

MOROCCO

Overview

Defense Industry Environment

Very little information is available about the Moroccan defense budget. Prior to the elimination of Foreign Military Financing (FMF), the U.S. had some idea of where U.S. secured funds were projected to be spent. Currently, there is limited information concerning anticipated expenditures. However, public sources suggest that the defense budget has remained constant at \$1.3 billion or approximately 3.8% of GDP since 1994.

There are several items that the Moroccan military would like to obtain, preferably under the Southern Region Amendment (SRA) status (e.g no cost to the Moroccan MOD). Despite the generally static military financial outlook, there have been recent Moroccan military commitments ranging from US \$5-30 million. It is surmised that these items have top level interest and funding is provided from the National Budget or another country. There is no known domestic defense industry. The traditional suppliers of Moroccan defense equipment have been France, Spain, and Germany.

Defense Opportunities

The following is a list of potential defense trade opportunities within the Moroccan Ministry of Defense (MOD).

Upgrade/Replacement

There have been a substantial number of recent transfers of defense items to Morocco under the SRA arrangement. These items have been provided on an "as is, where is" basis. Upgrades and logistical, training, and maintenance support for the following items may provide potential business for U.S. defense contractors:

- Aircraft C-130 (Maintenance/Spares/Service Life Extension)
- M60A1/M48 A5 Tanks (Training/Spare Parts)
- F-5 Aircraft (Maintenance/Spares/Service Life Extension)
- LST and Hydrographic Vessels
- Maintenance Rebuild Facility for Tactical Wheeled Vehicles

- Oil Storage/Port Fuel Facility Turnkey Project
- CUCCV Vehicles

New Systems

In addition to the items received by the MOD via the SRA, two new defense systems have recently been acquired and may need follow-on training and maintenance support:

- High Mobility Multi-purpose Wheeled Vehicles (HMMWV)
- M60A1 Tank Communications

MOD plans for the foreseeable future will focus on the maintenance of recently acquired equipment with limited new acquisitions, due to budget constraints.

Defense Procurement Process

There are no formal or publicized procurement procedures for the sale of defense items to the Moroccan Ministry of Defense. Selection of firms to bid is done on an ad-hoc and closely held basis. The key to obtaining a request to bid from the MOD is to develop close personal relationships either through a direct visit or through participation in U.S./European defense shows. MOD representatives attend most of these international defense trade shows. For example, the Moroccan Army representatives attended Eurosatory 94, the first time that U.S. companies participated in this major defense trade show. This event was very successful and we suggest that more U.S. companies participate in similar events. The Commercial Service and the Office of Defense Cooperation within the U.S. Embassy in Paris may be contacted to provide details on participation.

The MOD is the only Moroccan Ministry involved with military procurement and U.S. firms face no formal barriers. Nevertheless, as further discussed below, U.S. firms are strongly advised to use local representatives with solid French language abilities and to produce all sales and service literature in French.

Contact with the MOD procurement officials can be best accomplished through the U.S. ODC in Rabat. Another major connection with the MOD in the United States is through the following point of contact:

Col-Maj El Kostali
Defense Attache
Embassy of Morocco
1601 21st Street, N.W.
Washington, D.C. 20009
Tel.: 202-462-7999
Fax: 202-265-3606

MOD procurement is accomplished by direct negotiations, or more commonly, through foreign government tenders. There is no central purchasing bureau or tendering authority. The MOD issues its own tenders and deadlines vary from 30 to 90 days depending on the complexity of the project. Tenders are not automatically published in local newspapers. All bidding documents are in French. They provide the technical requirements and the administrative clauses common to all government projects. A bidder's administrative package should include two copies of a statement of honor indicating the name, address, activity, current account number and bank guarantee. The technical package should include technical and human resources of the company and its references. The proposal must be in French and use the metric system.

Contracts are usually awarded to the lowest qualified bidder. Generous terms of credit offered by a foreign supplier or government help to ensure a successful bid.

Key Logistics/Procurement Officials

Director Signals/Army Procurement - General Zirab
Army Logistics - General Ziati
Chief Navy Officer - Captain Triki
Air Force Chief of Staff - General Mrani
National Defense Agency - General Achahbar

Diversification/Commercial Opportunities

Near term investment opportunities in Morocco appear to be quite good. Traditionally, the countries which have been taking the most advantage of these opportunities are France, Spain, and Germany. The U.S. appears only beginning to attempt to break into the Moroccan defense market. The recent success of companies with a major \$30 million contract for high mobility multi-purpose wheeled vehicles (HMMWV) was the result of a two year marketing effort. This indicates that the U.S. defense industry must take a long-term approach to the market rather than look for a quick return.

There is currently a major opportunity developing as a result of the sale of Moroccan defense and government facilities. The parliament recently passed a law mandating a substantial effort to relocate military facilities away from major Moroccan cities. The abandoned urban properties are then to be sold to the private sector and the proceeds used by the military to build new facilities in less developed areas of the country.

