth trend that began in 2002. Electricity output in 2004 rose nearly nine per cent, largely as a result of an ambitious rural electrification program and a significant cut in power prices. Growth in the energy sector is also being propelled by the resumption of operations at the Samir refinery at Mohammedia. While Morocco has a new state-of-the-art power plant serving the urban population, remote areas of the country require expanded service, so the country is actively recruiting suppliers of renewable energy.

Morocco is looking to increase its trade in energy. Electrification of rural areas is progressing and the demand for energy, in particular electricity, is growing strongly.
An energy policy based on diversification, market competition and demand management is taking shape. An energy monitoring centre is envisaged to support the development of such a policy.

The public monopoly, the Office National de l'Electricité (ONE), generates, transports and distributes electricity. The sector is being opened up. Energy-generating concessions are being granted to private operators with long-term "take or pay" clauses, obliging the monopoly operator to buy the electricity produced, which represents more than 60 per cent of the Moroccan market. With its pricing structure for industrial users of electricity, Morocco wants to step into line with EU pricing.

Morocco has signed the Memorandum of Understanding concerning the Maghreb electricity market and the integration of that market into the EU internal market which was developed in the EuroMed energy forum, which was held in Rome in December 2003. In signing the Memorandum, Morocco committed itself to gradual integration into the internal energy market.

The Renewable Energy Development Centre (CDER) continues to promote the technological development of renewable energy sources in Morocco.



Growth Markets

A countrywide survey of trade and investment opportunities in Morocco showed the business sectors that may be attractive to foreign companies. Pharmaceuticals are one of these, as a study of almost 2,000 American pharmaceutical companies has yielded 16 that have Phase 2 or 3 drugs under clinical trials, most of the companies with these drugs will have to build new facilities
With ST Microsystems already successfully employing more than 4,500 people, Morocco has demonstrated its cost-effective capabilities in terms of electronics. Call centres represent an important business sector too. Dell Computer has established its French-language call centre in Morocco as have many French-owned firms.

In terms of fisheries, Morocco is a major exporter of fish to Europe and Asia, and it is presently looking for opportunities to add value through the processing of fish oil for the export market

Morocco's exotic scenery has appeared in many famous films; however, with the construction of major sound stages in Ouarzazate the country is ready to move into more sophisticated fields in terms of motion picture industry.

Also predicted to see near-term growth, telecommunications and insurance sectors have developed, and this is largely due to privatization opportunities and government incentives.

Agreements and Partnerships

In 2004, the Moroccan government instituted measures to boost foreign trade and investment by signing a free trade agreement with the United States. This agreement will increase competition as American exporters will be able to recapture a significant market share in many traditionally traded commodities, and export for the first time, many other commodities that were previously limited by Morocco's high import duties.
Morocco has also signed several agreements with the European Union on economic cooperation, including one establishing a free trade zone for industrial goods over a 12-year transition period. Morocco is a partner country of the European Trade Agreement. This makes Europe Morocco's strongest export partner, with EU countries making up about 80 per cent of its trade.

Morocco's top import partners in 2004 were: France (18.2 per cent), Spain (12.1 per cent), Italy (6.6 per cent), Germany (six per cent), Russia (5.7 per cent), Saudi Arabia (5.4 per cent), China (4.2 per cent) and the US (4.1 per cent).

Exporters are encouraged to establish a linkage to Moroccan importers. These importers are usually located in Casablanca and are described as being very progressive and marketing-oriented. Exporters interested in selling consumer-ready goods can benefit from choosing a local importer with access to hotels and restaurants, as well as wholesale and retail markets.



2. The Mining and Chemical Industry

Morocco has been a mining country since the Phoenician times when commodities mined included gold, silver, lead, copper, iron, salt and cobalt. Number one phosphates exporter in the world and third largest producer behind the United States and China, the Kingdom also has a significant capacity for conversion of phosphate rock into downstream chemicals.

Mining and Phosphates

OCP, the state-owned company that controls Morocco's phosphate production, is the second largest phosphates producer after the United States' IMC Agrico. A sector employing 46,600 workers, the mineral industry is Morocco's largest foreign-exchange-earning sector and usually accounts for about 35 per cent of foreign trade and about seven per cent of the gross domestic product.

Current mining legislation in Morocco is based on a 1973 Mining Code Bill. A 1990 revision to the mining law required the Government to respond within two months to any foreign investment proposal.

Some twenty mining products are extracted in Morocco, including some with a significant tonnage and on an international scale. The country is also among the world's largest producers of baryte (470,000 tons), zinc concentrates (178,400 tons), fluorspar (95,000 tons) and silver. The other minerals produced in Morocco are lead (87,400 tons), copper (17,800 tons), manganese (17,500 tons), salt (266,000 tons) and gold. Mining products account for 70 per cent of all rail freight in Morocco and almost 75 per cent of the freight transported by sea.

But although Morocco produced a variety of minerals, it is phosphate rock and fertilizers, including phosphoric acid, diammonium phosphate, and triple superphosphate that remain significant on a global scale. In 2002 the country's mineral production was 24.3 million tons, 95 per cent of which was accounted for by phosphates. Phosphates account for more than 30 per cent of all Moroccan exports and 70 per cent of the mineral exports.

The main phosphate ore deposits are located less than 150 km from shipping ports, and a substantial industrial capacity exists to process phosphates into a range of chemical products and fertilizers. The production of the phosphate ore is undertaken by four mining centres, these being Khouribga, Youssoufia, Benguerir and Boucrââ.

There are a number of phosphate-based chemical plants in Morocco: Maroc Chimie I, at Safi (phosphoric acid and fertilisers), Maroc Chimie II, at Safi (phosphoric acid), Maroc Phosphore I, at Safi (phosphoric acid and mono-ammonium sulphate), Maroc Phosphore II, at Safi (sulphuric acid and phosphoric acid), Maroc Phosphore III and IV at Jorf Lasfar, and Maroc Phosphore V and VI are planned at Jorf Lasfar. Maroc Phosphore II is one of the largest phosphoric acid complexes in the world. The complex uses local phosphates and sulphur imported from Saudi Arabia, Poland and Canada.

