Investment Opportunities and Offer of Morocco

1st Japan-Africa Business Forum

Wednesday 11th July, 2014
Tokyo
Morocco Overview

Capital: Rabat

Institutional System: Democratic and social Constitutional Monarchy

Area: 710,850 km²

N° of inhabitants: 32.5 million

Time Zone: GMT (GMT+1 in summer)

Languages: Arabic and Amazigh (official); French, Spanish, English

GDP: 835 Billion MAD (2013)
US$ 100 Billion

GDP per capita: 25,681 MAD/inhabitant (2013)
US$ 3,500

Average growth: 4.9% (over the last 5 years)

GDP Distribution (2012):
- Primary Sector: 12.7%
- Secondary Sector: 28.1%
- Tertiary Sector: 59.2%

Inflation Rate: 1.9% (2013)

Source: Haut Commissariat au Plan et Office des Changes
Promising relations between Morocco and Japan

- ~60 years of diplomatic relations between Morocco and Japan

Triangular cooperation between Morocco, Japan and Africa

- Road maintenance
- Drinking water
- Merchant navy
- Health
- Fisheries
- Port management
- Electricity

Promotion and investment protection agreement

Double taxation agreement agreement

To be signed by this year
Japanese investments in Morocco

- **35**
  - Japanese Companies in
  - 6 different cities in Morocco
  - + 27,000 employees
  - 1st Country-employer in Morocco

**Sectors of investment**

- Automotive
- Trading
- Agri-business
- Energy

**Main Japanese companies present in Morocco**

- YAZAKI
- Sumitomo Corporation
- Mitsui & Co., Ltd.
Contents

I  Morocco: An attractive country for investors

II  Morocco’s value proposition

III  Key sectors of investment

IV  Moroccan- African vision
A Stable Political Environment

A continuing drive for openness and democratisation

- A monarchy established in the year 788 (12 centuries ago)
- The Constitutional Council reviews the constitutionality of all laws
- In July 2011, a referendum established a new Constitution, guaranteeing:
  - Human rights
  - The legality of the State and its institutions
  - Individual and collective liberty
  - Improved moral standards in public life
  - The plurality of the Moroccan identity

Morocco, most stable country in North Africa in 2012
According to The Association For International Affairs

Morocco, most pacifist country in North Africa in 2013
According to Global Peace Index 2013

Morocco, most democratic country in Arab region in 2013
According to the Egyptian center Ibn Khaldoun
Strong Macroeconomic Drivers

- **GDP Growth** (average 2001-2013): 4.8%
- **Inflation** (average 2001-2013): 1.8%
- **FDI Growth** (average 2011-2013): 40%
- **Unemployment rate** (End 2013): 9.5%

*Flux Net des IDE entrant*

**Sources:** Haut Commissariat au Plan, Office des Changes; Bank Al Maghrib; Banque Mondiale

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**S&P affirms Morocco's rating**
BBB-/A-3 with a **stable** perspective
May 2014

**Fitch Ratings maintains Investment Grade**
2012-2013

**International Monetary Fund**
May 2014
Besides being a **model of stability**, Morocco ensures highly **promising prospects** as a **center of economic influence** for the MENA region
Easiness of **doing business**

1. No restrictions to **capital** for non-residents
2. **Free repatriation** of profits and capital for non-residents
3. **More than 100** protection foreign investment agreements and double taxation

Morocco gained 8 positions in global ranking of “Doing Business 2014”
Morocco is "the most improved" country in business regulations in 2011 (+21 positions)
Over the last decade, Morocco has engaged in a policy which seeks to make foreign investment as a strategic support for economic and social growth and to consolidate the attractiveness of the Kingdom vis-à-vis foreign investors.

In 2013, Morocco was the first recipient of FDI in North Africa.

In terms of FDI restrictiveness, Morocco is ranked amongst the most open countries in the region, 3rd in Africa.*

