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48/GS/E

The Economy

Morocco

March 1973

NATIONAL INTELLIGENCE SURVEY

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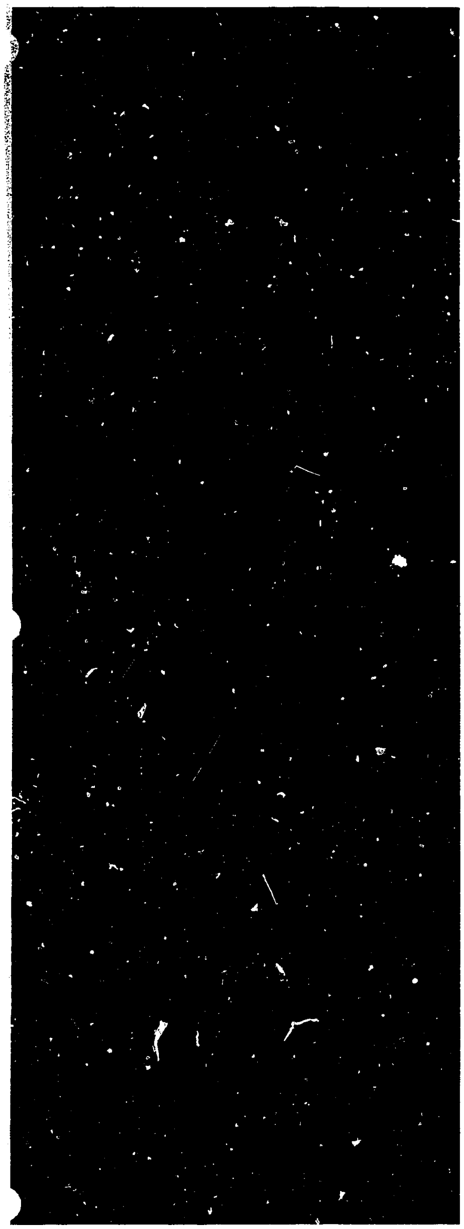

Morocco

CONTENTS

This General Survey supersedes the one dated January 1969, copies of which should be destroyed.

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FIGURES

The Economy

A. Economic appraisal (U/OU)

The Moroccan economy has grown at only a moderate rate and has changed little in structure since 1960. Output expanded at an average annual rate of 4% during 1961-71, or about 1% faster than population. Investment was distributed among sectors approximately in proportion to their contribution to GDP, and during the period most major sectors expanded at about the same rate (Figure 1). The most notable growth occurred in light manufacturing (especially fertilizers and automobile assembly), in sugar beet cultivation, and in tourism.

Government investment provides much of the impetus for growth. It averages about 40% of total investment, and much of the other investment, both public and private, is made in response to it. Economic growth in a given year, however, depends heavily on the vagaries of weather and resulting fluctuations in agricultural output. Agriculture employs almost 70% of the labor force, supplies some 50% of exports, and contributes 30% of GDP. Because it provides raw materials for manufacturing industries and because farm income is an important determinant of consumer demand, agriculture strongly influences overall economic activity. The remaining GDP is divided among manufacturing (12%), mining, energy, construction, and public works (13%), transportation and other services (16%), commerce (19%), and government salaries (10%).

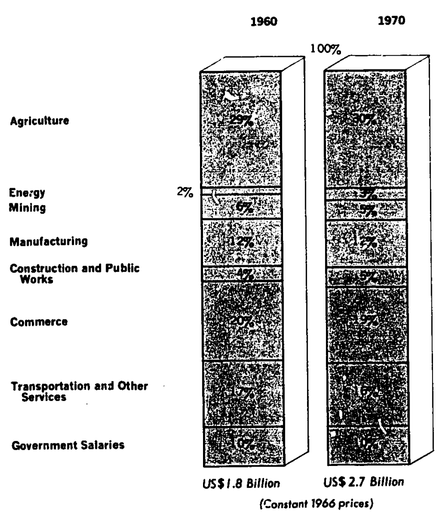

FIGURE 1. Gross domestic product (U/OU)

The resource endowment is mediocre in most respects. Morocco has a relatively large amount of arable land (Figure 2) and several perennial streams suitable for irrigation use. However, much of the agricultural land is of marginal quality because of erratic rainfall and lack of irrigation facilities in many areas. Moroccan phosphate deposits and the phosphate mining operation are among the world's largest, but known reserves of other minerals are small. The sunny beaches and exotic historical cities lure visitors, but tourism is not yet fully developed.

Although modern economic methods are slowly encroaching upon traditional techniques, the latter still predominate. Large modern farms produce citrus and fresh vegetables for export and supply much of the wheat, sugar, and vegetables consumed in urban centers. Yet the vast bulk of the rural population continues to live near the subsistence level as farmers of tiny, relatively unproductive plots or as nomadic raisers of livestock. Artisan techniques are employed to mill flour in the rural areas and to manufacture large amounts of handicraft items, mainly in the native quarters of Fes,[1] Meknes and Marrakech.

The modern economy, established by the French, encompasses most industrial production and commercial agriculture. Since independence, the principal manufacturing industries—food processing,

[1]For diacritics on place names, see the list of names at the end of the chapter and the map in the text.

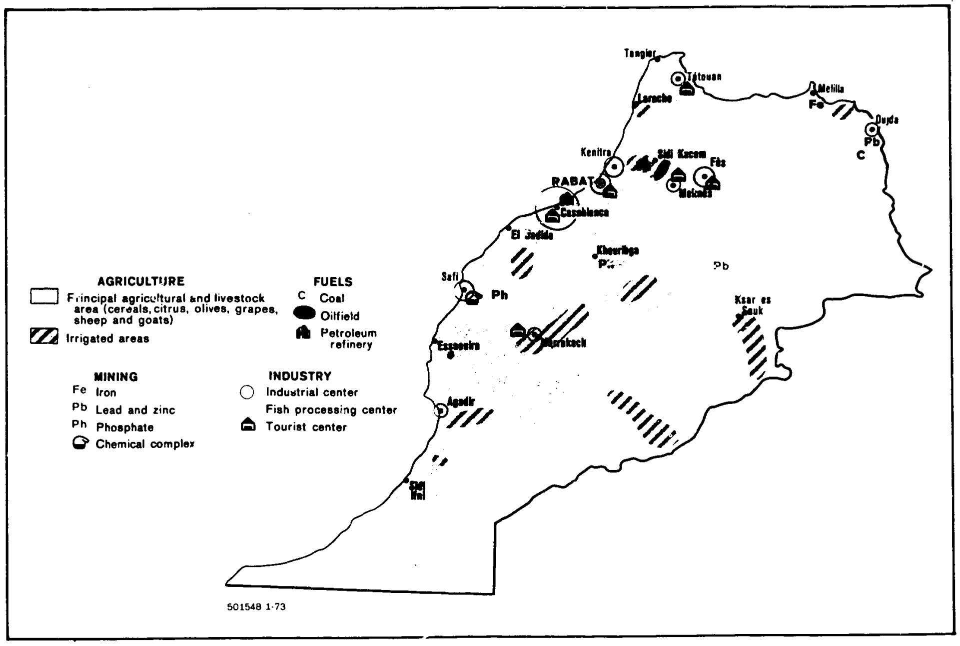

FIGURE 2. Economic activity (U/OU)

textiles, and metal processing—have been expanded moderately, and other light industries, including automobile assembly and fertilizer manufacture, have been introduced. These manufacturing industries supply most local consumer demand but are generally unable to compete in export markets.

Moroccan goods worth the equivalent of US$500 million annually, or about 20% of GDP, are now exported. Virtually all mining and most commercial agricultural production is oriented toward foreign markets; almost all heavy equipment is imported. A significant part of the staple food supply, especially wheat, sugar, and vegetable oil, also must be purchased abroad. Tourist earnings run approximately $80 million, and the persistent unemployment problem is mitigated by migration to Western Europe of workers who remit a portion of their wages to families still in Morocco. Despite tourist receipts and workers' remittances, Morocco remains heavily dependent on other nations to finance much of its food and capital goods imports. Most foreign aid is obtained from Western nations, particularly France and the United States. Morocco also accepts assistance from the Soviet Union and Eastern European states but has been careful to limit its dependence on them.

The economy has experienced a number of ups and downs since Morocco won its independence in 1956. The outflow of European settlers and capital following independence depressed economic activity. Private investment was at a low level, and government development efforts had not gotten under way. Moreover, with the departure of many Europeans, domestic demand for locally manufactured goods fell sharply. Meanwhile, many French farmers—fearful of nationalization—allowed their holdings to deteriorate.

During the early 1960's, the government sharply increased expenditures in an effort to stimulate economic activity. Although a 3.7% average annual growth was achieved during 1960-64, the rise in government expenditures eventually caused inflation and balance of payments problems. Growing demand initially was satisfied largely by increased utilization of capacity. However, public investment, concentrated in projects with relatively long gestation

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periods, increased productive capacity little, and by the end of 1963 full use of capacity was approached. Central bank financing of sizable government deficits caused rapidly rising money supply; demand increased substantially; and inflation ensued. As a result, imports climbed, and the consequent balance of payments deficits were financed by reserve drawdowns. By the end of 1964, foreign exchange reserves had reached US$12 million, barely enough to cover a month's imports.

During 1965-67, government efforts to relieve inflationary pressures plus 2 successive years of drought slowed economic growth considerably. Under a plan designed with the assistance of the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF), the government imposed foreign exchange controls and import restrictions in 1965, sought more foreign aid, and curbed its spending. Inflation consequently slowed, the budget deficit shrank, and a balance of payments surplus was realized. However, urban unemployment increased, private investment slackened, and idle manufacturing capacity rose. During 1966 and 1967, drought caused a slump in domestic consumer demand and restricted supplies of industrial inputs, reinforcing the depressing effects of 1965's anti-inflationary policies. Consequently, GDP grew only 2.5% per annum during 1965-67, while sharply increased wheat imports and lowered agricultural exports caused balance of payments deficits.

Conscious of past mistakes, the government recently has pursued stimulating but still relatively conservative economic policies. Central government investment has increased substantially since 1967, raising total investment from 13.9% of GDP in 1967 to 15.5% of GDP in 1970. At the same time, higher tax rates, more efficient collection of tax arrears, and slow expansion of ordinary expenditures have created a growing ordinary budget surplus, reduced overall budget deficits, and allowed inflation to be contained. Private investment has been encouraged by more efficient processing of requests for project approval and by the extension of incentives under the industrial investment code to more industries. Good weather and increased investment contributed to a 5.8% average annual increase in GDP during 1968-71.

Although recent economic developments have been favorable, several basic difficulties persist. Heavy dependence on rainfed agriculture has not been alleviated. Despite heavy investment in irrigation facilities during the 1960's, the percent of irrigated land increased only from somewhat less than 8% of cultivated land in 1964 to about 8.5% in 1970. Many of the dams and irrigation facilities begun during the 1960's have not been completed, and numerous problems have impeded use of those finished. Until 1968, perpetual administrative changes delayed progress at all levels. With a high proportion of agricultural land watered by rainfall, recurring droughts cause a 10% to 30% reduction in agricultural output. Drought effects are carried over to subsequent years because future production is usually mortgaged to finance the required increase in food imports.

The rate of population growth is very high, causing most output expansion to be absorbed in maintaining existing living standards. Although Moroccan officials have paid lip service to population control, only token efforts have been made to limit population growth. The 1968-72 Five Year Development Plan allocated only about $600,000 per annum to finance a family planning program, and only about 30% of the funds allocated for 1968-70 was actually spent. Meanwhile, the birth rate has risen, the death rate fallen, and the rate of population increase has accelerated from 2.5% in the late 1950's to at least 2.9%.

Income distribution remains highly skewed, with less than 10% of the people reportedly receiving more than half the income and most Moroccans surviving at the subsistence level. Most state investment in agriculture has benefited the relatively modern and wealthy farmers rather than the majority of rural poor. Because of their lack of marketable skills, rural migrations to the cities enlarge the ranks of the poor, often unemployed, slum dwellers. From 1960 to 1970, urban unemployment rose from 20% to 30%. The predominantly urban middle class seems to be doing little more than holding its own. Private sector wages in the cities actually have lagged somewhat behind increases in the cost of living. Promotions and job reclassification in the public sector, however, have caused those salaries to rise faster than living costs. Meanwhile, the very small upper class elite enjoys a luxurious standard of living. Overall, as Hassan II stated in August 1971, it is clear that "while the poor have not been enriched, the rich have increased their fortunes."