Oil and Coal

Although Morocco contains no significant proven oil resource and most of its sedimentary basins in the country have not yet been explored, several companies, including Enterprise Oil, Lasmo, ROC Oil, Shell, Taurus Petroleum, and Vanco Energy, have been issued permits to explore offshore Morocco in recent months. The largest of these permits went to Lasmo for the Ras Tafalney block, located offshore the coastal town of Essaouira. The block is geologically similar to large hydrocarbon basins off Angola, Congo and Nigeria.

Morocco has oil shale deposits in the Atlas Mountains, but these have not been exploited for economic reasons.

In October 1998, IPIC and Cepsa formed a 50-50 joint venture called Cepsa Maghreb to market and distribute petroleum products and Liquefied Petroleum Gas (LPG) in Morocco. Products are to be supplied from Cepsa's refineries in Spain, and French company Vitogaz is building an LPG import terminal and tank farm near Casablanca. Meanwhile, Spanish oil and gas group Repsol has announced its intentions to invest USD20 million in Morocco's energy sector over the next five years.

Morocco produces coal from its one mine at Jerada, and imports coal from the United States, Colombia, and South Africa. Coal is consumed largely by power plants at Mohammedia and Jorf Lasfar. With electricity demand increasing around seven per cent annually, Morocco plans to expand the Jorf Lasfar plant with the addition of two 330-megawatt (MW) units on a build-operate-transfer (BOT) basis. Mohammedia is supplied through the port of Casablanca, which has been stretched to its limits by increased coal imports.

Gas, Electricity and Renewable Energy

Although it contains only small natural gas reserves of its own, Morocco is a major transit centre for Algerian gas exports across the Straits of Gibraltar to Spain, via the 300-billion-cubic-foot-per-year Maghreb-Europe Gas (MEG) pipeline. Morocco produces small volumes of natural gas from the Gharb Basin in the north, and appears to have a considerable gas field at Meskala just north of Essaouira.

Morocco's National Office of Electricity (ONE) has an ambitious plan to supply the countryside with electricity by 2010. As part of this plan, a new, 350-470-MW combined-cycle power plant, to be fired by natural gas from the MEG pipeline, is planned. The plant, Morocco's third independent power project (IPP), is to be built at Tahaddart in northern Morocco, and completed by 2005. Electricité de France and Spanish energy conglomerate Endesa each have 30 per cent stakes in the project, while ONE has a 20 per cent stake (with 20 per cent to be tendered). In September 1998, Endesa signed a deal with ONE to supply Morocco with 300 gigawatt hours of electricity through November 1998.

As a result of Morocco's growing demand for electricity, installed electric capacity has increased from 2455 mw in 1992 to 3795 mw in 1996. ONE also is looking at solar power, as well as at building wind power parks throughout the country. In late 1998, ONE awarded a USD56 million construction contract to a French joint venture (CED) for a 50-MW wind farm to be built near the Straight of Gibraltar. If completed, this would be the first wind farm in Africa and the Arab world, according to ONE.



3. *The Food Industry and the Agriculture Sector*

Agriculture plays a major economic and social role in Morocco and contributes largely to efforts of economic takeoff that the Kingdom has been undertaking for some decades.

The agriculture sector employs about 40 per cent of the active population and represents 21.7 per cent of the GDP. Currently, the agricultural industry is worth approximately USD5.6 billion, represents just less than USD1 billion in exports, and offers 60,000 jobs to the country's workforce.

The country's area is estimated at about 7.1 million hectares, including 40 million hectares of agricultural land plots. The existing water facilities supply presently about 13.7 billion cubic meters of water, of which 11 billion cubic meters of surface water and 2.7 billion cubic meters of underground water.

The key primary food crops produced are wheat, sugar beets, barley, potatoes and sugar cane. The primary meat products are chicken, mutton, beef, game and goat. The largest agricultural exports (in value terms) are fishery products, oranges, citrus fruits, olives and tomatoes.

Over 90 per cent the country's agriculture is rain-fed and thus this output is very unreliable. Drought conditions in 1997 depressed activity in the key agricultural sector, holding down exports and contributing to a two per cent contraction in real GDP. Favourable rainfalls in the fall of 1997 led to a robust 6.3 per cent real GDP growth in 1998.

The goal set by the public authorities in the early 1960s is the irrigation of one million hectares. Efforts undertaken in studies and construction of water-supply facilities have resulted in the construction of 90 large dams with an overall capacity of 14 billion cubic meters. Overall, areas irrigated by large, middle and small dams are presently estimated at more than 1,004,000 hectares, including 332,300 hectares irrigated by large dams and 671,700 hectares by small and middle dams.

The agriculture sector is to be opened up to foreign investors. Tenders to cultivate a total of 56,000 hectares of fertile land were launched by the Ministry of Agriculture in October 2004, while tenders for a further 40,000 hectares were offered during the first half of 2005. Contracts will range from 17 to 40 years, enabling private farming concerns to invest in improving the quality of land in the long term.

Cereals, Fruits and Animals

The production of three major cereals (hard wheat, soft wheat and barley) reached in 2003 around 80 million quintals, which represents a 59 per cent increase on the previous year's harvest. Thanks to this output, 115 per cent of the consumption needs were met in comparison with a previous average rate of 80 per cent.

Citrus fruits are grown over an area of 74,700 hectares, or ten per cent of the total area where fruit trees are grown. Most of the citrus fruits fields are located in



the regions of Souss, Gharb, Moulouya and Tadla, which hold together more than 80 per cent of the total area. Some 44 per cent of the national citrus fruits output is destined to exportation, ten per cent are processed and 46 per cent are consumed fresh at the local market.