* OECD
### Ambitious Sectoral Strategies

<table>
<thead>
<tr>
<th>Industry: Performant Ecosystem Strategy 2020</th>
<th>Agriculture: Green Morocco Plan 2020</th>
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<tbody>
<tr>
<td><strong>Launched in 2014</strong></td>
<td><strong>Launched in 2008</strong></td>
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<tr>
<td>• Industrial GDP to reach 23% of global GDP</td>
<td>• To modernise the agricultural sector</td>
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<tr>
<td>• Creation of 500,000 jobs</td>
<td>• US$10 billion in additional GDP from agriculture</td>
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<td>• Creation of Industrial Development Fund: $2.5 Bn</td>
<td>• US$15 billion in public and private investments</td>
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<td>• Allocation of 1,000 hectares of land for rent</td>
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<tr>
<th>Tourism: 2020 Vision</th>
<th>Logistics Plan 2016</th>
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<tr>
<td><strong>Launched in 2010</strong></td>
<td><strong>Launched in 2010</strong></td>
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<td>• 20 million tourists in 2020</td>
<td>• To improve the country’s logistical competitiveness</td>
</tr>
<tr>
<td>• 200,000 new beds</td>
<td>• To reduce logistical costs from 20% to 15% of GDP</td>
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<td>• Tourism GDP: from US$6 billion in 2010 to US$17 billion in 2020</td>
<td>• An integrated national network of 70 multi-flow logistical zones</td>
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<tr>
<td><strong>Launched in 2009 (Solar) and in 2010 (Wind)</strong></td>
<td><strong>Launched in 2009</strong></td>
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<tr>
<td>• Renewable energy &gt;40% of national production by 2020</td>
<td>• Generalized access to broadband</td>
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<tr>
<td>• Capacity: 2,000 MW of solar power + 2,000 MW of wind power</td>
<td>• Encourage IT use by SMEs</td>
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<tr>
<td><strong>Launched in 2010</strong></td>
<td>• Development of government e-services</td>
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<th>Pharmaceutical Plan 2020</th>
<th>Chemical Plan 2020</th>
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<td><strong>Launched in 2012</strong></td>
<td><strong>Launched in 2012</strong></td>
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<tr>
<td>• Turnover in export: US$1.5 billion</td>
<td>• Turnover: US$18 billion</td>
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<tr>
<td>• Direct job creation: 12,500</td>
<td>• GDP contribution: US$ 5.5 billion</td>
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<tr>
<td>• Indirect job creation: 45,000</td>
<td>• Job creation: 43,000</td>
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Modern Infrastructure

Airports
• 16 international airports
• Casablanca is #1 Europe-Africa hub

Tramways
• Rabat and Casablanca
• €1 billion

Highways
• 2015: it connects all the big cities of Morocco (approximately 1800Km of highways)

Railway Network
• First high-speed train in Africa (Tangier-Casablanca) in December 2015 –€1.8 billion

Ports:
• Morocco has two coastlines (Mediterranean and Atlantic)
• More than 95% of trade in Morocco go through the seaway.
• Morocco has 38 ports of which 18 are devoted to foreign trade.

Tangier Med port:
• Ideal port platform to serve Europe and West African countries
22 Integrated Industrial Parks (P2Is)

« Plug & Play »

- TANGER FREE ZONE
- TANGER AUTOMOTIVE CITY
- TETOUAN SHORE
- OUIJDA SHORE
- CLEANTECH
- FES SHORE
- AGROPOLIS
- MARRAKECH SHORE
- OFFSHORING P2I
- AERONAUTICS P2I
- RENEWABLE ENERGY P2I
- GENERAL P2I
- AUTOMOBILE P2I
- AGRICULTURAL P2I

ATLANTIC FREE ZONE
TECHNOPOLIS
CASANEARSHORE
NOUASSEUR AEROSPACE CITY
AGADIR
MARRAKECH
DAKHLA
LAAYOUNE
RABAT
CASABLANCA
MEKNES
FES
OUIJDA
KENITRA
BERKANE
TETOUAN
TANGER
FES SHORE
TETOUAN SHORE
CASANEARSHORE
MARRAKECH SHORE
Contents

I  Morocco: An Attractive Country For Investors

II  Value Proposition

III  Key sectors of investment

IV  Moroccan- African vision
A **Strategic** Geographical Location

![Diagram showing strategic geographical location with labels for Americas, Europe, Middle East, Africa, and Tanger Med in Morocco.](image-url)
Logistics Hub of international stature
Connections to 120 ports in 56 countries, with 40 services

Current capacity of **3.5 million containers** (8.5 millions in 2015)
2 container terminals

**2.5 million TEUs** * in 2013

Ambition: To be included in the **World Top 15**
At The **Crossroads** Of The Continents

Flight duration

Sea/land route

Sources: Royal Air Maroc; COMANAV
Morocco: **an unparalleled connection** between Europe, the Middle East, and Africa

**Number of international passengers:**
- Steadily growing

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<th>Year</th>
<th>Passengers (in millions)</th>
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<tr>
<td>2006</td>
<td>8.5</td>
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<tr>
<td>2007</td>
<td>10.1</td>
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<td>2008</td>
<td>11.5</td>
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<td>2009</td>
<td>12</td>
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<td>2011</td>
<td>15.1</td>
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<td>2012</td>
<td>15.1</td>
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<tr>
<td>2013</td>
<td>16.5</td>
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**Direct connections to 33 European cities**

**Direct connections to 36 cities in Africa and the Middle East**

**Mohammed V Airport in Casablanca:** **best airport in North Africa** in 2012
- According to the International Association of Airports