B. Sectors of the economy

1. Agriculture, fisheries, and forestry (C)

a. Agriculture

Agricultural activity remains the dominant force in the Moroccan economy. It accounts for 30% of GDP directly and largely determines the level of overall

Typically, camel and horse are yoked to pull the plow. The farmers employ whatever livestock they have, taking advantage of the camel's strength and the horse's willingness to be guided. (C)

Terracing procedures are used to grow crops in mountainous regions (U/OU)

FIGURE 3. Traditional methods are still used by about three-fourths of Morocco's farmers

economic activity. Employing almost 70% of the labor force, agricultural production is a major determinant of consumer demand. About 50% of all exports and most inputs to Morocco's large food processing industry originate in the agricultural sector.

Moroccan agriculture comprises a large "traditional sector" and a small, more productive "modern sector." The traditional sector consists of nomadic and seminomadic herders and small subsistence farmers. It embraces most of the arable land and employs about three-fourths of the rural population. However, much of the land is of marginal quality, little of it is irrigated, and cultivation methods are primitive (Figure 3). Consequently, yields are low and the traditional sector's contribution to output is disproportionately small. Although some output is marketed, most of it is consumed on the farm.

Modern agricultural activity is located on the Rharb plain, in the Sebou basin area, and in scattered areas along the coast. It consists mainly of lands confiscated by the government or sold by Europeans to Moroccans after independence, plus some farms still owned by Europeans. The modern sector encompasses approximately 2.5 million acres of the best land, about 600,000 acres of which are owned by European farmers, and it makes up about 80% of monetized agriculture in the country. It employs only about one-fourth of the rural population but provides nearly all agricultural exports. The modern sector maintains close ties with the banking sector, and production is geared to domestic urban and foreign export markets.

Although Morocco is better endowed with usable agricultural land than the rest of the Maghreb, the country is not self-sufficient in staple commodities. Nearly 50% of the total land area is devoted to agricultural activities (Figure 4), but only 16% is arable and, of that, only 65% to 75% is cultivated in any one year. About 50% of the cultivated land is devoted to cereals, but imports of grains nevertheless are required. Once a net exporter of grains, Morocco imports at least 5% of annual wheat requirements and during drought years as much as 35%. Sugar beet production has been introduced on a large scale, and sugar imports are declining as domestic sugar beet production increases. Nevertheless, 65% of domestic sugar consumption is still satisfied by imports.

Erratic rainfall is a major impediment to consistent performance in agriculture. Historically, Morocco has experienced one year of drought in every four.

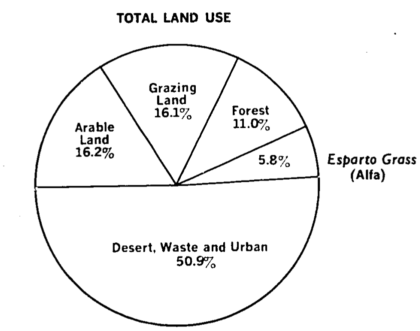


FIGURE 4. Total land use (U/OU)

Supplementary water available for irrigation from mountain sources makes the problem potentially less serious than in the other drought-prone North African countries, but only 8.5% of the cultivated land is now irrigated. Most of this area is devoted to commercial crops, while grains are grown mainly on rainfed lands. Although Morocco generally has ample water to supply present irrigation projects, extended droughts such as the one in 1966-67 can reduce the flow of supplementary water to an inadequate level.

Agricultural output fluctuated widely during 1961-70 but registered an average annual growth rate of 3.4%, about the same as population growth. Drought hampered output in 1961 and was particularly severe during 1966 and 1967. However, favorable weather conditions brought a record crop in 1968 and at least average harvests in subsequent years.

A wide variety of crops are grown, of which cereals and citrus are the most important (Figure 5). Cereals are grown throughout Morocco on both modern and traditional farms, while livestock are raised principally by seminomadic and nómadic people. Confined to the north Atlantic coast and Sebou River basin area, citrus is the principal commercial crop and the largest export after phosphates. Olives and grapes, both used principally as inputs in processing industries, are grown inland, around Fes and Meknes. Sugar beets and vegetables are grown in the central and southern coastal regions and inland on irrigated land.

(1) *Domestically consumed crops*—Cereals account for 40% of the value of agricultural production. Wheat and barley are the principal cereal crops, together accounting for more than 85% of cereal output. In the traditional sector, hard wheat and barley predominate. Virtually all barley and about 80% of the wheat are grown and consumed on traditional farms. Barley is gradually being replaced by more palatable wheat but is still a staple in the peasant diet and is also used for animal feed. The modern sector produces most of the important soft or bread wheat crop and, together with imports, supplies most flour and cereals consumed by the urban population.

Grain production fluctuates widely as a result of weather conditions, but even under the best circumstances yields are low. Those in the modern sector are about double those in the traditional sector but are less than one-half of average European yields. Fertilizer use is virtually unknown in the traditional sector, and most seed is gleaned from the previous year's crop. Increased use of fertilizer on modern farms, better seed selection, and extension of irrigated facilities contributed to a small increase in yields during the 1960's. Most of the increase in cereal output during 1961-70, however, is attributed to expanded acreage.

FIGURE 5. Output of major agricultural products (U/OU)
(Thousands of metric tons)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Wheat	634	1,247	1,195	1,196	1,314	814	1,090	2,411	1,612	1,870
Barley	544	1,185	1,463	1,169	1,189	506	1,100	2,223	1,309	1,477
Citrus	470	489	630	530	621	702	811	742	887	761
Grapes	368	329	417	448	420	448	450	470	400	420
Wine (thousands of hectoliters)	*na*	2,596	2,570	2,459	3,449	2,110	1,369	1,750	700	1,252
Olive oil	16	19	27	26	38	18	18	50	16	30
Potatoes	140	142	225	188	271	275	205	160	300	359
Tomatoes	198	210	175	253	326	302	277	245	250	460
Sugar beets	0	0	73	181	175	391	367	785	918	1,000

na Data not available.

As further expansion of land planted in cereals is not likely, production increases will depend on increased yields. Use of fertilizer could considerably raise yields on traditional farms, and additional increases could be realized by introducing other modern techniques to the traditional sector. However, no effective extension service exists in the more remote areas, and none is likely to be established in the early or mid-1970's. In 1971 the government raised the producers' price for wheat. This measure will stimulate output in the modern sector, which accounts for only about 20% of cereal production.

Sugar beet cultivation has been promoted by government authorities in an attempt to reduce sugar imports. Consequently, sugar beets are the most rapidly expanding crop in Morocco. Begun in 1963, production reached 1 million metric tons in 1970.[2] Meanwhile, sugar imports dropped from a peak of US$65 million in 1964 to $27 million in 1970. However, the cost of producing sugar from domestically grown sugar beets is higher than the cost of sugar refined from imported sugar cane, and beet production has been subsidized through price support programs. Sugar cane is being grown on an experimental basis, but no definite plans exist for large-scale cultivation.

Olives are cultivated primarily for their oil, most of which is consumed domestically. Annual output varies greatly, but, when mixed with imported vegetable oils, is generally sufficient to supply domestic needs. Continued imports of cheaper oils, much of them under the U.S. P.L. 480 Program, enable Morocco to export sizable amounts of olive oil in the more productive years. All exports go to countries of the European Economic Community (EEC), where Moroccan olive oil receives tariff preferences. Once grown exclusively in the traditional sector, olives are now produced in about equal amounts by the modern and traditional sectors. Approximately 80% of the olive trees are located in the traditional sector, but yields are considerably higher on modern farms, where most trees are irrigated and more efficient planting and picking methods are employed.

Kif, a product of the cannabis plant and a narcotic similar to marijuana, is grown throughout the rugged Rif mountain area of northern Morocco. The region's staple crop, kif provides the farmer a modest income that nevertheless is several times his potential income from cereal cultivation. Although no reliable statistics are available, it is estimated that 5,000 acres yield about 600 metric tons of kif annually.

[2]All tons referred to in this chapter are metric.

Most unprocessed kif is marketed among lower class Moroccans, while refined kif, or hashish, is generally exported. Possession of kif is illegal in Morocco, but enforcement is lax and the drug is readily available in all cities. Hashish is smuggled out of Morocco by various routes and means of transportation. Much is believed shipped from the Mediterranean port of El Jabha to Western Europe, but neighboring Algeria and the United States receive at least some Moroccan hashish.

(2) *Export crops*—Morocco's principal agricultural exports are citrus fruits and fresh vegetables. Consisting primarily of oranges, tomatoes, and potatoes, these two categories constitute about half of total agricultural exports. Wine and legumes are also exported in significant quantities.

All major crop exports are handled by the Moroccan Marketing and Export Office (OCE),[3] which generally markets produce for the account of the producer and charges a commission. In the case of citrus, however, the OCE purchases the crop at prices fixed at the beginning of the crop year and markets the fruit for its own account. Created in 1933, the OCE was of little importance until 1965, when it was given a monopoly over exports of all fruits, fresh vegetables, canned goods, and cotton. The principal reason for consolidating agricultural exports under a single agency's control was to facilitate accurate reporting and repatriation of foreign exchange earnings. Previously, exporters had been circumventing Moroccan foreign exchange regulations by under-invoicing sales and retaining funds abroad.

Citrus fruits account for only about 5% of agricultural output but 15% of export earnings. Although the proportion exported varies somewhat from year to year, depending on quality, ripening time, and conditions in competitor nations, an average of about three-fourths of production is exported by the OCE. The remainder is marketed locally or processed into juice and jams. France, the U.S.S.R., and West Germany are the largest markets, together taking more than 80% of exports. Although production increased rapidly during 1960-67, relatively constant plantings and slackening French demand have caused a slowing of growth since then.

Fresh vegetables are grown principally for foreign markets—especially France—and account for about 10% of exports. They are grown along the Atlantic coast, mainly on irrigated land, and occupied about 247,000 acres in 1970.

[3]For the foreign-language names of organizations and firms, see the Glossary.

Legumes and pulses account for [illegible]% of agricultural exports. Almost all dry legumes except kidney beans are grown in Morocco; broadbeans, chickpeas, and peas are the major crops. Exports are shipped to France and other European nations.

Once a leading agricultural export, wine has diminished in importance since the mid-1960's. Historically, most wine was sold under a duty-free quota to France, where it received preferential prices almost double those of the free market. However, the quota was reduced in 1968 from 26 million gallons to 260,000 gallons and—although increased in 1969, when the French had a bad grape harvest—was finally revoked in 1970. Loss of the French market reduced the quantity of wine exported and lowered the average export price as greater amounts were sold at free market prices. Consequently, wine exports fell from $12 million in 1967 to about $8 million in 1970. New markets have been established in Sweden, Switzerland, and Belgium, but they have not fully replaced the French market. The EEC's unwillingness to permit the blending of Moroccan and domestic wines will probably preclude significant export expansion to other Western European markets. Domestic wine consumption, by tourists and vinegar manufacturers, is on the rise, but total demand is expected only to equal current production during the next several years. Consequently, the reduction in vineyard acreage—from 180,000 acres in 1967 to 147,500 acres in 1971—is not expected to be reversed.

Promoted by the government during the early 1960's, cotton cultivation and export has been reduced in recent years. Disease and marketing problems, particularly long payment delays by the OCE, discouraged farmers. Consequently, after having expanded from 18,300 acres in 1960 to 56,800 acres in 1967, cotton planting dropped to only 34,600 acres in 1970. Most cotton is grown in the Tadla area, and production is relatively constant at 6,000 tons per annum. Exports average about 5,000 tons annually and earn about $5 million.

(3) *Livestock*—Animal products account for about one-third of agricultural output. Some dairy cattle are raised on modern farms, but most livestock herds are owned by seminomads or nomads. A ranch run by the U.S. King Ranch in cooperation with the Moroccan Government is breeding imported stock with native cattle in an attempt to produce a hardy meat strain.

Milk output increased almost 50% during 1961-70, as intensive dairy farming was introduced on modern farms, but production of other livestock products remained relatively stable (Figure 6). Meat and milk production per animal is low, due mostly to overgrazing and haphazard breeding practices. Livestock are generally regarded as a source of wealth by the traditional farmer, who values quantity more than quality in his stock. Consequently, farmers are reluctant to reduce herd sizes to improve output. Moreover, most livestock are grazed on communally held land, a fact which does not encourage individual improvement efforts. During drought years, lack of fodder and water necessitate widespread slaughter. Herds are then reduced (Figure 7), but meat production increases only slightly because animals usually have suffered considerable weight loss.