Opportunities in dual use or related technology fields include potential sales of observation aircraft for use by the Gendarmerie and the Moroccan Navy for fisheries protection and drug interdiction efforts. U.S. firms have also sold ground surveillance radar used against drug traffickers, including training in maintenance and spare parts support. The Moroccan air traffic control system, which serves both military and civilian assets, is currently being upgraded. However, there may be additional requirements for training and maintenance. Military medicine is an unexploited area, primarily due to lack of contact. Another promising area is medical/diagnostic (x-ray, and ultra sound) equipment.

In addition to the areas mentioned, the following is a brief discussion of the industry sectors that are deemed “best prospects” for U.S. firms in the Moroccan market by the Commercial Service.

Water Resources Equipment and Services

The market for water distribution equipment in Morocco will reach around \$1.5 billion in the next 20 years. Much needed investment in the distribution sector will stimulate this market to recover the idle production capacity and reduced output it is experiencing after another year of drought. The lower import duties imposed on water resources equipment will also cause imports to rise from \$320 million in 1995 to around \$370 million in 1996.

The largest foreign suppliers are France with 21%, Germany with 18% and Italy with 17%. The above number may change rapidly as Germany's market share is increasing rapidly due to readily available financing and aggressive marketing.

Electrical Power Systems

Investment in electric power generation and distribution facilities has been significant over the last two decades; however, with the recent surge of industrial growth, much more investment is needed. In general, U.S. private investment in Morocco is very small in comparison with EU, particularly French, investment. In the past several years, the U.S. share of total imports has fluctuated between 0.5 and 12.5% depending on changes in demand for U.S. origin products. Morocco's demand for electricity is growing fast. The National Office of Electricity is committed to satisfy this demand from both urban and rural areas. A 1200 MW power plant is scheduled to be built in Jorf Lasfer and two other projects are scheduled for bid resumption later this year: a 300/600 MW steam thermal power station and a 300/500 MW combined-cycle power station.

Pollution Control Equipment

The current environmental market in Morocco is estimated at \$150 million annually. Due to increased environmental awareness, future national market assessments predicts a cumulative \$5.2 billion, most of which will be spent on municipal wastewater collection and treatment by the year 2011. French and other European firms have significant advantages in this market. They have developed extensive local marketing organizations, and their governments provide soft loans. However, U.S. firms can still find many attractive opportunities in that the market is growing rapidly which is creating opportunity for firms with improved technologies. This will be particularly important in sectors such as pollution prevention, where U.S. firms have leading edge technologies.

The following subsectors seem to be the most promising for U.S. suppliers: municipal water and wastewater; waste recycling; industrial wastewater; air pollution; water purification; municipal solid waste; mobile source air pollution; air and water monitoring and testing and environmental consulting.

Telecommunications

The Moroccan market for telecommunications is growing rapidly. It is one of the most dynamic in North Africa. Telecommunications infrastructure is an essential link for all sectors and the development of the national economy and the opening of the market to foreign investments cannot be achieved without it. Recognizing this, the Government is making considerable efforts to develop a modern telecommunication network based on the most advanced technologies. The Government is taking steps to privatize and expand the growing mobile phone market.

The best sales prospects for U.S. manufacturers are in the high-tech areas where the U.S. continues to maintain a competitive edge over other countries. U.S. firms have a good reputation and are considered the pioneers in new telecommunications technology.

Medical Equipment

The Government of Morocco is currently making considerable efforts to reestablish sustainable public health programs nationwide and to improve overall health care for the Moroccan people. It plans to modernize equipment, to raise in-patient capacity of hospitals and improve efficiency in hospital operations. The World Bank and other multilateral financing institutions grant substantial loans to Morocco in the health sector. U.S. equipment is considered by Moroccan medical officials as efficient and modern. U.S. technical and managerial expertise in the health field is highly regarded. With this reputation, U.S. exporters could benefit tremendously from reforms in the health sector. All types of electro-medical apparatus are needed since there is no local production.

The most promising sectors are: X-ray machines and parts; electrocardiographs; medical electricity apparatus; diagnostic equipment, dental electro-medical equipment and CAT/MRI/radiology equipment and disposable medical supplies.

Computers/Peripherals & Computer Software

Current Moroccan market for computers and software is estimated at \$65.0 million. The market is expanding rapidly and we expect it to continue to grow by 30% over the next three years. Imports supply 100% of total market. The U.S. leads with a 55% share of the import market. The Moroccan market for computers is open to U.S. products and technology. The growth in financial services and the stock exchange should also spur this sector. The Government believes that advanced technology is a means of catching up to the developed world. Computerizing an economy, given the pace of technological change, requires continual updating of materials. U.S. suppliers have opportunities to export computers and related equipment in this market where U.S. equipment is generally respected for its technical sophistication and high quality.

Architectural, Construction, and Engineering Services

Imported engineering services supply 90 percent of the entire Moroccan market. We see a 20% annual growth in the demand for engineering expertise in Morocco for major infrastructure projects. These projects, funded by the World Bank and other multilateral financing institutions, are essential for the Moroccan economy. Lack of local expertise in this field, create more opportunities for U.S. engineering firms to provide their service in this growing market. U.S. engineering companies are known for the high quality of their services and their expertise in conducting studies in various sectors. There is a great opportunity for U.S. engineering firms to export technology in this market especially in the fields of energy, mining, port development, water resources and construction.