Sources: Office National des Aéroports & Royal Air Maroc
Unique Set Of **Free Trade Agreements**

- Agreement under negotiations with Canada
- Agreement with United States of America (2005)
- Agreement under negotiations with the Economic Community of West African States (ECOWAS & CEMAC)
- Agreement with Turkey (2003)
- Association Agreement with European Union (1996)

Since 2008, Morocco enjoys an Advanced Status with the EU.
**Competitive Costs**

### Competitive salary (average)

US$ per month

- China: 293
- Mexico: 380
- Morocco: 488
- Romania: 512
- Poland: 1044
- Turkey: 1186
- Spain: 2646
- United States: 3662

### Exports costs*

US$ per container

- Morocco: 576
- China: 598
- Tunisia: 750
- Spain: 1268
- France: 1292

### Total Tax Burden**

- Morocco: 49.6%
- Spain: 59.0%
- Tunisia: 62.0%
- China: 64.0%
- France: 65.0%

*Associated costs with all procedures required to export goods

**Amount of taxes and mandatory contributions by the company during the second year of activity, expressed in % of commercial profits

**Source:** World Bank 2012; Caisse Nationale de Sécurité Sociale; Doing Business
A young and qualified workforce

A young and educated population

- 64% of Moroccans are aged under 34 years
- 6 million young people (between 18 and 35 years old)
- An active population of **12 million**
- 175 000 university students
- Training of **15 000** engineering graduates per year for 2015 and **25 000** for 2020
- Over **100** public universities and schools
- Over **200 private universities**

A youth open to the world

- **16 million** internet users & **4.4 million** Facebook users
- **~10 millions** of french speakers & **~6 millions** of spanish speakers
- Steady growth of English (Morocco ranked **45th** worldwide and **2nd** in North Africa, in terms of English mastering *)
- Strong cultural and linguistic affinity with Europe, Middle East and Africa.

* Sources: Arab Social Media Report, Dubai School of Government; Haut Commissariat au Plan, Ministère de l’Enseignement Supérieur, Agence Nationale de Réglementation des Télécommunications

* World index of english level, by « Education First » organization
An Attractive Incentive Package

Conventional Regime

**Investment Promotion Funds (IPFs)**

- **Eligibility Conditions:**
  - Investment ≥ US$ 24 million
  - Jobs created ≥ 250
  - Transfert of technology
  - Implementation in a priority area
  - Protection of environment

- **Land Assistance:** A contribution up to 20% of acquisition costs

- **External Infrastructures:** assistance of up to 5% of total amount of investment programme

- **Training:** A contribution of up to 20% of training costs

**Hassan II Fund**

- **Eligibility Conditions:**
  - Total investment ≥ US$ 1.2 million
  - Investment in goods and equipment ≥ US$ 0.6 million
  - **Sectors:** Automobile, aeronautics, nanotechnology, microelectronics, and biotechnology.

- Contributions are limited to a maximum of 15% of the total investment and US$ 3.7 million as the following:
  - **Land Assistance:** 30% of costs of land acquisition and development.
  - **Equipment:** 15% of costs of new equipment (excluding taxes and import duties).

**Free zone regime**

- **Eligibility Conditions**
  - 70% of sales to be achieved abroad

- Unlimited exemption from customs duties

- Simplified customs procedures

- Corporate tax = 0% for 5 years and 8.75% for 20 years

- Income tax = 0% for 5 years, then 80% tax reduction for 20 years

- Business tax exemption for 15 years

- Value Tax Added: unlimited exemption for goods delivered and services

- Registration fees: exemption acts of incorporation and capital increase
Contents

I  Morocco: An Attractive Country For Investors

II  Value Proposition

III  Key sectors of investment

IV  Moroccan- African vision
Finance: Casablanca Finance City (CFC)

A single entry point to north, west and central Africa (“greater north west africa” (GNWA))

What is CFC?
- An international financial hub for GNWA
- A comprehensive and sustainable ecosystem
- A specific status including an attractive tax framework

Advantages?
- Total exemption from corporate tax for companies during the first 5 years of operation and 8.75% thereafter.