FIGURE 6. Livestock products (U/OU)
(Thousands of metric tons)

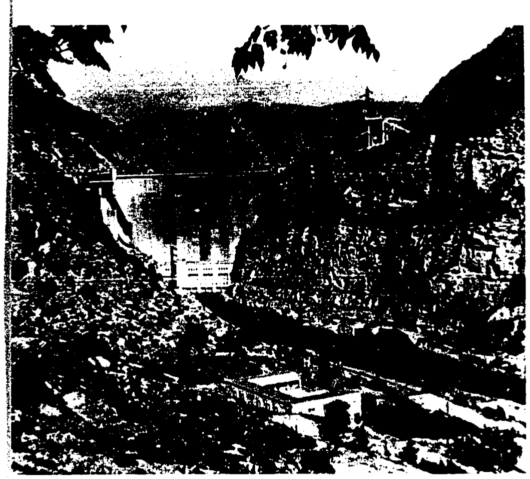
	MEAT	MILK	WOOL
1961	165	359	15
1962	148	394	15
1963	150	429	15
1964	148	443	16
1965	160	482	14
1966	168	501	14
1967	174	529	14
1968	175	525	12
1969	180	535	14
1970	175	525	14

The Central Dairy (*Centrale Laiterie*)—headquartered in Casablanca, with branches throughout the country—plus three cooperatives and one state-owned facility are the only large, relatively modern dairies in Morocco. Most milk sold commercially is collected and marketed by numerous small, independent traders.

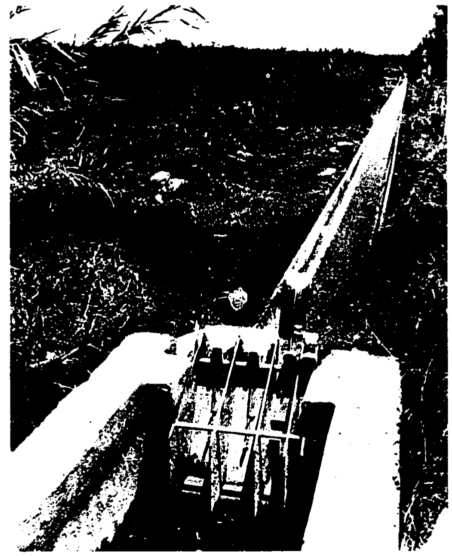
Livestock products are used extensively in traditional handicraft industries. Nearly half of all wool produced is hand dyed and woven into wool carpets, for which the ancient cities of Fes and Meknes are famous. The remainder is sold to textile mills for processing. Hides and skins support a large leather-tooling industry, which produces handmade goods ranging from bookcovers to ladies' purses.

FIGURE 7. Herd size (C)
(Thousands of heads)

	1958-63 AVERAGE	1965	1968	1971
Sheep	12,816	14,500	12,012	16,473
Goats	6,491	7,000	6,835	7,000
Cattle	2,668	2,650	2,744	2,650
Mares	262	280	247	280
Mules	272	260	306	260
Donkeys	1,117	1,250	1,019	1,250
Camels	208	210	162	210



Dam at Bine el Ouidane



Ditch and lock near Sidi Slimane

FIGURE 8. Irrigation facilities (U/OU)

(4) *Development*—Agricultural development is one of Morocco's priority goals, and it has received about 45% of government investment since 1968. Some 85% of total agricultural investment is made by the government; traditional farmers invest almost nothing and other private investment has been relatively small. The new Five Year Development Plan (1973-77) continues to emphasize agricultural development but calls for some reduction in the share of total government investment allocated to it. The planned reduction reflects government intentions to concentrate on fuller utilization of existing facilities rather than on the construction of additional capacity.

Government efforts to improve agricultural output have been directed primarily to the modern sector. Extension services in this sector provide one extension worker for each 170 farmers—compared to one for 1,250 farmers in the traditional sector. Credit is more readily available to the modern farmer, whose larger holdings and income generally make him a better credit risk. Subsidized credit is available to the small traditional farmer, but funds are limited. Nearly 75% of government investment expenditures and virtually all private investment in agriculture is allocated to the modern sector.

Servicing primarily the modern sector, the government's large irrigation projects not only supply water but also involve land reform, credit extension, introduction of more profitable crops, development of dairy farming, and training programs. The government hopes gradually to bring numerous small traditional farms and some tribal holdings within areas serviced by the irrigation projects.

Under the 1968-72 development plan, about 60% of agricultural investment was allocated to construction of dams and other irrigation facilities (Figure 8) in an effort to increase total irrigated area from 395,000 acres in 1968 to 667,000 acres in 1972. Implementation rates have been running considerably behind schedule, and irrigation was introduced to only about 50,000 acres of cultivated land during 1968-70. Repeated administrative changes, land tenure problems, seasonal flooding, normal agricultural activity that interfered with construction, and time required to train farmers in the new techniques accounted for most of the delays. The major irrigation projects include those of the Rharb, Tadla, Moulouya, Doukkala, Haouz, Tafilalt, and Oued Malah.

Development projects in the traditional sector are small and consist largely of technical assistance. At any one time, they are generally confined to a single area or directed at a single problem. The Project to Reorganize Nonirrigated Agriculture in Morocco (PRAM) and the Economic and Rural Development of the Western Rif (DERRO) involve instruction and work relief programs. Project DERRO is designed to improve crops and pasture land and to develop a small irrigation system in the depressed western Rif area; in 1971, it encompassed only 65,000 acres. A fertilization project (*Operation Engrais*), begun in 1966, distributes improved seed and fertilizer at discounted prices to farmers with less than 50 acres. This project embraced 760,000 acres in 1969, but organizational difficulties and a shortage of extension workers forced a reduction to 667,000 acres in 1971 despite strong farmer interest. The *Promotion Nationale*, the most publicized rural development program, employs surplus workers on projects such as reforestation and road construction.

Although tenure problems pervade agriculture, land reform has proceeded slowly. The proliferation of small, frequently fragmented plots, and extensive collective tribal holdings deter full development of agricultural resources. Approximately 7% of the farmers own 50% of the cultivated land, while 60% of the farmers own less than one acre and 33% no land at all. This uneven distribution is even more extreme in the better farming regions. Tribal ownership, which includes most pasture land and about 15% of the cultivated land, discourages individual initiative to develop or even preserve the fertility of the land. Although government authorities recognize these problems, their reluctance to disrupt traditional rural life and to break up efficient farms impedes action. Land reform to date has been limited primarily to redistributing the farms of the European settlers that were nationalized after independence. Distribution of the 600,000 acres that were nationalized has proceeded slowly, with only about 100,000 acres having been distributed through 1970. Following the attempted coups in 1971-72, the program was accelerated somewhat: 79,000 acres were distributed in 1971 (compared with 74,000 acres during 1968-70), and 198,000 acres were scheduled for distribution in 1972. In addition, some 80,000 acres of French-owned land was to be purchased and given to landless Moroccans.

The Agricultural Investment Code, created in 1969, may stimulate implementation of land reform and use of irrigation facilities. The new code precludes subdivision of land in irrigated areas into plots of less than 12.4 acres and allows for state confiscation, with compensation, of land for consolidation and redistribution. It also stipulates that owners of irrigated lands be assessed 40% of irrigation infrastructure costs and that "water dues" be paid whether the water is used or not. The code makes "proper use" of improved land in the irrigated sectors obligatory and provides for penalties should farmers fail to comply with government cultivation programs. The code is now being implemented in the Sebou irrigation project, where much of the land is communally held or owned by small farmers.

b. Forestry

Although 11% of Morocco's land area is forested, forestry contributes little to the economy. Some cork oak and eucalyptus plantations are located on the Atlantic coast. Much of the forest, however, is in inaccessible mountain areas, and much of it consists of scrub and bush. Only about 50% of the forest land is considered productive.

Wood production is not sufficient to meet local needs, and lumber and paper pulp imports are rising. In 1970, Morocco imported about US$30 million worth of lumber and paper pulp. Lumber imports alone rose from $8 million in 1960 to $20 million in 1970. Under a reforestation program, 35,000 acres are planted each year, but the primary aim is to inhibit erosion in the mountainous areas and around irrigation reservoirs. Thus far, however, reforestation has been inadequate to slow erosion significantly.

The most important forest products are vegetable horsehair, cork, and alfa (esparto grass). Vegetable horsehair, made from the leaf fibers of the dwarf Mediterranean palm, is used domestically in mattress stuffing and tomato packing. Cork is exported in raw and semiprocessed states and earned about $6 million in 1969. Raw cork exports are expanding slowly, but semiprocessed exports have been unable to compete with subsidized Spanish production and thus declined from $10 million in 1963 to $1 million in 1969. Alfa grass, which is collected from plains and forest areas, is exported for use in making high grade paper pulp. About 41,000 tons of alfa grass, valued at about $1 million, were exported in 1970.

Morocco's natural forests are state owned, but about 20% of the forest land is exploited freely by the private sector. All forest land is administered by the Forest Service, which is responsible for reforestation and conservation projects. The Forest Service is also collaborating with private concerns to create eucalyptus forests in the Rharb area, mainly for export purposes. Most existing forest plantations are state owned.

c. Fisheries

Morocco has a small and stagnating fishing industry. The catch averaged 241,000 metric tons annually during 1965-70 (Figure 9). Sardines caught along the Atlantic coast have declined in importance since the mid-1960's but are still the leading catch. Mackerel, anchovies, and tuna are also of some importance.

Although government efforts to encourage fish consumption have been moderately successful, most fish are still exported. Canned fish earn about $25 million annually in foreign exchange and account for about one-fourth of manufactured exports. The largest market is France, but significant amounts are sold to numerous other nations.

The industry is threatened by a declining fish population and impending elimination of favorable French import quotas. Sardines have been migrating southwestward, out of reach of Morocco's antiquated fishing fleet. Almost all of Morocco's boats are small wooden crafts (Figure 10) without refrigeration facilities and can remain at sea no longer than 5 hours after taking in a catch. Many of the boats do not venture out of sight of land, and labor union regulations cause them to be overmanned. Consequently, catches often are inadequate to run canning factories at full capacity, and processing costs are high. Nevertheless, canning plants are currently operating at a profit because the amounts imported duty-free by France yield a good return. In January 1973, however, Moroccan exports to France will be subject to Common Market tariffs and ceiling prices. The Common Market has agreed to a 60% reduction in its common external tariff for Moroccan fish, but this measure probably will not offset loss of preferential French treatment.

FIGURE 9. Commercial fish catch (U/OU)
(Thousands of metric tons)

	1965	1966	1967	1968	1969	1970
Fish for processing:						
Sardines	160	252	208	168	169	163
Mackerel	10	6	9	8	14	
Tuna	5	4	4	2	1	58
Anchovies	3	1	2	3	1	
Other	10	12	4	9	10	
Total	188	275	227	190	195	221
Shellfish	1	3	1	1	*Negl*	1
Fresh fish sold on domestic market	18	20	22	24	27	33
Grand total	207	298	250	215	222	255

FIGURE 10. Small fishing fleet anchored in mouth of the Sebou River (U/OU)

Some efforts to modernize the fishing fleet have been made, and further improvements are planned by the government. The private firm Moroccan Commercial and Industrial Trading Company (OMCI) put Morocco's first 200-ton refrigerated ship into service in 1970 and is now experimenting with a 250-ton vessel. Further private modernization will depend on OMCI's success with these ships. Government plans to create a joint Moroccan-Japanese deep sea fishing fleet, to be based at Agadir, have been announced, and the National Fisheries Office (ONP) is discussing joint ventures with several other firms. The ONP is also investigating the purchase of vessels with freezer capacity to fish as far south as the Gulf of Guinea and is contemplating the construction of new freezing plants in southern Morocco.