In terms of animal production, the year 1996 recorded a production of 850 million litres of milk, which represents an increase of 54 per cent in comparison with 1995. Some 250,000 tons of red meat and 230,000 tons of white meat were also produced the same year, which represents respective 16 per cent decrease and a 20 per cent increase.

Morocco has a rich fisheries sector which employs about 400,000 people, directly and indirectly. The country has a coastline of 1,835 km along the Atlantic Ocean and Mediterranean Sea which contributed about USD1 billion dollars to the economy in 2004 and annually accounts for roughly 15 per cent of Morocco's agriculture GDP.

The chief Moroccan fishing centres are in Agadir, Safi, Essaouira, and Casablanca and the fish catch includes sardines, tuna, mackerel, anchovies, and shellfish. Much of Morocco's fish is processed-frozen or canned for export to Europe.

Food Industry

The food processing sector is one of Morocco's key industries. Morocco's food processing industry is one of its primary industries due its integration of the country's rich and highly diversified local natural resources. This is a strategic industry capable of feeding a rapidly growing population and producing economic activity through exporting.

The Moroccan food industry is dominated by a large number of small family enterprises that average less than 50 employees. The government still owns some food processing units such as sugar refineries, tobacco mills and breweries.

Morocco, which used to import its total needs of sugar after independence, produces presently more than 438,000 tons, which is half of the national consumption which reached 889,000 tons in 1996.

In 1996, the production of flour and pasta progressed by 3.9 per cent against 1.4 per cent in 1995. Industrial flour mills ground 26.5 million quintals of soft wheat, producing 20 million quintals of flour, including 9.5 million quintals of subsidised flour.

Milk is processed and conditioned by co-operatives based in various production areas in Casablanca, Agadir, El Jadida, Fes, Marrakesh, Kenitra, Oujda, Tetouan and Fkih Ben Salah. The quantities of produced pasteurised milk were estimated at 4.05 million hectolitres, or half of the local milk production. This quantity is 26 per cent higher.

Groupe Banques Populaires

MANAGEMENT COMMITTEE

Composition

- 5 chairmen of the board of the BPR
- 5 representatives of the BCP

Main tasks

- Definition of the general guidelines for the CPM
- Administrative, technical and financial control of the Group's bodies
- Any measures necessary for the smooth running and financial balance of the CPM.

BANQUE CENTRALE POPULAIRE (BCP)

- Public limited company with fixed capital held by the State, the Banques Populaires Regionales and the private sector
- Central organisation of the BPR
  - * Management of surplus cash flow of the BPR
  - * Management of the services of common interest to the bodies of the CPM (International – information systems – strategic marketing, etc)
- Setting up of credit to carry out all the banking transactions.

BANQUES POPULAIRES REGIONALES (BPR)

11 banks formed as a cooperative with variable capital almost entirely held by 465 000 company customers

* Casablanca
* Centre-Sud
* El Jadida-Safi
* Fès-Taza
* Oujda
* Laâyoune
* Meknes
* Marrakech-Beni Mellal
* Nador-Al Hoceima
* Rabat-Kénitra
* Tanger-Tetouan

ROLE

The Crédit Populaire du Maroc (CPM) is mainly in charge of fostering the development of all the SMEs, craft, industrial and service companies by the granting of short, medium and long-term loans. It contributes to the deployment of savings, their use in the regions where they are collected and the promotion of local and regional banking activities.

MAIN SUBSIDIARIES

- CHAABI LEASING (leasing)
- ASSALAF CHAABI (consumer credit)
- MAROC ASSISTANCE (assistance)
- AL WASSIT (brokerage)
- AL ISTITMAR CHAABI (collective savings management: mutual funds and unit trusts)
- CHAABI LLD (long term rental)
- MEDIAFINANCE (capital markets)
- MOUSSAHAMA (risk capital)
- BANQUE CHAABI DU MAROC-PARIS (bank)
- BANQUE POPULAIRE MAROCO-CENTRAFAFRICAINE (bank)
- BANQUE POPULAIRE MAROCO-GUINEENNE (bank)
- CHAABI INTERNATIONAL BANK (Offshore BANK)

INDICATORS	2004	2005
• Total balance sheet (MDh)	106 402	119 927
• Customer deposits	88 688	98 764
• Assets (MDh)	89 082	94 969
Including loans for the economy	37 537	43 345
• Equity capital (MDh)	10 439	12 123
• Net profit (MDh)	1 283	1 688
• Operating coefficient	45.3 %	45.7 %
• Branches	485	530

BANQUES POPULAIRES GROUP MARKET SHARE

	Market share 2004	Market share 2005
• Resources	30.15 %	29,98 %
• Credit for the economy	22.91 %	23.12 %

MDh : millions of dirhams

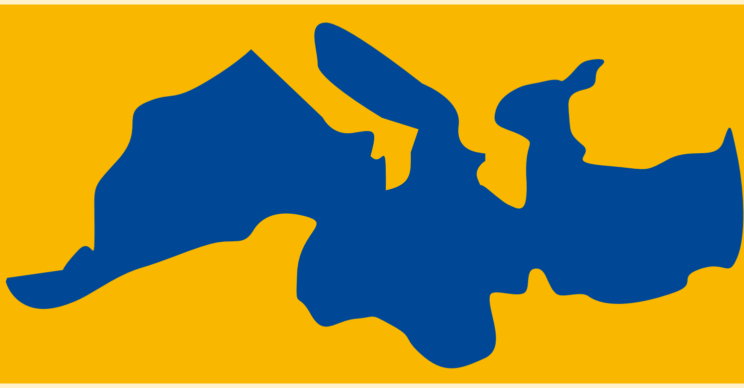
1 Dirham = 1 MAD = 0.11 Dollar

FOUNDATIONS

- Banque Populaire Foundation for company start-up
- Banque Populaire Foundation for micro-credit
- Banque Populaire Foundation for education and culture

مجموعة البنوك الشعبية
groupe banques populaires

www.cpm.co.ma



INTERVIEW

H.E.Mr Fathallah OUALALOU,
Minister of Finance and Privatisation

Morocco registered a real growth rate of 1.7% in 2005. What are for you the main factors that have affected this growth?