For regional and international office:
- Taxed at a reduced rate of 10% (corporate tax)
- Specific taxation rate of 20% for wage income (income tax)
- Exemption acts of incorporation and capital increase

Why choosing CFC?
- Opportunity to belong to one single investment region with critical mass
- Proximity to clients, assets and information
- Benefit from high-standard financial services
- Attractive cost base
Opportunities:

- Retail contributes to 11% of GDP and employs about 1.2 million people/12.8% of the labor force in Morocco
- Internet retailing became a fully-fledged retailing channel in the country starting 2012
- Morocco is positioning itself as a platform for shopping
- Implementation of 600 supermarkets and hypermarkets by 2020
- 8% annual growth

Sector highlights:

- Domestic companies remained the leaders in retailing in Morocco during 2012-2013 in terms of value sales
- Construction of the most significant retail park in Morocco - the Zenata eco city in Casablanca, the first of its kind in Africa.
Opportunities:

Morocco’s Automotive cluster offers opportunity to serve 4 main strategic Automotive markets for OEM

- **EU**: 14M vehicles p.a.
- **North Africa and Middle East**: 2.6M in 2012 – 3.7M by 2020
- **West Africa**: 150k in 2012 – 210k by 2020
  
  ... and potentially **NAFTA**, given Free-Trade Agreements and logistics (5 days of shipping to USA)

... as well as for OES

- Serve **European** OEM and OES thanks to localization: 1 day to Spain, 2 days to France, 3 days to Germany/Italy
- Serve **Moroccan** OEM and OES looking for local sourcing
- Serve **MENA and West-African** automotive **aftermarket**
  
  ... and potentially serve **NAFTA** market (OEM, OES and IAM)

Sector highlights:

- Renault developed a major production center in the north area of Morocco
- Renault’s Mega plant will boost local production to reach about ~500 000 units by 2015
Opportunities:
The Moroccan aerospace platform is now entering a second phase of its development through a unique value proposition:
- Well trained Human Resources
- High productivity and quality standards
- Competitive costs
- Dedicated and upscale Technopark
- Attractive set of Government incentives
- Stable country, both politically and economically

Sector highlights:
- Bombardier's assembly unit: $200 M investment, 850 direct and 4000 indirect employees by 2020
- $1 Bn export sales, 10 000 employees and ~106 companies in 2013
- A network of ~90 Suppliers operating in critical parts of the value chain
Opportunities:

- 220M€ of additional GDP between 2009 and 2015
- Potential 9,000 jobs by 2015 (200 winners in management, 1,400 engineers, 2,700 technicians and 4,700 operators)
- Market growth of specialty electronics maintained since 2004 (+7%)
- The existence of a new type of subcontractors more integrated
- Development of more and more products with high added value

Sector highlights:

The Electronics sector includes two branches:

- General public Electronics (upstream electronic equipment, white goods, brown goods, etc)
- Specialty/integrated Electronics
Contents

I  Morocco: An Attractive Country For Investors

II  Value Proposition

III  Key sectors of investment

IV  Moroccan- African vision
• By 2050, Africa's economy would be close to 10 times bigger than it is today.

• Six of the world’s ten fastest-growing economies in the world over the last decade were in Africa. It is expected to be seven by 2020.

• The economy in the Sahel region is growing by more than 5% annually.

• There is a rise of a consumer society, which increases demand, boosts local production and amplifies middle class.

→ In 2014, 106 million Africans should have an annual income of over $5,000*

The true size of Africa embraces China, the US, India, Eastern Europe and the most important Western European countries
Africa’s relative attractiveness is on the rise: a way above Asia and Western Europe and slightly behind North America*.

Africa’s attractiveness rises significantly when investors get established in the African market.*

* EY’s Africa’s attractiveness Report
Today, major international companies quest for the "African opportunity"

African countries combined represent a GDP of 3.1T$, comparable to GDP of India (3.3T$) or Russia (2.2T$)

Source: World bank statistics, Company websites
Tomorrow, African challengers will invest even more in the continent.

40 fast-growing "African Challengers" with global aspirations

Competitive companies investing heavily in Africa

- Out of the 40, 32 companies are already at least regional players
- African challengers stay inside the continent in two-thirds of all cross-border deals

Need for a coordinated approach to support investments of African Challengers
Moroccan companies, large footprint in Africa

- Banking
- Insurance
- Telecom
- Construction and Real Estate
- Mining
- ICT & Media
- Healthcare
- Air transport

Moroccan geostrategic vision towards Africa

- Morocco, under the vision of its King, is keen to strengthen its position as an African leader. This is marked by the various visits of His Majesty to different African countries.
- 7% of Morocco’s exports in 2012 were to the markets of the Sahel-Saharan states, aiming to raise the ratio up to 20% in 2018.
- With its $800 millions of investments, Morocco is the second African investor in the continent after South Africa.
- In a decade, nearly 5,000 bilateral agreements have been signed and entered into force. 40 joint commissions have been established in the same period.
- Morocco is considered as a platform for foreign companies to project their activities in sub-Saharan Africa due to:
  - Deep knowledge of African markets
  - Very frequent airline connections
  - A strong Moroccan banking sector present in Africa
Thank you for your attention & Welcome to the 4th Japan-Arab Forum in Morocco

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