Mining Industry Equipment

Globally, the mining and paramining industries make up more than 8% of the national GDP. They provide employment for more than 3% of the active population and 16% of the national industry. Mining is one of Morocco's most important industries. By far, the most relevant mineral is phosphate. The country depends heavily on it as the country's main source of income. This will not change in the foreseeable future especially if one looks at the upcoming investment projects, heavily inclined to pursue the exploitation of this mineral. Morocco is also developing local production of phosphoric acid, chemical fertilizer, copper, fluorite, lead, iron, and anthracite. Most of the large equipment supplied to Morocco carries U.S. brand names, whether originating from the U.S. or from European subsidiaries of U.S. multinationals.

Key Product Area Ministries

- Ministry of External Trade and Investment
63, Avenue Moulay Youssef
Rabat, Morocco
Tel: 011-212-7-70-33-63
Fax: 011-212-7-73-50-23
- Ministry of Transportation
Nouveau Quarter Administratif
Rabat, Morocco
Tel.: 011-212-7-77-42-66
- Ministry of Interior
Division De L'Environnement
Quarter Administratif
Rabat, Morocco
Tel.: 011-212-7-76-33-57
- Ministry of Public Health
335 Avenue Mohammed V
Rabat, Morocco
Tel.: 011-212-7-76-11-21

- Ministry of Finance
Ancien Quartier Administratif
Rabat, Morocco
Tel.: 011-212-7-76-09-43

- Office National Des Aeroports
Aeroport De Casablanca-Mohammed V
Casablanca-Nouasseur, Morocco
Tel.: 011-212-2-33-90-05
Fax: 011-212-2-33-39-01

- Gendarmerie Royale
Rue Du Congo
Rabat, Morocco
Tel.: 011-212-7-72-75-01

Doing Business in Morocco

Customs Requirements

Customs requirements have been relaxed so that most products can now be imported easily although most goods are subject to customs duties at rates up to a maximum of 35 percent of the value of the item. A surcharge of 12.5 percent must also be paid. A value added tax of between 7 and 19 percent is payable on imported goods. Membership in the GATT has required Morocco to liberalize its import policies. In 1991, a new Foreign Trade Act was passed reversing a legal presumption of import protection. Currently, less than nine percent of product categories still require import licenses, and the government is moving ahead with tariff reform.

Restrictions on Foreign Competition

There is no specific protection policy for local industries against foreign competition. Morocco continues to liberalize trade by gradually removing the requirements for import licensing and reducing import duties. The granting of an import license is a lengthy process, requiring approval from each concerned sector. Nevertheless, such licenses are routinely granted.

Teaming With Local Firms

Teaming with a local firm, representative, or trading company is not required by law. However, to expand market share, U.S. suppliers should sell their products through well established local distributors who know the market. Moroccan tender documents are written in such a way that no U.S. company will achieve a maximum evaluation score. As it is obvious that defense project decisions will involve input from various Ministries and that a number of

government officials will be involved in each stage of the evaluation, U.S. firms are advised to obtain the assistance of a local partner who may have some knowledge or at least knows who to contact when the time for a decision nears. A local partner will also enable a U.S. company to promptly submit the tender offer. The local partner can also provide continuous support during the evaluation period, since companies will undoubtedly be asked to verify parts of their proposals to the evaluating committee.

Patents/Intellectual Property Rights

The Moroccan legal system generally protects and facilitates acquisition and disposition of property rights, including intellectual property rights. Morocco has a relatively complete regulatory and legislative system for the protection of intellectual property. It is a member of the World Intellectual Property Organization (WIPO) and is a party to the Berne Copyright, Paris Industrial Satellite Convention, and the Hague agreements for the protection of intellectual property.

U.S. Government Points of Contact

Listed below are points of contact as well as programs sponsored by the Commercial Service for U.S. firms interested in doing business in Morocco.

Embassy Support for U.S. Firms

Gold Key Service - The U.S. Commercial Service within the Embassy offers a tailored service for U.S. firms planning to visit Morocco. It combines market research, assistance in developing sound market strategy, orientation briefings, introductions to potential partners, interpreter for meetings, and effective follow-up planning.

Agent/Distributor Service - A customized search helps identify agents, distributors, and foreign representatives for U.S. firms based on the foreign companies' examination of U.S. product literature.

U.S. Embassy

Albert Nahas
U.S. & Foreign Commercial Service (US&FCS)
American Consulate General
8, Blvd. Moulay Youssef
Casablanca, Morocco
Tel: 212-2-26-45-50
Fax: 212-2-22-02-59

Col. Grant Lorenz, USA
Chief Ground Section
Office of Defense Cooperation (ODC)

American Embassy Rabat, Morocco
Tel: 212-7-76-22-65. ext. 2166
Fax: 212-7-76-07-74

U.S. Trade Associations in Morocco

Mr. Jaloul Ayed
President
American Chamber of Commerce
18, Rue Colbert
Casablanca, Morocco
Tel: 212-2-31-14-48
Fax: 212-20-31-66-07