Despite insufficient rainfall and negative external factors, the Moroccan economy has shown a great capacity of resilience to exogenous shocks. Although economic growth was relatively weak in 2005 at 1.7% compared to the rates of 5.5% and 4.2% achieved respectively in 2003 and 2004, it has stood above expectations. On the other hand, non-agricultural GDP grew steadily at 5.2% in 2005 which corroborates the transition of the Moroccan economy to a new growth path.
The deceleration of growth in 2005 is due mainly to a contraction in agricultural output, a decline in exports partially as a result of a weaker European demand, the surge of Chinese competition in world textile sector, as well as a sharp rise in oil prices. These factors have counterbalanced the good performances achieved in tourism, transport, construction, energy, mining (notably phosphates) and some other branches of industry. Moreover, domestic demand has been rather buoyant, despite the fall in agricultural incomes, owing to strong levels of public and private investment.
In terms of perspectives, recent trends suggest that overall GDP expansion is forecast to attain almost 7% in real terms in 2006. Growth momentum is underpinned by the strong recovery in agricultural output due to a good harvest, the development of new offshore activities, the growth of real estate sector as well as the pursuit of implementation of big structuring projects (Tangier Mediterranean Port, the National Program for Motorways, the Mediterranean by-road…). Also, investment should continue to increase in line with growing foreign involvement in the tourism, textile and banking sectors. In addition, the contraction in export performance is beginning to reverse, partly as the advent of intensified competition from Asia have prompted more international firms with factories in Europe to reduce their labour costs by relocating to Morocco, which enjoys close proximity to the European market. Notwithstanding, the entry into effect of Morocco's FTA with the US should give a boost to productivity growth in the textile sector, and should support broader investment in the economy.

Morocco is entering a new phase of economic development. What are the reforms implemented to liberalize the economy and what about the privatization that started a few years ago?

Starting with the privatisation process, it is important to notice that it has so far generated nearly 77 billion dirham in revenues to the Government and led to the liberalisation of key sectors in the economy, including telecommunications, electricity, oil refining, cement, steel and tourism. In 2005, 70 entities out of 114 initially listed for sale have been privatised, including 44 companies and 26 hotels. However, the sale of government stakes in Maroc Telecom and Régie des Tabacs were by far the largest privatisation operations achieved by Morocco. Despite its relative deceleration, the privatisation trend is expected to remain fairly strong in 2006, bringing in around 5 billion dirhams of revenue to the Government.

This result reflects international investor's confidence on Morocco's economic fundamentals and prospects and it is mainly driven by a dynamic process of reforms. Indeed, Morocco's macro-economic fundamentals have strengthened markedly, with the reinforcement of public finance sustainability, the improvement of the country's external financial position and the utmost monetary stability.

Along with the privatisation, the Government awarded concessions for the management of energy, wastewater treatment and urban transport. These concessions improved the performance of the conceded companies and had structuring effects on the abovementioned sectors without affecting the employment. They also contributed to increasing the tax revenue.

As regards the liberalization of trade, Morocco undertook a large set of reforms. To this end, a number of free trade agreements were concluded with the world leading economies (the United States, the European Union) as well as with some Mediterranean countries (Turkey, Tunisia, Egypt, Jordan). Within the same perspective, measures have been engaged with a special focus on (i) the customs system (reform of the Customs and Indirect Taxes Code, elimination of tariff barriers, harmonization of laws and easing of custom duties, …), (ii) on the direct promotion of exports (alleviation of customs tariffs on industrial inputs, tax incentives…), on (iii) the conclusion of a range of bilateral and multilateral agreements in order to further open and liberalize the economy and to eliminate double taxation between Morocco and some trading partners and on (iv) the conclusion of agreements on the protection of investments.

As the Moroccan economy is in expansion, a bigger need for investment is experienced. Have you implemented incentives to further attract foreign direct investment in Morocco?

Certainly, the growth requirements of Moroccan economy can not be met solely on the basis of domestic investments. The need to attract foreign investment has always been a major component of Morocco's economic strategy. The process of political liberalisation, economic upgrading, full capital account convertibility for foreign investors and trade openness represent in fact key elements that are intended to boost foreign investments and consequently to promote Morocco as a major FDI destination.

Besides, concrete steps were undertaken to promote foreign investment and improve the overall business environment through the restructuring of legal and institutional framework through the:

- Setting up of regional centres for investment and creation of one-stop windows to streamline investment procedures;
- Strengthening of hosting structures and alleviation of real estate constraints;
- Strengthening of technologic infrastructures;
- Promulgation of an investment charter and the adoption of a new Labour Code;
- Stock exchange market modernization and the banking sector reforms (new banking law, Central Bank Charter);
- Implementation of tax incentives.

With regards to the installation phase, incentives cover various measures such as the exemption from formalities for land acquisition, reduction of some taxes and fees (reduced import duties and registration fees) and the exemption from other taxes for the first five years (patent tax, urban tax,..), as well as the exemption of reimbursement of VAT for equipment, material and tools acquired locally or imported.

At the operational phase, incentives granted to investors enclose for instance full exemption from corporate and income tax for exporting enterprises for a period of five years and a 50% exemption thereafter, a full reduction in corporate tax or income tax for enterprises located in free zones during the first five years and a reduction varying from 10% to 8,75% in corporate tax during the next 10 years, the possibility for companies to create an annual investment reserve free of tax and the application of sliding scale amortization for equipment.

