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ABSTRACT

The Kingdom of Morocco and United States of America have a longstanding friendship. Morocco was the first country to recognise the American Republic in 1777. The two countries took their relationship to a new level in June 2004 creating a Free Trade Agreement (FTA) after rows of negotiations. The US-Morocco FTA (USMFTA) recognises Morocco's unique geographic location at the crossroads of three continents, its commitment to reform, and the Kingdom's status as a long-time friend and ally in the Maghreb. USMFTA is one of only seven FTAs completed by the United States, only the second with an Arab nation, the first in Africa, and the first under President Bush.

Guided by a quantitative research method, the study examines the significance and positive impact of USMFTA on the Moroccan telecommunications sector. Increasing economic cooperation and integration between Morocco and the United States is likely to be mutually beneficial, with increases in bilateral trade and greater investment opportunities in all sectors including the service sector which contributes to 52 percent of Moroccan GDP. Entering into force in the summer of 2005, USMFTA eliminates tariffs on 95 percent of bilateral trade in consumer and industrial products. Elimination of trade barriers and the creation of a unified market are expected to attract US investors to the Moroccan telecommunications sector resulting better efficiency and quality competition.

The theoretical part of the study is derived from the major classical and modern free trade theories applied in international trade discussions gathered from different books. Michael Porter's competitive advantage of nations and the five forces models are used in depth within the study to analyse the telecommunications industry of Morocco. Importantly, valid information about telecommunications in Morocco and USMFTA was collected from various reports and reviews on the Internet, newspapers and governmental agencies.

Breathing from a quantitative methodology, the empirical part of the study was based on questioning 20 telecom firms operating in the kingdom to document their perceptions on USMFTA's ability to improve the telecom business environment, strengthen trade exchanges with the US and reinforce intellectual property rights. 75% of respondents held very positive perceptions to USMFTA potential while another 75% recommended investing in the Moroccan telecommunications sector. US phone, equipment, infrastructure and service-based firms' opportunities in the Moroccan market lie especially in the segments of the Internet, fixed and mobile network services, software and hardware telecoms, and related businesses.

Keywords: Free Trade, Morocco, USMFTA, Telecommunications, Foreign Direct Investment

TABLE OF CONTENTS

I. INTRODUCTION	3
1.1 Research Problem and Limitations of the Study.....	3
1.2 Validity and Reliability of the Study	5
1.3 Framework of the Study	6
II. FREE TRADE THEORIES	8
2.1 Reasons for Free Trade	8
2.2 Comparative Advantage Model.....	9
2.3 Factor Proportions Model	12
2.3.1 Theorems in the Factor Proportions Model	13
2.4 Product Cycle Model	15
2.5 Paul Krugman Model.....	17
2.6 Gains from Free Trade	18
III. US-MOROCCO FREE TRADE AGREEMENT	21
3.1 US-Morocco Relations	21
3.2 US-Morocco Bilateral Trade	22
3.3 USMFTA Conclusion	23
3.4 USMFTA and Services.....	26
3.5 USMFTA Implications.....	28
3.6 USMFTA Implementation	28
IV. MOROCCAN TELECOMMUNICATIONS INDUSTRY	30
4.1 An Introduction to Telecommunications	30
4.2 Liberalisation Process of Telecommunications in Morocco.....	32
4.3 Industry Competitiveness: Diamond Theory	34
4.3.1 Factor Conditions.....	35
4.3.2 Demand Conditions	39
4.3.3 Related and Supporting Industries	40
4.3.4 Firm Strategy, Structure and Rivalry	43
4.4 Telecommunications Market Segments	44
4.4.1 Mobile Telephony	44
4.4.1.1 Maroc Télécom	45
4.4.1.2 Médi Télécom	45
4.4.1.3 Competition: Five Forces Model.....	46
4.4.2 Internet.....	53
4.4.3 Other Services	55
V. EMPIRICAL RESULTS OF THE STUDY	56
5.1 Methodology and Data Collection	56
5.2 Results and Interpretations of Data.....	57
VI. CONCLUSION	64
LIST OF SOURCES	