2. Fuels and power (U/OU)

Morocco is self-sufficient in coal but must satisfy most of its crude oil needs through imports.

a. Petroleum

Oil output is small and is declining. Production by Moroccan Petroleum Company (SCP), the sole producer, declined from a peak of 150,000 metric tons in 1963 to 22,620 tons in 1971 (Figure 11). Production is expected to cease by 1973, as known reserves will then be fully depleted. Several firms hold exploration

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FIGURE 11. Energy sources (U/OU)

	1965	1966	1967	1968	1969	1970
Electricity sales (kw.-hrs.)*	1,243	1,317	1,366	1,497	1,607	1,743
Crude oil extraction (thousand tons)	103	103	97	89	59	44
Crude oil refining (thousand tons)	1,104	1,211	1,247	1,339	1,470	1,506
Coal extraction (thousand tons)	419	451	482	451	397	433
Natural gas production (million cubic meters)	11	11	11	11	42	44

*Includes only sales of the National Electricity Office.

concessions and two small off-shore discoveries were made in the 1960's, but no commercially exploitable fields have been found in many years.

Moroccan refineries process enough imported and domestic oil to meet nearly all requirements. In 1970, 1.5 million tons of crude oil were imported at a cost of $23 million. Approximately 55% of petroleum imports come from Algeria and about 40% from the U.S.S.R.

Morocco's two refineries have a combined capacity of 3.2 million tons per year. The Moroccan-Italian Refining Company (SAMIR) plant at Mohammedia relies exclusively on imported crude oil and accounts for about 75% of refined output. It is owned by the Moroccan Government and the Italian National Fuels Authority (ENI). The other refinery, owned by SCP, is at Sidi Kacem, near the petroleum fields. Storage facilities for refined products are located in Sidi Slimane, Kenitra, Rabat, Casablanca, and Tangier. Domestic distribution is carried out by 12 firms, of which nine are foreign owned and include the U.S. firms Esso, Mobil, and Texaco.

Morocco also has small natural gas deposits. During most of the 1960's, minor amounts of petroleum-associated gas and output from the Rharb gas fields accounted for all Moroccan production. Output was relatively constant at 11 million cubic meters annually and was used as fuel in a few local industries. Newly discovered fields at Djebel Jeer and Kechoulah began producing in 1969, boosting annual production to more than 40 million cubic meters. Gas from these fields is used to generate power for the Youssoufia phosphate mines. Natural gas production is expected to increase further when the newly found Douar Jebar field near Kenitra starts operating. To be exploited by the foreign firm American Petrofina Exploration in cooperation with the state's Mining Exploration and Investment Bureau (BRPM), it will supply 20 million cubic meters a year to a paper and box company at Kenitra. Reserves at Douar Jebar are estimated at 140 million cubic meters and could be exhausted in 7 years.

b. Coal

Coal is mined by the company North African Coal (*Charbonnages Nord Africaine*) at Jerada and is used mainly to fuel cement and power plants. Poor in quality and located in remote areas, Moroccan coal is expensive to mine. However, in an effort to provide jobs in the depressed hinterland, the government encourages production by subsiding losses. Annual subsidies now total the equivalent of about US$4 million but may decline because of the 1971 increase in coal prices. Coal output in 1970 was about 430,000 metric tons, of which 370,000 tons were consumed domestically. Exports went mainly to Algeria and Italy.

Coal production has declined somewhat since 1967 but is expected to increase sharply because of the Jerada powerplant's needs. This plant, which began production late in 1971, is expected to consume 250,000 tons annually beginning in 1972 and as much as 720,000 tons by 1975. Such an increase, however, may be beyond the industry's capability.

c. Electric power

The electric power industry is well developed and services domestic needs reasonably well Morocco's electric generating capacity is estimated at 748,000 kilowatts (kw.); annual production is about 1.9 billion kilowatt-hours (kw.-hr.), or 116 kw.-hr. per capita. Mining activities and urban household, industrial, and commercial use account for more than half of power consumption. The railroads and irrigation projects are also significant users of electricity.

Although there are over 30 operating plants, 14 facilities makeup more than four-fifths of the national generating capacity. Approximately 60% of Morocco's generating capacity is hydroelectric. Five of the nine principal hydroelectric plants are located on the Oued Oum er Rbia and its tributaries. The Bine el Ouidane Hydroelectric Powerplant (installed capacity, 135,000 kw.) is the largest powerplant in the country. Important thermal plants are located at Tangier, Sidi

Kacem, Casablanca, Oujda, and Jerada. Thermal facilities are fueled mainly by domestic coal.

A national transmission grid interconnects all principal powerplants and consumption centers. The transmission system is basically comprised of 60, 150, and 225 kilovolt (kv.) transmission lines; regional distribution networks of 30 kv. and less complement the high-voltage trunk lines. Transmission facilities now under construction will increase the reliability of the national system and extend service to a larger area.

The National Electricity Office (ONE), a government corporation under the Ministry of Public Works, is responsible for the production, transmission, and distribution of electricity throughout the country. ONE facilities account for approximately 95% of the installed generating capacity. A former Spanish company, Moroccan Electric Company (*Electras Marroquies, S.A.*), supplies much of the electricity consumed in the Tangier-Tetouan area. There are also a few privately owned powerplants which supply mining or manufacturing establishments.

The electric power industry is largely dependent on foreign suppliers for equipment. Most powerplants contain French or Spanish components, and Soviet equipment is in use at some of the newer plants, particularly the Jerada facility.

The ONE is continually expanding production capacity to satisfy increasing industrial demands. Several small hydroelectric powerplants are under construction at dams built primarily for irrigation purposes. Heavy reliance on hydroelectric power has caused serious concern because of recurrent droughts, however, and the government is working to increase the ratio of power produced by thermal plants. To accomplish this, additional generators are planned for the thermal plants at Jerada and Casablanca.

3. Metals and minerals (U/OU)

The mining industry is of considerable importance, accounting for 5% of GDP and employing about 36,000 workers. Mineral exports amounted to about $160 million in 1970, or nearly one-third of total export earnings. Morocco has extensive phosphate reserves and small deposits of various other minerals, including iron, lead, manganese, zinc, cobalt, and copper. Profits are subject to highly variable world market prices, however, and output of many minerals has declined since 1960, as mines were depleted (Figure 12).

Government participation in the mining sector is pervasive. Phosphates are produced and marketed by the state enterprise Moroccan Phosphates Office (OCP), and the state's Mining Exploration and Investment Bureau (BRPM) participates in most other mining activities. Although the government does not prohibit foreign exploitation of mineral deposits, most foreign firms find it advantageous to arrange for government participation, usually through the BRPM. To encourage further development of the mining sector, the government engages in exploration directly under BRPM auspices and has introduced investment incentives for private firms. In 1970, the Investment Code—which provides for tax reductions, repatriation of investments, customs exemptions, and accelerated depreciation—was extended to the mining industry. Export taxes also were reduced for most minerals other than phosphates.

FIGURE 12. Mineral production and exports (U/OU)
(Thousands of metric tons)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Phosphate rock	7,472	7,950	8,162	8,548	10,098	9,807	9,418	9,944	19,510	10,663	11,414
Exports	*na*	*na*	*na*	*na*	10,040	9,481	9,105	9,286	10,018	10,199	11,230
Iron ore	1,577	1,462	1,149	1,035	887	951	1,017	884	809	749	872
Exports	*na*	*na*	*na*	*na*	1,077	977	837	923	659	859	814
Manganese	474	571	469	335	341	375	363	286	160	130	112
Exports	*na*	*na*	*na*	*na*	226	347	334	225	161	130	113
Lead ore	135	128	131	106	104	113	119	116	121	118	121
Exports	*na*	*na*	*na*	*na*	82	89	89	80	85	72	79
Zinc ore	82	68	58	59	81	95	94	83	68	72	32
Exports	*na*	*na*	*na*	*na*	74	95	90	75	79	70	39
Cobalt	13	13	14	14	15	17	18	18	15	14	6
Exports	*na*	*na*	*na*	*na*	15	14	19	19	18	16	9
Copper ore	*na*	*na*	*na*	*na*	*na*	[illegible]	9	8	10	9	12
Exports	*na*	*na*	*na*	*na*	*na*	6	7	8	6	11	10

na Data not available.

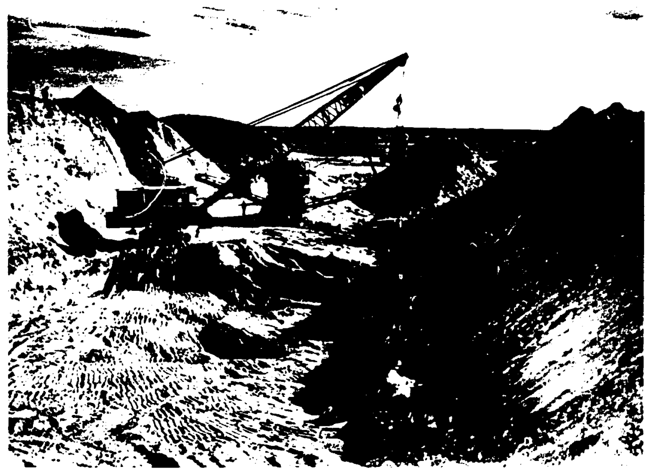

FIGURE 13. Phosphate mine in the Oued Zem region (U/OU)

a. Phosphates

Morocco ranks third in world production of phosphates, following the United States and the Soviet Union, and first or second in world exports, depending on the level of U.S. sales in a given year. In 1970, phosphates represented 70% of the value of mining output and earned $113 million in foreign exchange, accounting for 23% of total exports. Nearly 80% of phosphate exports are sold to Western Europe, where France, Spain, Belgium, and the United Kingdom are the largest customers. The major mining areas are at Khouribga and Youssoufia. Khouribga production is generally exported, but the lower quality Youssoufia output is used for domestic processing as well. A new mine was opened at Benguerir, near Marrakech, in 1968.

The phosphate industry is threatened by the prospect of new foreign competition and falling prices. High-quality ore, easily mined deposits, and relatively short overland transportation routes moderate production costs, but profits have been falling because of a downward trend in international prices. Large U.S. sales have been the primary cause of lower phosphate prices in Western Europe since the mid-1960's. The higher quality Moroccan ore, geographical proximity to markets, and the reliability of supply, however, have cushioned the drop in Moroccan phosphate prices. Future competition will come largely from the Spanish Sahara, which shares most of Morocco's advantages. Large deposits there are to begin production in 1973, and output is scheduled to rise from 3 million metric tons in 1973 to 10 million metric tons by 1980, or nearly as much as current Moroccan production.

To meet competition, the OCP has modernized production facilities and intensified the use of strip mining techniques (Figure 13). During 1968-70, the OCP invested the equivalent of nearly US$90 million, mostly from internally generated funds, to mechanize the Khouribga mines and to expand Casablanca port facilities. Two calcination plants, one under construction at Khouribga and another planned at the Youssoufia mines, will improve the quality of the product and reduce shipping costs. Use of cheaper, open pit mining has been extended with the opening of the Grand Daoui mine at Khouribga; open pits accounted for about 50% of production in 1970, compared with 35% a few years earlier.

Of the 11.4 million metric tons of phosphate rock produced in 1970, only some 200,000 tons were processed in Morocco. The chief processing facility is the Moroccan Chemical Complex (*Maroc Chimie Complex*) at Safi, which produces phosphoric acid, triple superphosphate, and diammonium phosphate, all primarily for export. In 1970, 105,000 tons of triple superphosphates produced at Safi were exported. About 33,000 tons of phosphate were processed for local consumption by the Moroccan Fertilizer Company (*Societe Cherifienne des Engrais*) in Casablanca. A new plant planned by Moroccan Phosphorus (*Maroc Phosphore*) at Safi should increase domestic processing considerably. Projected for completion in 1973, the plant is to process one million tons of ore annually into phosphoric acid and monammonium phosphate.

b. Iron and steel

Iron ore production is Morocco's second largest mining endeavor in terms of quantity. Output declined during the early 1960's but has hovered around 800,000 tons since 1967. Almost all output is exported, although changes in stocks prevent exports from mirroring annual production. In 1970, iron ore exports of about $6 million went to West Germany and other European nations.

Iron ore mining is centered in the Nador area and is conducted by the Spanish Rif Mining Company (*Compagnie Espagnole des Mines du Rif*), in which the government holds a 27% participation. Several uneconomic mines were closed in the 1960's, but operation of other mines is to be prolonged by concentrating and pelletizing the ore. A $28 million pelletizing plant is now under construction and will be completed this year. Morocco has signed a preliminary agreement with Algeria for the joint exploitation of the Gara Djebilet deposits near Tindouf, Algeria. The project envisages exporting ore through a Moroccan port on the Atlantic, but arrangements are proceeding slowly.