In parallel, various large-scale infrastructure projects were launched such as the Tangier Mediterranean Port, the Bouregreg Bay, the motorway programme and the setting up of new industrial and technology parks. This buoyant process of modernisation is expected to further lift foreign direct investment and to serve best the requirements of a greater integration of the Moroccan economy within regional and international economy.

What are for you the most promising sectors for foreign investors right now?

With view to the rising potential of the Moroccan economy, many sectors seem to be very promising for foreign investors. As an emerging economy, Morocco is experiencing recently a constant rise of foreign investment in a variety of industrial branches and also in services. These investments are "green-field investments" which are not necessarily linked to privatization. However, the potential of Morocco in terms of FDI flows is still untapped compared to other fast growing emerging economies.

In this respect, a new industrial policy under the name of "Plan Emergence" was launched by the Government. This plan, representing an innovative strategy dedicated to the promotion of Morocco's seven world metiers, aims at promoting new key sectors namely off shoring, automobile, aeronautics and specialised electronics as well as boosting the traditional competitive sectors: food industry, halieutic production, and textile.

In particular, the off shoring is seen as an important sector to attract outsourcing activities, including the processing of finance, accounting, and banking data, in addition to teleservices. The aim of Morocco is to profit from the existing opportunities offered by European markets, mainly French and Spanish markets, and to replicate the experience of India, which attracts tremendous FDI flows each year through subcontract services for the Anglo-Saxon countries.

Furthermore, it is worth to notice the enormous opportunities in the housing sector, with the setting up of new cities and the development of economic housing, as well as in the tourism sector through an ongoing project called "plan Azur" which aims to create 6 big seaside resorts and to enable Morocco to host 10 million tourists by 2010.

H.E. Mr Fathallah OUALALOU,
Minister of Finance and Privatisation

4. Banking, Finance and Insurance

The Moroccan banking sector was regulated by the 1967 law. This law made a very clear distinction between commercial (or deposit) banks and specialist financial organisations (OFS). The OFS were governed by their own texts and had the function of assisting, by means of medium and long term loans, the financing of investments and special sectors. The aim of the commercial banks was to carry out loan operations and to receive sight deposits or term deposits of less than or equal to two years.

At the beginning of the 1990s, the Moroccan authorities started a reform process, mainly focussed on overhauling the legal and regulatory framework of the financial system and increasing the role of market forces.

A new banking law was introduced in 1993 with a novel concept, largely inspired by international experience, that of the universal bank. By virtue of this law, banks may exercise and commercialise the whole range of bank products and services. This notion cancels the specific roles played by commercial banks and the specialised financial organisations.

This law for the first time regulates the finance companies (consumer credit companies, hire purchase companies …) by considering them in the same way as banks or credit establishments. The new law is characterised by three main innovations: the unification of the legal framework, the creation of three institutions (the National Council of Money and Savings (CNME), the Committee of Credit Establishments (CEC), and the Commission of Credit Establishments (CDEC), and the protection of savers and borrowers by a range measures (respect for the rules of careful management, new conditions of activity…).

At the end of 2003, new legislation for the financial sector was prepared and included the reform of the Central Bank's Status, by strengthening its independence and supervisory function as well as its leading role in monetary management and banking sector regulation. A new banking law, which includes the creation of a joint supervisory commission for the both banking and non-banking sectors, a number of provisions regarding the financial sector, such as the strengthening of the financial market supervisory body, and the reinforcement of the control of financial operators were decided the same year too.

The Moroccan banking sector is characterised by a strong concentration. This concentration is materialised by the predominance of the largest banks in terms of market share. The leading three establishments achieved more than 50 per cent in market share terms in 2002.

The "Groupe Banques Populaires" (Banque Centrale Populaire and Banques Populaires Régionales) holds a market share of 21.34 per cent and 29.9 per cent in deposits. The Banque Commerciale du Maroc occupies the second position with 15.7 per cent in deposits and 12.5 per cent in loans. The Banque

Marocaine Pour le Commerce Extérieur records a share of 13.8 per cent in deposits and 12.6 per cent in loans.

Bank Al-Maghrib, the central bank, was founded in 1959 and is responsible for issuing notes and coins, as well as setting and implementing monetary policy. The monetary unit is the Moroccan Dirham. Bank Al-Maghrib uses a basket of currencies, weighted on a trade basis, to value the Dirham. The currency has seen real appreciation against the currencies of its main trading partners during the last decade.

Bank Al-Maghrib also has a large responsibility in regulating and monitoring banks and other credit institutions. Commercial banks established in the country are allowed to have foreign majority ownership. The four largest banks are Banque Commerciale du Maroc, Banque Marocaine du Commerce Extérieur, Crédit du Maroc and Wafabank. Moody's rating agency rated the banks for the first time in 1998.

Casablanca Stock Exchange

The Casablanca Stock Exchange was founded in 1929. In 1993, the publication of a set of reforming legal bills concerning financial markets provided the Casablanca Stock Exchange with the regulatory and technical framework it needed for its development. Some 55 companies are listed on the Casablanca Stock Exchange.

The Casablanca Stock Exchange is a limited company governed by private law with Executive and Supervisory Boards and a capital of USD 1,657,430 held in equal parts by the market's brokerage firms. Its main role concerns the organisation of the Moroccan stock market. As a services company, the Casablanca Stock Exchange ensures that the market functions properly and safely and it oversees its promotion and development.

It is responsible not only for the management and supervision of markets and electronic trading systems and dissemination and publication of market information, but also it is in charge of the recording of transactions and the guarantee of payment against securities sold and delivery against securities purchased. The Casablanca Stock Exchange also provides assistance to issuers for the listing of their securities and the management of their financial operations.

Insurance Sector

The insurance industry has been rationalised as a number of companies have gone out of business and a recovery plan has been drawn up for companies that are still in difficulties. A new insurance code was published in October 2002. In order to provide commercial insurance services, companies must set up a head office in Morocco. The Ministry of Finance and Privatisation's Insurance Supervision Directorate has had its institutional capacity strengthened.



5. *Moroccan Garment Manufacturing Industry*

Morocco's textile and clothing industries account for 21 per cent of industrial production in the country and 34 per cent of total exports, employing 40 per cent of industrial workforce.

In 2002 Morocco's government presented a new plan, which was prepared with Morocco's Textile and Clothing Industry Association (AMITH), and intended to boost textile and clothing industries with this new program aimed at reducing costs and attracting foreign investment

According to this plan, Morocco's state will refund 50 per cent of social charges paid by companies during a three-year period, and a new fund will be set up to help producers in implementing restructuring programs, investing in updated technology, selecting niche markets, and launching new products.

In order to attract investment, authorities will grant substantial incentives through a new fund called "Fortex". Ad campaigns will also be launched in Western Europe to seduce foreign investors.

With this plan, authorities want to improve textile and clothing exports from USD1.27 billion in 2001 to USD3.29 billion in 2010. Total sales would rise from USD1.88 billion to USD4.23 billion in the same period.

The AMITH also promised it would improve general working conditions, and training would be substantially developed in the coming years.

Free Trade Agreement with the United States

The 2004 Free Trade Agreement provides opportunities for this industry and Moroccan firms are already certified and supplying major American brands.

The United States imported over USD36 million in garments from Morocco in 1993. The same year, the United States imported over USD 250,000 worth of hand-made carpets from Morocco. The United States imports approximately four to five per cent of total carpets exported from Morocco.

Moroccan exporters will possibly develop sales to the United States in the coming years after a free trade agreement will have been concluded between Rabat and Washington.

U.S.-based Fruit of the Loom recently announced plans to relocate all of its Irish spinning, knitting, and dyeing operations to Morocco. Its facilities will assemble underwear, sportswear, and children's clothing.

Settavex

The International Finance Corporation invested USD14.4 million in Settavex, the largest integrated textile company in Morocco, to help it move to producing higher value-added products.

IFC, part of the World Bank Group, fosters economic

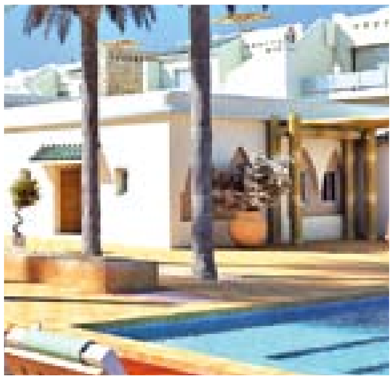


growth in the developing world by financing private sector investments, mobilizing capital in the international financial markets, and providing technical assistance and advice to governments and businesses.

The IFC provided a USD5.4 million loan and an equity investment of up to USD9 million. Settavex is responding to strong competition in the industry by undertaking a USD46 million upgrading and expansion project to shift part of its output from commodity-like basic articles to higher-margin, more refined differentiated articles such as gabardines, khakis, chinos and corduroys. Settavex, which specializes in the production of denim fabric, is 100 percent owned by Tavex Algodonera, a leading European manufacturer of denims.

This investment program will help Settavex respond to global market trends and maintain its competitive edge by adding manufacturing flexibility. It will help Moroccan garment manufacturers to be more responsive in an industry where a quick turnaround time is critical, allowing them to take fuller advantage of Morocco's proximity to Europe.

In the first phase of its expansion, in 1998-1999, Settavex invested USD28 million in a dyeing and finishing facility and a 3.4 MW power generation plant. Settavex later invested USD18 million to improve its spinning and weaving capacity. The company sought IFC funding for the first phase of the project.

6. Tourism Sector: a Fast-growing Sector

Morocco boasts important natural and historical assets and a rich and diversified cultural legacy. Increasing priority is being given to tourism because of its positive economic and social impact. The Moroccan government's goal is to attract ten million tourists to its country by 2010.

Morocco 2010, an initiative underwritten by the Ministry of Tourism, has poured millions of dollars into the country's hospitality infrastructure. By 2010, the program is expected to double Morocco's total number of hotel beds to 230,000

Tourism is, with 2.5 million tourists visiting Morocco each year, the country's second largest earner of foreign exchange after mining. The majority of visitors are from Europe, although North American tourists are also beginning to travel to Morocco.

Morocco's proximity to Western Europe, its long warm season, numerous beaches and historic cities contribute to a successful tourist sector. Increased investment in tourist sector infrastructure, such as hotels, airports and roads, has improved the country's ability to deal with tourists. In addition, improved water and electricity distribution networks have enabled the construction of a string of large hotel complexes in Casablanca, El Jadida, Essaouira, Marrakech, Ouarzazate and Tangier.

The government is looking to the private sector to continue the development of the tourist sector. Although the numbers of tourists and tourist nights stayed have not recovered to levels enjoyed by the Moroccan hospitality industry prior to September 11, 2001, tourism continues to be a vital component of the national economy, contributing nearly USD3 billion each year to the country's GDP. According to Ministry of Tourism figures, 19 per cent more tourists visited Morocco during the first half of 2004 compared with the same period in 2003 and indications for 2005 are optimistic.

Accommodation

There is quite a variety of choices when it comes to choosing accommodation in Morocco.

The Kingdom has about 100,000 hotel beds to provide for its thriving tourist market. There is quite a wide choice of accommodation in all sizeable centres. The upper end of the market is represented by internationally known hotels in most main towns, notably Agadir, Marrakech, Tangier and Casablanca. Major hotel chains such as the Hilton, Hyatt, Sheraton, Holiday Inn and Méridien are present in the Kingdom.

There are about 40 five-star hotels, 25 tourist villages and clubs, and over 139 hotels with four-star rankings in Morocco. These accommodations are concentrated mostly in the cities of Agadir, Marrakech, Casablanca, Rabat, and Fes.

Self-catering apartments are also available in Agadir, Marrakech and Tangier. They are a little cheaper than the most hotels and are very comfortable. A self catering apartment or a guesthouse might be a better choice for money saving, if the whole family is on holiday.