Moroccan steel production is limited to a single small scrap-processing plant in Casablanca. Owned by the African Metallurgical Company (SOMETAL), this plant has an annual capacity of 15,000 metric tons and produces rolled steel and wire. Morocco has contemplated building an integrated steel mill at Nador since 1960, but no definite construction plans exist. The Austrian organization Austroplan is conducting a feasibility study for a gas-powered plant that would use the HYL direct reduction process to produce 200,000 to 300,000 metric tons of steel annually. A study by the U.S. Export-Import Bank indicates that several basic problems could hamper Moroccan steel production. Nador is located far from anticipated markets in Casablanca and Rabat. Costs are expected to be inflated by high-cost electric power and natural gas inputs and could prohibit profitable steel exports. Moreover, an adequate supply of natural gas from Algeria is not yet assured.

c. Lead and zinc

Although lead and zinc minerals are produced in lesser quantities than iron, they are more valuable. In 1970, they accounted for about 13% of the value of mining output and 11% of mining exports. Lead exports earned $14 million and zinc exports nearly $3 million. Both minerals are extracted from mines operated by the French Mining Company of Zellida (Societe Francaise des Mines de Zellida), a company at Zellija-Boubeker owned by the Moroccan Government and U.S. and French interests. Exhaustion of the Zellija-Boubeker deposits in 1969 caused Morocco's largest lead-zinc mine to be closed, and the adjacent Touissit mine, Morocco's second largest lead-zinc mine, is expected to close for the same reason by 1974. Consequently, zinc production dropped precipitously in 1970 and is expected to decline further. However, the more intensive exploitation of other mines and the opening of the Zeida lead mine should maintain lead production at about 120,000 metric tons annually. Almost one-third of Moroccan lead ore is processed into metal at the Oued el Heimer foundry for export to France; the remainder is exported as concentrates for processing in Western Europe. Some zinc, copper, and silver are included in the lead concentrates.

d. Other minerals

Unable to compete with less expensive Soviet output in Western European markets, Morocco ceased production of most metallurgical-grade manganese in 1969. However, output of chemical-grade manganese remains relatively constant at about 110,000 metric tons annually. Most manganese is produced at Imini for export, mainly to the United States, France, and the Netherlands.

Copper output rose from 6,000 metric tons in 1965 to 12,000 in 1970, and the outlook for continued increases is good. Closure of the Imi n'Irfi mine in 1970 was offset by the opening of the Tanfit mine, and another mine at Tanerhift began production in 1971. BRPM joint exploration with the Japanese firm Mitsui has uncovered deposits at Bleida. Several other firms also are exploring for copper.

Cobalt production dropped sharply in 1970 because old cobalt veins were exhausted during the first half of the year. However, a new vein, discovered by Soviet geologists, began producing in 1971 and should prevent further decline in output. Cobalt is marketed in France and the People's Republic of China. Production of rock salt is expected to begin shortly at a large deposit discovered at Berrachid by a U.N. team. Reserves are estimated at 2 billion tons and output, all to be exported, is expected to be at least 500,000 tons annually. Many other minerals, including antimony, silver, pyrrhotite, barite, and fluorite are mined on a small scale.

4. Manufacturing and construction (U/OU)

a. Manufacturing

Manufacturing, including handicrafts, employs about 9% of the labor force and supplies 90% of domestic requirements for manufactured products. It is made up of a sizable, indigenous handicrafts sector and a much larger, well-equipped modern sector. Nearly two-thirds of the manufacturing labor force is employed in small enterprises where traditional methods are used to grind flour, press olive oil, weave carpets, fashion leather and straw goods (Figure 14) and work metals. Particularly popular with tourists, products of the traditional sector contribute US$8 million to export earnings and account for about one quarter of the value added of manufacturing. Traditional techniques are most prevalent in food, textile, and leather manufacturing, where they account for 15% to 30% of output. Fes, Meknes, and Marrakech are the centers of traditional handicrafts, although production continues in the old sections or *madinahs* of all large cities. Modern industry is heavily concentrated in Casablanca but is also found in all urban centers. Modern techniques were first introduced by the French in food canning, textiles, paper, and other light industries, and since independence, oil refining, sugar milling, tire manufacturing, and automobile assembly have been added to the modern sector. Gradually, modern techniques are being substituted for traditional methods in nearly all phases of manufacturing.

Despite the establishment of some sophisticated industries, the bulk of Moroccan manufacturing still consists of processing primary products for domestic consumption and, to a lesser extent, for export. Food processing and textile production account for more than 50% of the value of manufacturing production while heavy industries (mainly cement manufacture and smelting) account for only 10%. The processing of intermediate goods accounts for the remainder.

Manufacturing growth has kept pace with GDP since 1961 (Figure 15), but expansion may slow in the future due to a variety of problems. Rapid growth is discouraged by the fact that underutilization of existing capacity is common, particularly in the textile and food processing industries. In addition, food processing industries are frequently unable to operate continuously because of drought-caused interruptions in the supply of agricultural inputs. Another constraint is the lack of skilled labor and experienced technical and managerial staffs. Low labor productivity more than offsets the relatively low wage scales, and most products are relatively high cost. A large part of manufacturing production must be protected by tariffs and quotas, thus passing the higher costs on to consumers.

(1) *Food processing*—Flour milling, one of the oldest manufacturing activities in Morocco, is the largest food processing industry. Although Morocco

FIGURE 14. Chairs and tables are among the items woven from straw at the market in Sale (U/OU)

has many small traditional flour mills, 47 large, modern plants supply most urban consumption. The portion of flour milled by modern firms fluctuates, rising during droughts when large quantities of soft wheat are imported for processing, and falling during years of bumper harvests. All flour milled in Morocco is consumed domestically and is supplemented in most years by a few thousand tons of imported flour.

Sugar and vegetable oil processing are the next largest food processing industries. Raw cane sugar is imported from Cuba and Brazil for processing while sugar beets are grown domestically. Vegetable oils are pressed and refined in Morocco, and domestically produced olives are processed into oil for local consumption and export. Large P.L. 480 imports of corn oil are refined in Morocco for local consumption.

The sugar processing industry in 1971 consisted of four refineries with a combined capacity of 420,000 metric tons per year and seven raw sugar mills. Both the plant of the Moroccan Sugar Refining Company (COSUMAR), which is by far the largest, and the Maghreb Industrial Trading Company (OIM) refinery are located in Casablanca. The other two refineries are located a Tetouan—the Moroccan Sugar and Alcohol Corporatio . (CAAMSA) and Talda Sugar (SUTA). SUTA processes raw beet sugar while the others process raw cane sugar. COSUMAR is owned equally by the Moroccan Government and French interests but the smaller CAAMSA and OIM refineries are privately owned. Approximately $160

FIGURE 15. Index of industrial production (U/OU)
(1958=100)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Food*	115	122	121	127	127	138	144	136	141	162
Textiles	124	147	183	184	181	190	196	224	267	289
Leather	123	113	121	102	100	104	96	112	121	107
Construction materials	118	123	137	143	139	145	145	168	186	224
Chemical industries	111	106	111	117	134	152	154	170	174	172
Metalworking industries	106	104	103	107	103	102	114	124	136	147
Paper	120	128	134	138	133	143	147	157	178	178
Vegetable and animal fats	124	145	145	121	125	121	136	140	121	129
Miscellaneous	108	116	138	129	117	125	133	128	137	147
Total manufacturing**	115	121	128	130	128	134	138	142	152	161

*Excluding production of canned fish, fruit and vegetables.

**Excluding canned production, handicrafts, construction, public works, and miscellaneous industries.

million has been invested in constructing sugar beet mills with a combined capacity of 2 million tons at Sidi Slimane, Doukkala, Beni Mellal, Sidi Allal Tazi, Mechra Bel Ksiri, Talda, and Zaio. Although these plants mill only sugar beets, the conversion of the Zaio mill and one other to cane crushing is planned. Most of the mills are government owned, but the Zaio mill has some Italian and Belgium participation.

The sugar industry was probably Morocco's most rapidly growing industry during the 1960's. As Morocco had no mills that produced raw sugar, it had to be imported for the refineries. By 1970, Moroccan capacity to produce raw sugar had risen to about 35% of domestic demand. Further expansion of the industry is not planned, however, as excess capacity already exists and the cost of growing sugar beets domestically is relatively high compared to the price of raw sugar imports. Moreover, a variety of sugar cane suited to the Moroccan climate has not been discovered.

The canning industry is one of Morocco's oldest industries. Almost all canned food products are exported, accounting for $44 million in export earnings in 1970. Canned fish output was relatively stable at about 2.8 million crates during 1967-69, but smaller catches, particularly of sardines, reduced output to only 2 million crates in 1970. Output in 1972 and 1973 will be held down by the downward trend in catches and the anticipated elimination of preferential French prices and quotas in January 1973. Production of canned fruits and vegetables expanded rapidly during the last half of the 1960's, rising from 51,000 tons in 1965 to 96,000 tons in 1970. Canned olives, citrus fruits, green peas, green beans, tomatoes, fruit, and vegetable juices are the main products. Most canned fruit and vegetables are processed from produce too poor in quality to be exported fresh. During drought years or when the citrus areas experience heavy rains and flooding during the harvest period, larger shares of crops are canned before exporting. In general, the quality of Morocco's canned products is rather poor.

(2) *Textiles*—Morocco's textile industry is the largest manufacturing industry after food processing. Supplying almost all domestic needs, it produces a variety of items from thread to ready-wear garments of all sorts and elaborate wool carpets. Although most products are made from wool or cotton, goods of polyester, nylon, and other synthetics also are produced. With the exception of wool, fibers are generally imported. Most enterprises are small, and cottage industries account for nearly one-fifth of all output. The Cofitex Mill at Fes is probably Morocco's largest textile firm. Casablanca and Fes are the chief production centers, but textiles are produced in all major cities.

Protected by high tariffs, textile output grew rapidly during the 1960's. Almost all output is marketed locally. Current production is more than adequate to supply domestic needs, and during years of slack demand large stocks are accumulated. However, new facilities are under construction. The government, in cooperation with private French interests (the Textile Company of Fes—COTEF), is building a new plant that will increase textile capacity 30%.

(3) *Metal working*—Metal working is Morocco's third largest manufacturing industry, accounting for 20% of manufacturing output. Approximately one-fifth of output is produced in the traditional sector where methods handed down over the centuries are used to work metal into elaborately tooled trays and a

great variety of household goods. A few small but more modern shops manufacture metal items ranging from automobile parts to kitchen utensils and furniture. A single firm produces steel from scrap metal, and ore processing plants are located at many mines throughout the country. (Ore processing and steel manufacturing are discussed above, Metals and Minerals section.)

(4) *Chemicals*—The chemical industry is centered in the Moroccan Chemical Complex at Safi which produces triple superphosphates, diammonium phosphates, and sulfuric and phosphoric acids. The plant uses phosphate rock from Youssoufia, pyrrhotite from Kettara, and imported ammonia. Most of its output was exported to Western Europe during 1966-68, but beginning in 1969 price competition in Western European markets increased and Moroccan exports declined. Use of low-grade phosphate ores and of pyrrhotite as a source of sulfur makes Morocco's chemical industry relatively high cost. As a consequence, competing in foreign markets has grown increasingly difficult. Efforts of German technicians to make production more profitable by extracting copper and iron from the pyrrhotite ore, in addition to sulfur, have not yet succeeded.

A second fertilizer complex, to be built next to the existing facilities at Safi, should sharply increase output. The Moroccan Phosphorus (*Maroc Phosphore*) plant is to have a capacity of 1,000 tons per day, 60% of which will be in the form of monammonium phosphate. Other products include sulfuric and phosphoric acid which will be produced from domestic phosphates and imported ammonia and elemental copper.

(5) *Automobile assembly*—Foreign automobiles assembled in Morocco supply most of the country's demand for autos, trucks, buses, motorcycles, motor scooters, and tractors. The major assembly plant, producing cars, buses, and tractors, is operated by the Moroccan Automobile Construction Company (SOMACA) and is owned 40% by Simca and Fiat, and 60% by local investors. Berliet/Maroc, which is 60% controlled by a Moroccan Government agency, the Bureau of Industrial Studies and Investments (BEPI), is the second largest plant and assembles heavy trucks and buses. Swedish Volvo trucks and buses and the British Ford are assembled in Morocco by the African Automobile Industry Company (SAIDA).