Travellers can also stay in established campsites that have good facilities in many parts of Morocco. Camping or caravanning can be a good social experience and because of Morocco's thriving tourist market, the campsites are always well visited and very vibrant.

There is also the possibility of renting a typical Moroccan house, a riad. A riad is a house built around a patio garden. In fact, the word riad correctly refers to the garden rather than to the house. Riads are usually rented by the room or sometimes the whole house. Most of them have roof terraces, some have plunge pool or Jacuzzis, pretty much all offer en-suite rooms, and breakfast is usually included in the room price.

Art and Culture

Morocco has a rich culture and civilization. Each region possesses its own specificities, contributing, thus, to the making of national culture and to the civilization legacy. Morocco has set among its top priorities to protect all forms of its legacy and preserve its historical monuments.

Many historical examples of fine Moroccan art are on display at the local museums, while more modern examples are on display at art galleries and in souks. There are a large variety of arts: carpets, clothing, jewellery, ceramics, sculpture, painting, carving, and calligraphy. They hold an international art festival once a year to showcase their talent.

Moroccan culture can be an exciting and worldly experience. The people are friendly and the place is colourful. As hospitality is really a part of the culture, travellers can strike up friendships virtually anywhere if they have the right attitude. Usually, this results in further association with these dynamic and interesting people and a real taste of Moroccan life.

Since its independence, Morocco has witnessed deep socio-cultural mutations and it is within these changes that arts are being organized for several decades. It was decided to allocate one per cent of the local council's budget to the building of a culture compound, and to the sponsorship of artists. It is likewise projected to create in each region, two drama companies that local councils will finance and supply with the appropriate means.

The Moroccan National Tourist Office

With its headquarters in Rabat and representative offices in 14 countries (Austria, Belgium, Canada, France, Germany, Great Britain, Italy, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, United Arab Emirates, and United States of America), the National Tourist Office is a governmental agency for the promotion of Morocco to increase tourist arrivals and receipts.

Its missions are to strengthen actions of tourism professionals to increase their effectiveness through a marketing expertise, contribute to the diffusion of tourist arrivals throughout the Moroccan territory, and support national development tourism projects.

The Office has four main departments: communication, markets, marketing and general affairs.

Regional and International Relations
1. Regional Relations

Morocco is one of the four signatories of the Agadir free trade agreement with Tunisia, Egypt and Jordan, which is open to other countries too. The agreement, signed in 2001, establishes an enlarged Free Trade Zone encompassing the Arab Mediterranean countries.

In order to establish and develop the Great Arab Free Trade Zone and contribute to the efforts exerted with a view to creating a common Arab market, the four countries charged a group of experts to sustain the political framework and set up the mechanisms required for the creation of the Zone.

EU-Morocco Relations

Morocco has signed several agreements with the European Union on economic cooperation, including one establishing a free trade zone for industrial goods over a 12-year transition period.

Inaugurated at the 1995 Barcelona conference, the Euro-Mediterranean Partnership established a policy with ambitious and long-term objectives. The three main fields of activity within the Barcelona process are the political and security partnership, the economic and financial partnership, and the partnership in social, cultural and human affairs.

Morocco strongly supports the Barcelona process and has stressed the role of sub-regional co-operation. The Association Agreement with Morocco sets out in more detail the specific areas in which the Barcelona process objectives can be developed bilaterally with Morocco. In the political dialogue, Morocco has been one of the more open partners as regards human rights and democratisation. Morocco is particularly keen to develop co-operation on security and defence policy (ESDP), and already participates in EU-led peace-keeping activities in the Balkans and in Africa.

The EU-Morocco Association Agreement was signed in Brussels, on February 26, 1996 and following its ratification by the Parliaments of the EU Member States, the European Parliament and the Moroccan Parliament, entered into force on March 1, 2000. It replaces the 1976 Co-operation Agreement.

Trade with the EU is being liberalised in accordance with the provisions of the Association Agreement. As of March 2003, a number of basic industrial goods originating in the E.U. are allowed entry into Morocco, free of customs duty. Progressive tariff dismantling for all the other industrial goods has started with 10 per cent abatement. In addition, the authorities eliminated the use of reference prices as recommended by the WTO. Trade in raw materials and equipment not produced locally was fully liberalised in 2003.

This makes Europe Morocco's strongest export partner, with EU countries making up about 80 per cent of its trade.

2. International Relations

Canada - Morocco Relations

Canada and Morocco's friendly, diplomatic relationship which dates back to 1962 continues to grow. This is due to many bilateral visits between the two countries, Canadian financial aid given to Morocco as well as the large Moroccan population living and attending university in Canada. Currently, Moroccans make up the Canada's largest North African community.
Bilateral trade between Canada and Morocco has gradually increased over the past decade, although the countries' exchanges remain rather modest and undiversified. In attempt to become a more active trading partner, Foreign Affairs and International Trade Canada organized trade initiatives, which began in 1997 and included trade missions in various sectors such as environment, health and education. In 2000, Canada led a multi-sector trade mission to the Maghreb which included visits to Morocco and Southern Europe. This was the largest ever Canadian trade mission to North Africa.

Canada and Morocco relations have also flourished due to Canadian social development programs for Moroccans which have been ongoing since 1963. Since 1963, the outlay of the Canadian International Development Agency (CIDA) assistance to Morocco has totalled over USD400 million, with bilateral assistance alone totalling nearly USD340 million. The two governments are now working together to focus Canadian support on Morocco's new development needs.