Automobile production increased rapidly during the mid-1960's. Passenger vehicle assembly, which accounts for the bulk of automotive output, rose from 5,598 cars in 1966 to 19,989 in 1970, but dipped somewhat as domestic confidence declined, following the abortive 1971 coup d'etat. Further production increases are anticipated when the planned facility of the Automobile Assembly Company of Morocco (SCAMA) is built. The plant will be owned equally by the Moroccan Government and Renault and will produce 12,500 Renaults annually. In addition to supplying the domestic market, Morocco's automobile industry also exports small numbers of trucks and tractors, mainly to the People's Republic of China and to African countries. Tires are manufactured by General Tire and a subsidiary of Goodyear Tire and Rubber, which is 65% American owned and 35% Moroccan owned. Located in Casablanca, the company produces 650,000 tires and innertubes annually and has plans to expand production facilities by 30%.

b. Construction

The construction industry is expanding rapidly. Output has grown more than 100% since 1961 and increased 20% in 1970 alone. Large private investment in housing and tourist facilities and government investment in dams and irrigation canals are the chief factors stimulating this growth.

Morocco produces a variety of construction materials, the most important of which is cement. Of the 1.4 million tons consumed in Morocco in 1970, 1.3 million tons were produced domestically; the remainder was imported from Spain. Private interests accounted for 65% of cement consumption and the government for 35%. The company Limestone and Cement of Morocco (*Chaux et Ciment du Maroc*), a 50% Moroccan-50% French firm, produces more than half of annual production. Located in Casablanca, it is being expanded and modernized with official French financial assistance. Other cement plants at Meknes (300,000 tons), Agadir (150,000 tons), and Tetouan account for the rest of production. With self-sufficiency in mind, the government is investigating possible construction of two additional firms: one in Oujda with Algerian participation and one in Marrakech.

Other building materials produced locally for domestic consumption include granite, tile, bricks, and asbestos. The Oran Materials Complex is one of the largest construction materials firms and manufactures most types of construction materials. Because of limited forest resources, almost all heavy lumber for construction is imported.

5. Domestic trade (U/OU)

Domestic trade in Morocco has changed little for generations. Although some cities now have large department stores, the basic urban retail outlets are

FIGURE 16. Grain market near Rabat (U/OU)

still the small shops in the native quarters. Small farm and produce markets (Figure 16) and a considerable amount of barter trade among the peasants are common. Much of domestic commerce, especially in the rural areas, is just beginning to involve money.

Efforts to "Moroccanize" commerce were instituted in 1963, when the government required at least partial Moroccan ownership of all firms engaged in importing or distributing goods. Companies that marketed certain items, such as food and clothing, were required to be totally owned by Moroccans. Those firms requiring some sort of technical skill were to be at least half owned by Moroccans. Although these requirements caused considerable concern among foreign merchants, they were not particularly disruptive because the government moved quite slowly in executing them. During the 1960's the departure of numerous Jews, many of whom were merchants, has increased Muslim control of commerce.

The government has tried to establish cooperative trade groups among peasants, but progress has been quite slow. The first of these projects was a tea and sugar marketing cooperative in Oujda. In addition, a few agricultural cooperatives for purchasing supplies and marketing produce have been established. For the most part, however, rural trade remains traditional.

C. Economic policy and development (U/OU)

1. Policy and planning

Since independence, the Government of Morocco has become more and more involved in the economy. The government regulates imports through strict foreign exchange controls and guides private investment through a series of incentives incorporated in two investment codes—one for industry and one for agriculture. Through nationalization of European assets and direct equity investment, the government has acquired considerable direct participation in the economy. Some industrial infrastructure, such as power generating facilities, was transferred to the government by the French immediately following independence. Since then, much of the formerly French held farmland, the citrus exporting industry, and several industrial enterprises have been nationalized. In addition, the government has invested in numerous semiprivate firms. State enterprises dominate mining and energy production and are extensively engaged in transportation, communications, sugar milling, and oil refining. Although these enterprises also participate in most other manufacturing industries and several agricultural marketing cooperatives, most output in those sectors is produced by privately owned firms.

Government wages and salaries account for 10% of GDP. More than 222,000 persons are employed in the civil and military services and another 80,000 to 100,000 by *Promotion Nationale*, a work relief program.

Despite increasing government involvement in the economy, a substantial foreign business community still is evident in Morocco. At independence, the modern sector was dominated by French and Spanish investment. Although some capital flight and a sizable exodus of Europeans occurred after independence, much of the foreign business community remained.

No special restrictions have been placed on foreign firms in general, but the government always has encouraged Moroccan participation, particularly in new investment. In a speech in 1970, King Hassan reiterated the official policy of "Moroccanization," which calls for eventual majority Moroccan ownership of business enterprises and greater Moroccan participation at all levels of production. In 1971, government officials announced that 51% of banks, insurance companies, and firms importing foreign brand-name products must be Moroccan owned and that two-thirds of the seats on the boards of directors must be held by Moroccans. Some banks and insurance companies have voluntarily complied with these wishes, but no deadline was set and Moroccanization continues to proceed at a slow pace. Meanwhile, new foreign investment, frequently with state participation, is encouraged and profit repatriation is generally allowed.

The general scheme of economic planning inherited from the French was continued after independence. Originated by the French, the Transitional Investment

Plan (1957-59) was designed to prepare Morocco for future development plans. It was followed by the ambitious 1960-64 Five Year Plan that terminated in inflation and balance of payments difficulties and gave rise to a period of readjustment (1965-67). The 1968-72 Five Year Development Plan was Morocco's first comprehensive planning effort, projecting not only public but also private investment for all sectors of the economy. The next plan (1973-77) is expected to follow closely the previous plan's format.

Morocco's first attempt to stimulate economic growth through planning resulted in a monetary crisis and yielded only moderate growth. The 1960-64 plan called for investment of 14% of GDP and a growth rate of 6.2% annually, but actual investment averaged only 11% of GDP and growth reached only 3.7% per annum. Sharply increased government investment and ordinary expenditures sponsored much of the growth, but also caused inflation, balance of payments deficits, and declining foreign exchange reserves. Consequently, under IMF guidance, a stabilization program was incorporated in the 1965-67 interim plan, which reduced government expenditures and applied foreign exchange and import controls and credit limits. By the end of 1965, prices had leveled off, the government deficit had been sharply reduced, and the balance of payments was in surplus. However, continued government austerity and drought during 1966 and 1967 limited annual expansion of GDP to only 2.5%.

Conscious of past mistakes, the government undertook to increase investment spending under the 1968-72 plan without incurring large deficits. Tax rates were increased, ordinary expenditures were held in check, and growing ordinary budget surpluses were used to finance an increasing share of government investment. Although overall budget deficits continued, they remained relatively constant during 1968-70. Meanwhile, rising government investment and greater investment incentives for the private sector caused total investment as a percent of GDP to rise from an average of 11% during 1965-67 to 14% during 1968-70. Coupled with favorable weather conditions and good harvests throughout the period 1968-71, the increased investment enabled Morocco to realize a 5.8% average annual growth rate during 1968-71.

The 1973-77 plan calls for continuing investment at about 14% of GDP and a 6.4% average annual growth rate. With investment at a constant rate, Moroccan authorities plan a slight shift in investment priorities away from agriculture to industry and tourism in order to achieve a higher growth rate. In addition, more efficient utilization of investment funds within sectors (i.e., to develop existing capacity rather than construct new facilities) is expected to boost returns on investment further.

Agriculture has been the major recipient of development funds. Under the 1960-64 plan, agricultural investment accounted for 29% of government expenditures, was raised to 33% in the austere 1965-67 plan, and was planned at 48% during 1968-70. However, agricultural investment actually was only 28% of total investment during 1968-70.

Despite the magnitude of funds disbursed, little increase in agricultural output has been obtained. Most increases have come from expanded cultivated land areas rather than from higher yields. Nearly 80% of the funds allocated to agriculture have been used to construct dams, irrigation canals, and associated technical assistance projects. Long gestation periods associated with these large projects, plus administrative shortcomings in implementation during much of the 1960's, have held returns to a very low level. However, administrative problems now have been largely overcome and irrigation is being expanded at an increasing rate. The 1973-77 development plan projects a decrease in both the absolute and relative share of investment devoted to agriculture, but anticipates increased returns due to more efficient allocation of funds. Investment in agriculture is to total the equivalent of US$570 million, or 18% of projected investment, during 1973-77.

Direct government investment in manufacturing, mining, and energy production under the 1960-64 plan, was approximately 16% of the total. The share was raised to 25% during the 1965-67 interim plan but fell to 20% during 1968-70. Most direct government investment in the industrial sector is undertaken in partnership with public or private enterprises. The largest individual projects in which the government has participated were electric power generation facilities and sugar mill construction.

The public sector also contributes to industrial development through state enterprise investment. Most investment in mining is made by the phosphate monopoly, largely from internally generated funds. During 1968-70, the OCP invested more than $100 million in modernization of the phosphate mines, which constituted nearly one-fourth of total industrial investment. In addition, the Tobacco Monopoly, state sugar mills, and the state-owned railroads undertake significant investments.

The government encourages private industrial development by various fiscal incentives under the Industrial Investment Code. Formulated in 1958 and revised in 1960 and again in 1970, the Investment

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Code assures foreign companies of repatriation rights, tax relief benefits, government financial assistance, and fiscal guarantees concerning future taxation. To receive these special privileges, investments must be approved by the Investment Commission. The commission decides what combination of incentives will be allowed for each individual project, thus influencing the direction of investment. Investments approved by the commission averaged only about $40 million annually during the 1960's. Although extensive red tape still impedes implementation of the Investment Code, a somewhat more efficient processing of requests and approval of several large projects boosted the investment level to $130 million in 1970. In 1971, a provision calling for the refund of turnover taxes on industrial exports was added to the Investment Code. Additional revisions are scheduled to further encourage development of export-oriented and labor-intensive industry in the near future.

Tourism, a priority development sector, benefits from direct government investment and from incentives offered under the Investment Industrial Code. Although very little was allocated to tourism under the 1960-64 plan, subsequent plans recognized its importance. Tourism accounted for about 3% of central government investment throughout 1965-70, about 10% of private investment, and 5% of total investment. The 1973-77 plan continues to emphasize tourism, projecting a 70% increase in average annual tourism investment over 1968-70 levels. Much of the increase is slated to come from government sources.

Although precise figures on private investment are not available, it is believed to account for up to 40% of total investment. Some private investment occurs in all sectors of the economy, but it is concentrated in housing, manufacturing, and tourism. Housing is the most important individual area of private investment, absorbing more than one-third of the total, or about $60 million annually. Manufacturing accounts for almost another one-third of private investment, and tourism for 10%.

Following the 1971 abortive coup, the government announced a series of reforms to stimulate the economy and improve income distribution. These reforms included increased minimum wages and government salaries, plans for land reform, and removal of various taxes on consumer goods, such as sugar, bicycles, and radios. The impact of these reforms on economic growth and income distribution, however, does not appear to have been significant.

2. Government finances

Morocco's budget consists of three major divisions: the General Budget, the Annexed Budget, and the Special Accounts Budget. The General Budget consists of ordinary revenues and expenditures, direct investment expenditures, and public debt servicing. The Annexed Budget covers operations of a number of public agencies that have not been granted financial autonomy. Chief among these are the government printing office, the postal and telegraph services, radio and television service, and numerous ports including those of Casablanca, Safi, Kenitra, and Agadir. The Special Accounts Budget covers a wide range of extrabudgetary and frequently temporary operations. Revenues usually are received from a specific source and are earmarked for a specific use. An example of this was a special tax called the National Solidarity Contribution (*Contribution de Solidarite Nationale*) which was levied to finance the reconstruction of Agadir after it was destroyed by an earthquake in the early 1960's. Surpluses of the Annexed and Special Budgets are transferred to the General Budget. The fiscal year corresponds to the calendar year, and all transactions are recorded on a cash basis. Allocations are cancelled at the end of the year, and allocated but unspent funds under the General Budget cannot be carried over.

Government revenues applied to the General Budget are obtained from both direct and indirect taxes and licensing fees. Indirect taxes (mainly turnover taxes) and customs duties account for 50% of tax revenues (Figure 17). Direct taxes on certain types of income, primarily business income, contribute another 20% to government revenues. Incomes from state-owned enterprises and from artificially high prices for sugar also provide revenue.