United States – Morocco Relations

U.S.-Moroccan relations are characterized by mutual respect and friendship. They have remained strong through cooperation and bilateral contacts and visits, including King Mohammed's visit to the United States in July 2004, and Secretary of State Colin Powell's visit to Morocco in December 2004 for the "Forum for the Future".
The shared interests of the United States and Morocco include the economic prosperity of both countries, countering terrorism and extremism, the pursuit of a just and lasting peace in the Middle East region, support for U.S. efforts in Iraq, the maintenance of regional security and cooperation, and sustainable development and protection of the environment.
In June 2004, the United States and Morocco signed a comprehensive bilateral Free Trade Agreement (FTA), America's second with an Arab country and the first in Africa. Under the agreement, customs duties on 95 per cent of consumer and manufactured goods will disappear on the first day of implementation.
The U.S. Agency for International Development (USAID) and its predecessor agencies have managed an active and effective assistance program in Morocco since 1953, for a cumulative amount exceeding USD2 billion. The amount of USAID assistance to Morocco in 2005 was USD28.2 million.
USAID's current multi-sectorial strategy (2004-2008) consists of three strategic objectives in economic growth and job creation, basic education and workforce training, and government responsiveness to citizen needs. Funding for the five-year strategy has been approved at USD99.4 million.

The Moroccan Chambers of Commerce and Industry

Agadir	The Chamber of Commerce and Industry and Services	Bd. Hassan 11 - BP 240 80001 AGADIR	212 4 884 71 41	212 4 884 54 55
Al Hoceima	The Chamber of Commerce and Industry and Services	Av El Ouahda Al Ifriquia 32000 AL HOCEIMA	212 9 982129	212 39 984904
Al Jadida	The Chamber of Commerce and Industry and Services	Av. Mohamed Rafil V - BP 53 24001 AL JADIDA	212 2 334 23 02	212 2 334 10 04
Beni Mellal and Asilal	The Chamber of Commerce and Industry and Services	Bv Beyrouth - BP 271 BENI-MELLAL ET AZILAL	212 3 482434	212 2 334 10 04
Casablanca	The Chamber of Commerce and Industry and Services	98 Boulevard Mohammed V - P.O. Box 423 21000 CASABLANCA	212 22 26 85 75	212 22 226 84 36.
Errachida	The Chamber of Commerce and Industry and Services	48 Av. D'Ocean - BP 6 52001 ERRACHIDIA	212 5 557 31 06	212 5 557 04 48
Essaouira	The Chamber of Commerce and Industry and Services	Cité Administrative Borg 1 44000 ESSAOUIRA	212 4 478 46 66	212 4 478 59 32
Fez	The Chamber of Commerce and Industry and Services	Boulevard Chefchaouni - BP 2203 FES	212 55 93 25 66	212 556 53 418
Kelâa des Sraghna	The Chamber of Commerce and Industry and Services	Av. Youssef Ben Tachfine BP 148 El KELÂA DES SRAGHNA	212 44 41 20 56	212 44 41 28 74
Kenitra	The Chamber of Commerce and Industry and Services	Cité Administrative - BP 151 14001 KENITRA	212 3 737 10 80	212 3 737 15 44
Khemisset	The Chamber of Commerce and Industry and Services	Av. Hman Al Fatouaki BP 20	212 3 755 21 13	212 3 755 70 76
Khenifra	The Chamber of Commerce and Industry and Services	Cité Administrative Route de Tadla - BP 1 54001 KHENIFRA	212 5 558 64 83	212 5 538 45 83
Khourigba	The Chamber of Commerce and Industry and Services	Bv Moulay Youssef - BP 67 25001 KHOURIGBA	212 23 56 34 34	212 23 56 20 04
Laayoune	The Chamber of Commerce and Industry and Services	Av. Mega BP 265 70001 LAAYOUNE	212 4 889 49 71	212 4 889 49 72
Marrakech	The Chamber of Commerce and Industry and Services	Jnane El Harti Guéliz - BP 529 MARRAKECH	212 44 43 61 91	212 44 43 52 56
Meknes	The Chamber of Commerce and Industry and Services	Place Abdelaziz Ben Driss - BP 325 50001 MEKNES	212 5 552 12 72	212 55 51 09 51
Mohammedia	The Chamber of Commerce and Industry and Services	2, Rue Tripoli MOHAMMEDIA	212 23 31 43 30	212 23 31 43 32

Nador	The Chamber of Commerce and Industry and Services	Quartier Administratif Rue Caïd Ahmed Arrifi - B.P. 37	212 56 602885	212 56 331548
Ouarzazate	The Chamber of Commerce and Industry and Services	Av. My Abdellah - BP 51 45001 OUARZAZATE	212 4 488 28 32	212 4 488 5400
Oued Eddahab	The Chamber of Commerce and Industry and Services	BP 83 73001 OUED EDDAHAB	212 4 893 04 20	212 4 893 04 21
Oujda	The Chamber of Commerce and Industry and Services	B.P. 413 60001 OUJDA	212 56 500697	212 56 50 06 99
Tanger	The Chamber of Commerce and Industry and Services	Angle Rue Hariri et Ibn Taïmia - B.P. 411 90000 TANGER	212 39 322732	212 39 946388
Rabat	The Chamber of Commerce and Industry and Services	6, rue Erfoud Hassa – BP 218 60001 RABAT	212 37 76 78 81	212 37 76 70 76
Safi	The Chamber of Commerce and Industry and Services	Rue Tetouan - BP 59 46001 SAFI	212 44 62 30 34	212 44 62 65 82
Settat	The Chamber of Commerce and Industry and Services	7, Boulevard Hassan II - B.P. 161 2600 SETTAT	212 23 40 33 86	212 23 40 38 68
Tan Tan	The Chamber of Commerce and Industry and Services	Av. Hassan II - BP 411 TAN TAN	212 4 887 89 49	212 4 887 89 59
Taza	The Chamber of Commerce and Industry and Services	Av. Hassan II - BP 293 35001 TAZA	212 5 567 35 83	212 5 567 11 94
Tetouan	The Chamber of Commerce and Industry and Services	33, Av. Mohamed V - B.P. 691 91000 TETOUAN	212 39 963971	212 39 994180

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