Personnel salaries account for more than 60% of ordinary expenditures. The remainder is used mainly for interest payments on the public debt (domestic and foreign) and for the purchase of materials and supplies. Social services account for the largest portion of the budget, followed by defense and internal security and economic services. Of total expenditures of $544 million in 1970, 38% was allotted to social services, 31% to defense and security, and 13% to economic services. Education absorbs more than two-thirds of the social services budget, while agriculture and development support are the most important economic services.

Since 1965, Morocco has experienced a steady increase in the General Budget surplus. Following a financial crisis in 1964, ordinary expenditures were cut considerably in 1965. Since then, expenditures have been limited to increases of 7.9% annually. After 1967, a campaign against tax evasion and more efficient collection of tax arrears contributed to larger revenues. A 1969 hike in tax rates and general economic

FIGURE 17. Composite government budget and its financing (U/OU)
(Millions of U.S. dollars)

	1965	1966	1967	1968	1969	1970
Ordinary revenues	380	406	454	535	592	649
Direct taxes	93	103	108	138	130	145
Indirect taxes	103	113	119	137	187	213
Customs duties	74	90	94	90	102	118
Registration and stamp duties	22	24	25	27	34	42
Govern ıent properties	9	9	10	10	11	12
State monopolies	28	34	38	76	61	62
Sugar levy and post, telephone, telegraph surplus	8	14	33	24	36	28
Other	43	19	27	33	31	29
Ordinary expenditures	−390	−401	−415	−484	−514	−544
Debt service	13	29	27	37	39	42
Personnel	235	246	265	284	313	337
Material and supplies	95	92	96	106	110	117
Other	47	34	27	57	52	48
Ordinary deficit/surplus	−10	5	39	51	78	105
Capital expenditures*	−136	−122	−181	−203	−219	−248
Net extrabudgetary accounts**	−14	14	−26	−45	−21	2
Overall deficit	−160	−103	−168	−197	−162	−141
Financing:						
Increase in treasu., and postal checking deposits	38	29	31	53	3	−4
Internal borrowing	35	19	19	47	67	43
Foreign loans	85	51	58	43	50	69
Central bank credit	−9	1	60	54	42	33
Treasury accounts with central bank	11	3	*Negl*	*Negl*	*Negl*	*Negl*

*Including amortization on public debt.
**Includes errors and omissions.

prosperity contributed to revenue increases during 1969-70. Revenue increases were mainly responsible for the improvement in the General Budget balance from a $10 million deficit in 1965 to a $105 million surplus in 1970.

Increasing General Budget surpluses have only partially offset investment expenditures, and the total budget ha' run a deficit for years. Domestic borrowing, either through the sale of government securities or recourse to the central bank and net treasury deposit inflows, finance most of these deficits. Foreign aid is also a significant source of funds. The overall deficit declined from $160 million in 1965 to $141 million in 1970, but repeal of the sugar tax and a 15% pay raise for government workers in the last half of 1971 probably reversed this downward trend. In part the cost of these measures will be offset by a newly instituted progressive tax on incomes over $10,000.

3. Money and banking

Morocco has an extensive banking system including a central bank, 18 commercial banks, and a postal checking system. Most of the commercial banks were originally branches of foreign (usually French) banks, but all have now been incorporated in Morocco. Nevertheless, many domestic banks still have some foreign participation, and some foreign-owned branch banks remain, including branches of two U.S. banks, First National City Bank of New York City and Bank America.

Morocco also has five specialized financial institutions whose main function is to make direct equity investments and to extend credit for development projects. These institutions are the National Bank for Economic Development (BNDE), the Bank of Deposit and Management (CDG), the Property and Real Estate Credit (CIH), the Moroccan Merchants Bank (CMM), and the National Agricultural Credit Fund (CNCA). The main resources of these institutions are private and state enterprise savings, government loans and grants, and foreign loans. These specialized financial institutions provide about one-third of all credit extended in Morocco. Established in 1959, BNDE is the largest institutional source of medium- and long-term credit for industrial enterprises in Morocco. It also subscribes to shares in new or expanding businesses, helps to set up new companies, guarantees investments made by other institutions, and discounts medium-term credits made by commercial banks. Created by the French to finance housing and land purchases for Europeans, CIH provides similar services to the tourist industry. CNCA is involved primarily with modern sector agricultural enterprises.

The Bank of Morocco, the central bank, has the main responsibility for implementing all monetary and credit policy. It is assisted in formulating policies by the Committee of Credit and Market Finance (*Comite du Credit et du Marche Financier*), a special committee chaired by the Minister of Finance with representation from the Bank of Morocco, the planning agency, the specialized credit institutions, the commercial banks, and selected banker associations. The central bank acts as banker to the government, to commercial banks, and to certain state enterprises. Its control over the banking system is exercised through its role in setting rediscount ceilings and minimum reserve requirements. In addition, it issues periodic instructions to the banks limiting their rate of credit expansion to the private sector.

The Bank of Morocco maintains effective control over the monetary sector. Although large government deficits and large central bank borrowing gave rise to mild inflation in the mid-1960's, expansion of the money supply was held to 8.4% per annum during 1965-71, and the consumer price index rose slowly from 108 in 1965 to 115 in 1971.

Until December 1971, the value of the Moroccan dirham was 5.06 to US$1. In March 1972, the selling rate was DH4.59 to US$1.

4. Manpower

Although Morocco suffers from serious unemployment, skilled labor and managerial expertise are in short supply. Levels of productivity are generally low and frequently are not fully offset by the low wage scales which predominate in most industries. Many of Morocco's industries cannot compete effectively in foreign markets because of their high production costs and would have difficulty competing in domestic markets were it not for high protective tariffs. Because of the lack of skilled labor, new industries tend to be capital intensive. Most of the active labor force is employed in the agricultural sector (Figure 18). Although the number of Moroccans occupying managerial positions is increasing, much Moroccan manufacturing and commerce is still in the hands of Europeans.

Unskilled labor continues to migrate to the cities where unemployment rates are rising. Lured by the excitement of the big city and hopeful of escaping from a way of life based on subsistence agriculture, the unskilled rural worker is frequently unable to find employment. Official statistics show that unemployment rose from about 7% of the labor force in 1960 to about 16% in 1970, while urban unemployment rose from 20% to 30% during the same period. Actual unemployment is probably far higher (it was

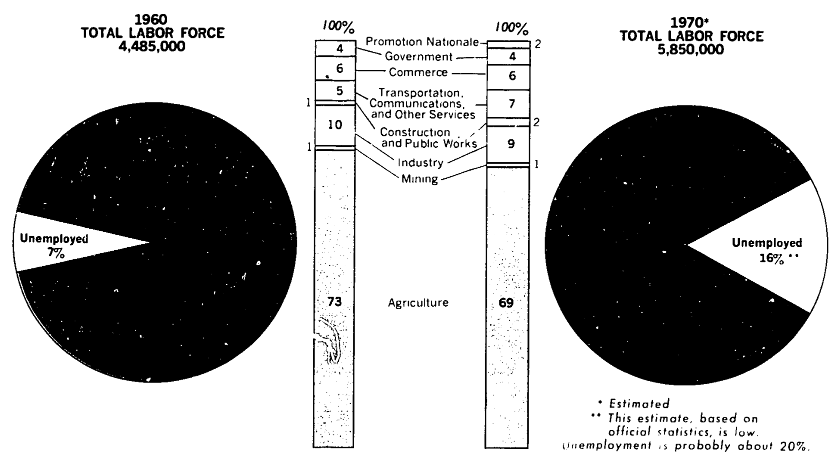

FIGURE 18. Distribution of ... labor force by anch of the econ... (C

estimated at 20% of the labor force by the U.S. Embassy in 1971), and the problem is exacerbated by the rate of population growth, which continues to accelerate. Technical training is limited to about 2,000 adults in training centers operated by the Ministry of Labor, Social Affairs, Youth, and Sports and no other job training, with the exception of traditional handicraft apprenticeships, is available.

Government efforts to alleviate unemployment include encouragement of worker emigration, a work relief program, and more extensive education programs. The number of students of working age rose from 136,000 in 1964 to 221,000 in 1968, thereby absorbing about 14% of the increase in the working age population. However, the shortage of school facilities and qualified teachers limits further expansion of education in the cities, while income levels and social structure discourage extended schooling in rural areas. In addition, the stagnation of primary school enrollment since 1964 makes an increase in school enrollment at higher levels more difficult.

Worker emigration rose rapidly during the late 1960's, from 13,000 in 1968 to about 33,000 in 1970. Emigration eliminated about 20% of the natural labor force increment in 1970, but many of those going abroad were among the more skilled. The number of Moroccans working abroad in 1970 was estimated at 220,000, or about 4% of the total Moroccan labor force. About two-thirds are in France and most of the remainder in the Netherlands, Germany, Libya, the United Kingdom, and Belgium. Emigration agreements, which channel employers' requests through the Moroccan Ministry of Labor, Social Affairs, Youth, and Sports have been signed with five countries and should facilitate even greater emigration in the near future.

Government efforts to employ unskilled workers in a work relief program (*Promotion Nationale*) have made little progress. Employment under this program has remained between 80,000 and 100,000 since 1968. It employs workers in such projects as road construction and reforestation and benefits mainly the rural population. Efforts to extend the program to the urban centers have had little success. Recently, Morocco discontinued use of the P.L. 480 wheat as in-kind payment to workers, and this step may even reduce the *Promotion Nationale* program.

D. International economic relations

1. Foreign trade (U/OU)

Morocco's foreign trade balance is nearly always in deficit. The only trade surplus realized during the 1960's occurred in 1965 when newly introduced import controls caused a temporary decline in imports. During 1961-70 imports expanded at an average annual rate double that of exports, and the trade deficit grew from $32 million in 1960 to $198 million in 1970. Larger purchases of capital equipment and semifinished goods accounted for most of the increase in imports. Although exports experienced a spurt of relatively rapid growth during 1968-70 as agricultural and manufactured exports expanded, declining mineral exports and generally slow expansion of other exports limited overall average export growth to a relatively low rate.

Morocco exports many primary products (Figure 19), most of which are subject to fluctuating world prices. Agricultural products and minerals account for 80% of export earnings, and nearly half of manufactured exports are processed foods and minerals. Phosphates and citrus have long been Morocco's major exports. Although mineral exports have stagnated, phosphates remain the single largest export, accounting for almost one-fourth of total export earnings in 1970. Declining world prices since 1965, due to increased U.S. exports, contributed to lower phosphate earnings, but by 1970 phosphate exports had increased sufficiently to offset the price declines. Citrus prices fluctuate depending on the size of the Spanish harvest and on the timing of domestic production. An early crop enables Morocco to export several weeks in advance of competing export countries and thus obtain higher prices.

The prospects for a substantial increase in export earnings are uncertain. Mechanization of phosphate mines is expected to cause a rapid increase in output through the mid-1970's. However, this increase probably will be at least partially offset by further price declines as production from the large Spanish Saharan deposits increases. Other mineral exports will probably continue to stagnate. Citrus exports to the Western Europe market are expected to expand only slowly, but new markets are being developed elsewhere, particularly in the U.S.S.R. and Eastern Europe. Most other agricultural exports should increase as irrigation and output are expanded. Exports of manufactured goods rose rapidly after 1967, but many of Morocco's largest manufacturing industries are still unable to meet foreign competition. Canned fish exports are one of those expected to decline after French preferences are removed in 1973. Future earnings will depend in large measure on Morocco's ability to develop new export industries.

Morocco depends on imports to supply most of the fuel and raw material inputs for its manufacturing sector, most capital equipment, and substantial

FIGURE 19. Exports (U/OU)
(Millions of U.S. dollars)

	1960	1965	1966	1967	1968	1969	1970
Agricultural	151	208	203	200	217	242	236
Citrus fruits	36	62	66	68	83	77	71
Tomatoes	19	27	29	35	28	29	36
Other fresh vegetables	*na*	19	18	17	16	13	17
Legumes and pulses	*na*	18	11	10	19	19	26
Wine	10	17	14	12	5	7	8
Other	86	65	65	58	66	97	78
Minerals	169	170	154	150	149	153	157
Phosphates	84	113	106	108	108	109	113
Lead	11	20	15	12	13	13	14
Iron	7	8	6	7	5	6	6
Other	67	29	27	23	23	25	24
Manufactured goods	62	58	71	74	89	95	95
Canned fish	21	14	24	23	26	25	25
Processed fruits and vegetables	*na*	13	14	15	15	20	19
Fertilizers	None	None	8	10	14	10	7
Handicrafts	*na*	*na*	3	4	4	5	8
Other	41	31	22	22	30	35	36
Total	382	436	428	424	455	490	488

na Data not available.

amounts of food and consumer goods (Figure 20). Semifinished goods are the largest import category, accounting for one-fourth of the import bill. Capital goods are the second largest and, reflecting recent increases in investment, the most rapidly growing import category. Food imports fluctuate widely, depending on domestic cereal harvests. However, due to a government sponsored increase in sugar beet cultivation, imports of sugar fell from $52 million in 1965 to $27 million in 1970. Imposition of more

FIGURE 20. Imports (U/OU)
(Millions of U.S. dollars)

	1960	1965	1966	1967	1968	1969	1970
Food	89	114	131	143	124	92	115
Soft wheat and flour	14	20	42	63	45	10	26
Sugar	35	52	38	29	24	22	27
Other	40	42	51	51	55	60	62
Fuel and raw materials	70	87	86	83	106	103	122
Edible oils	*na*	23	19	12	17	9	16
Crude oil	20	14	16	16	21	20	23
Oil products		4	8	9	12	12	15
Lumber	8	13	15	14	16	16	20
Other	42	33	28	32	40	46	48
Semifinished products	87	91	103	109	124	150	172
Metal products	*na*	27	28	34	36	41	57
Textile yarns	*na*	11	18	15	17	24	21
Other	*na*	53	57	60	71	85	94
Capital equipment	56	70	76	105	117	134	165
Industrial equipment	53	33	31	67	69	85	101
Other	3	37	45	38	48	49	64
Consumer goods	112	69	82	78	87	97	112
Automobiles and auto parts	17	11	12	17	27	33	36
Other	55	48	51	47	55	59	71
Textiles	40	10	19	14	5	5	5
Total	414	431	478	518	558	576	686

na Data not available.

stringent import controls in 1965 and expanded domestic production, particularly of textiles, held consumer goods imports in check during the 1960's.

Composition of trade has changed far less than trading partners (Figure 21). Trade with France, traditionally Morocco's largest partner, has diminished. A break in diplomatic relations and suspension of French aid in the mid-1960's, in addition to loss of some special privileges in the French market, encouraged Morocco to seek other trading partners. New export markets, primarily for citrus, have been developed in the U.S.S.R. and Eastern European nations, while Western European nations, the United States, and the U.S.S.R. increased in importance as suppliers to Morocco. Imports from the U.S.S.R. are primarily crude oil and capital goods. Most imports from the United States are aid-financed food shipments and capital goods. Other than France, only Cuba experienced a significant drop in sales as sugar purchases declined sharply.

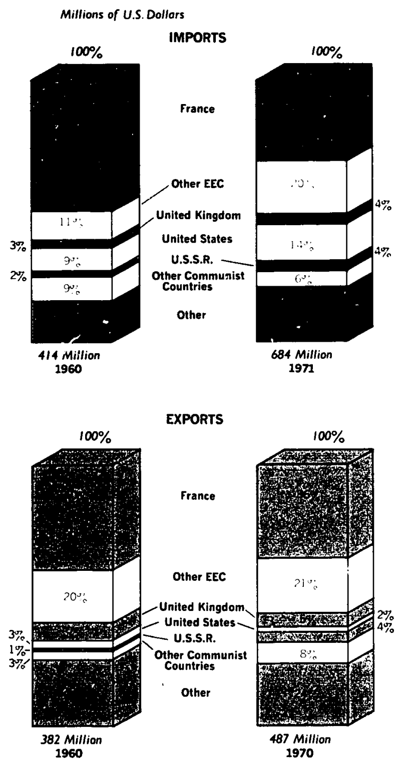

FIGURE 21. Direction of trade (U/OU)

Traditional trading ties to Western Europe have been formalized under an Association Agreement with the EEC. Implemented in September 1969, the agreement has a duration of 5 years but can be reviewed during the first 3 years. Moroccan authorities hope to broaden the agreement to include aid and labor policies as well as the commercial arrangements now covered. Under the agreement, the EEC reduced its common external tariffs on many Moroccan agricultural exports and allowed most Moroccan industrial products to enter the EEC duty free. In return, Morocco reduced import tariffs and established quotas for certain goods imported from the EEC. Although it is too early to judge the impact of this agreement on Moroccan trading patterns, it is not expected to be great. Many large Moroccan exports, including mineral products, tomatoes, and potatoes, are not covered, and most other agricultural preferences have also been granted by the EEC to Morocco's major competitors. Although trade with France may decline further as French preferences are replaced, the EEC is likely to remain Morocco's largest export market. Industrial preferences have already figured in the increase in manufactured exports, and they may grow in importance as Morocco attempts to develop export industries.

2. Balance of payments (C)

Morocco's chronic trade deficit is only partially offset by other current earnings and private capital flows. Consequently, substantial foreign assistance is required. Morocco registered an overall balance of payments deficit in most years during 1960-69, but more recently a small surplus has been realized each year (Figure 22).

Although the net contribution of services to Morocco's balance of payments had been negative before 1967, rapidly growing receipts from tourism and remittances from Moroccan's working abroad subsequently have produced a positive balance in the services account. Government sponsored emigration has caused a rapid rise in workers' remittances from \$15 million in 1967 to \$45 million in 1970. Requests for labor transmitted through the Moroccan Government of Labor channel more than 30,000 workers abroad each year. Tourists to Morocco, attracted by beaches, picturesque countryside and the lure of an ancient eastern culture, have [illegible] in

FIGURE 22. Balance of payments, 1960–70 (U/OU)
(Millions of U.S. dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Exports	382	363	353	382	439	436	428	424	455	490	488
Imports	414	450	442	462	463	431	478	518	558	576	686
Trade balance	-32	-87	-89	-80	-24	5	-50	-94	-103	-86	-198
Tourism	3	-6	1	6	27	51	42	42	43	69	74
Workers' remittances	*na*	*na*	*na*	*na*	*na*	*na*	-5	15	12	33	45
Other services	49	9	-16	-16	-40	-65	-70	-56	-44	-61	-69
Current account	+20	-84	-104	-90	-37	-9	-83	-93	-92	-45	-148
Capital flow	56	51	63	62	71	115	69	74	66	65	168
Private	-2	-1	-1	2	2	2	-6	-9	-14	-5	52
Public	58	52	64	60	69	113	75	83	81	70	116
Errors and omissions	-8	-10	20	-16	-95	-61	*Negl*	-1	0	0	0
Change in reserves	+68	-43	-21	-44	-61	+45	-14	-20	-26	+20	+20

na Data not available.

number from 380,000 in 1965 to 750,000 in 1970. Net tourist receipts rose from $51 million to $74 million in the same period.

Net private capital flows are small and usually negative. Long-term credits and direct investments are offset by capital repatriation in most years. In 1970, however, net private capital inflows were a sizable $52 million. Although direct private investment of about $20 million was double usual inflows, most of the net inflow of private capital was due to rescheduling short-term supplier credits. The net inflow from that source alone was over $50 million.

Morocco relies upon foreign assistance, mainly from Western nations, to finance most of its current account deficit. With the exception of 1965, when aid increased to $113 million, foreign assistance grew very slowly during the 1960's. However, more efficient project management and renewed French assistance caused net aid disbursements to increase from $70 million in 1969 to $116 million in 1970. Morocco's foreign debt service is very low, equaling only about 8% of foreign exchange earnings.

France and the United States have alternated as the largest supplier of foreign assistance to Morocco. U.S. disbursements have ranged from $30 million in 1957 to $80 million in 1960 but have been relatively constant at about $55 million annually since 1968. Most U.S. aid takes the form of P.L. 480 food shipments (mainly vegetable oil and wheat), which increase during drought years. Following independence, French aid was constant at $15 million through 1961 but increased rapidly during the early 1960's, reaching $90 million in 1964. However, strained political relations stemming from the Ben Barka murder scandal (see Government and Politics chapter, Foreign Policies) resulted in the suspension of new aid commitments after 1965. Consequently, French aid declined to about $20 million in 1968. With the improvement in relations in 1969, French assistance rose in 1970 to $24 million, or 18% of total aid inflows. Like the United States, France supplies Morocco with wheat on concessionary terms, finances a variety of agricultural and industrial projects, and supplies technical assistance in numerous fields.

West Germany and the World Bank also contribute sizable sums, each accounting for about 10% of total aid disbursements in 1970. Although still small in comparison to Western aid, Soviet assistance has increased considerably in the late 1960's and accounted for nearly 10% of total aid inflows in 1970. Almost all of the Soviet assistance is used to finance various stages of the Jerada electric powerplant. A number of other nations, including Kuwait, Iran, Italy, and other European states also contribute funds to finance a variety of projects and technical assistance.

3. Regulations on trade and payments (U/OU)

Morocco regulates foreign expenditures through an annual General Import Program and through authorization of foreign exchange transfers. Established in May 1967, the General Import Program consists of three lists (A, B, C) applicable to all countries. List A comprises items that may be imported without authorization or quantitative restrictions, while imports under list B are subject to licensing and frequently to quotas. Used to regulate balance of payments disbursements, quotas on some goods are quite flexible but others, designed to protect domestic industries, are rigid. List C covers prohibited items, mainly luxury goods, although imports of such goods sometimes are allowed. Most monetary transfers must be authorized by government authorities. Capital repatriation by foreign nationals is generally allowed.

Restrictions on trade and payments gradually have been streamlined since 1965. Foreigners are permitted to transfer a portion of their wages home, and Moroccans are permitted to take some money abroad. In 1967 import regulations were revamped and imports liberalized under the new General Import Program. As balance of payments surpluses occurred in the late 1960's, imports were further liberalized, and many goods were moved from list C to list B and from list B to list A. Consequently, more than three-fourths of the items now imported into Morocco are not subject to limitation. Allowances for Moroccans traveling abroad as well as the amount foreigners can transfer out of Morocco were increased in the late 1960's.

Glossary (U/OU)

ABBREVIATION	FOREIGN	ENGLISH
BEPI	*Bureau d'Etudes et de Participation Industrielle*	Bureau of Industrial Studies and Investments
BNDE	*Banque Nationale pour le Developpement Economique*	National Bank for Economic Development
BRPM	*Bureau de Recherches et de Participations Minieres*	Mining Exploration and Investment Bureau
CAAMSA	*Compania Azucarera Alcoholera Morroqui S.A.*	Moroccan Sugar and Alcohol Corporation
CDG	*Caisse de Depot et de Gestion*	Bank of Deposit and Management
CIH	*Credit Immobilier et Hotelier*	Property and Real Estate Credit
CMM	*Caisse Marocaine des Marches*	Moroccan Merchants Bank
CNCA	*Caisse Nationale de Credit Agricole*	National Agricultural Credit Fund
COSUMAR	*Compagnie Sucriere Marocaine de Raffinage*	Moroccan Sugar Refining Company
COTEF	*Compagnie Textiles de Fez*	Textile Company of Fes
DERRO		Economic and Rural Development of the Western Rif
ENI	*Ente Nazionale Idrocarburi*	Italian National Fuels Authority
OCE	*Office de Commercialization et d'Exportation*	Marketing and Export Office
OCP	*Office Cherifien des Phosphates*	Moroccan (Sharifian) Phosphates Office
OIM	*Omnium Industriel du Maghreb*	Maghreb Industrial Trading Company
OMCI	*Omnium Marocain Commercial et Industriel*	Moroccan Commercial and Industrial Trading Company
ONE	*Office National d'Electricite*	National Electricity Office
ONP	*Office National des Peches*	National Fisheries Office
PRAM		Project to Reorganize Nonirrigated Agriculture in Morocco
SAIDA	*Societe Africaine pour l'Industrie Automobile*	African Automobile Industry Company
SAMIR	*Societe Anonyme Marocaine Italienne de Raffinage*	Moroccan Italian Refining Corporation
SCAMA	*Societe de Construction Automobile Marocaine*	Automobile Assembly Company of Morocco
SCP	*Societe Cherifienne des Petroles*	Moroccan (Sharifian) Petroleum Company
SOMACA	*Societe Marocaine de Construction Automobile*	Moroccan Automobile Assembly Company
SOMETAL	*Societe Metallurgique Africaine*	African Metallurgical Company
SUTA	*Sucrerie du Talda*	Talda Sugar refinery