APPENDICES

Appendix 1: Statistical Data of Morocco

Appendix 2: US Trade and Development Agency Contractors in Morocco

Appendix 3: US Firms operating in the Moroccan ICTs Sector

Appendix 4: Questionnaire

Appendix 5: Questionnaire Population

I. INTRODUCTION

The Kingdom of Morocco and United States have a longstanding friendship. Morocco was the first country to recognise the American Republic in 1777. The United States and Morocco have been working closely together since 1991 to promote closer economic ties, freer trade and strong investment climates under a bilateral Trade and Investment Framework Agreement. As part of US-Morocco discussions, the Moroccan government has requested that the United States and Morocco take the relationship to the next level and create a comprehensive free trade agreement (FTA). Thus after rows of negotiations the two parties signed a FTA in June 2004.

The US-Morocco Free Trade Agreement (USMFTA hereafter) is one of only seven free trade agreements completed by the United States, only the second with an Arab nation and the first in Africa. Entering into force in the summer of 2005, USMFTA eliminates tariffs on 95 percent of bilateral trade in consumer and industrial products with all remaining tariffs to be eliminated within nine years. In addition to tariff elimination, USMFTA includes commitments to increased access to the Moroccan services sector for American firms including telecommunications.

This study is concerned chiefly with USMFTA and its potential benefits on the telecommunications sector of Morocco. In anticipation to USMFTA, the Moroccan government has undertaken a strong economic reform program that has included the liberalisation of the telecommunications sector with the aid of fireign direct investment valued at \$US 9.12 billion between 1999 and 2004. A FTA with Morocco could maximise the competitive advantage of American firms in the country's telecommunications market thanks to the Agreement's preferential advantages and opportunities existing in the market segments and related industries.

1.1 Research Problem and Limitations of the Study

Every type of empirical research has an implicit, if not an explicit research design. In the most elementary sense, the design is the logical sequence that connects the empirical data to a study's initial research questions and ultimately to its conclusions. In any case study, five components of a research design are important: a study question, its propositions, its units of analysis, the logic linking of the data to the propositions and the criteria for interpreting the findings. (Yin 1994, 19.)

Key question in this thesis is: what are the benefits of USMFTA on the Moroccan telecommunication sector? Idea for this thesis grew out from the substantial preferential advantages given to American firms under USMFTA like investment provisions, market access and intellectual property rights protection. American firms gained enhanced access to the telecommunications market including the right to interconnect with a dominant carrier at non-discriminatory and cost-based rates.

In addition to these preferential advantages, 95 percent tariff elimination and facilitation of export procedures under USMFTA, more American telecommunications equipment manufacturers and service providers are likely to enter Morocco thanks to the kingdom's telecommunications market opportunities (discussed in chapter 4), proximity to Europe (9 kilometres) and the working FTA with the European Union (EU) and Turkey, which allows US firms based in the kingdom to export to these markets duty free.

My selection of the Moroccan telecommunications sector does not come from vacuum. The Moroccan government launched its project 'E-Morocco' in 2000 to prepare the country to become a major telecommunications hub and software centre in North Africa. The sector has experienced the most far-reaching reforms with the opening up of some telecommunication markets to competition in 1998 and privatisation of the incumbent operator in 2000. By yearend 2005 all telecommunication segments will be open to international competition. Liberalisation and privatisation of telecommunication services in Morocco have contributed and continue to contribute to GDP growth and have had a major impact on investment levels, job creation and productivity.

The study followed guidelines of quantitative research. Data were collected through a questionnaire sent to 53 companies. Just twenty questionnaires were collected to study the perception of telecommunication firms to USMFTA. The research population consists of Moroccan and international firms operating in the country. Seven statements were addressed to study the effect of USMFTA on their business in terms of reduction of input costs, sourcing imports and products from the US, exporting to the US, exposure of greater competition, protection of intellectual property rights and recommendation of others to investing in the Moroccan telecommunication sector.

The study, however, is not concerned about anti free trade or globalisation literature. Thus theories as such will not be presented or discussed. Importantly, this paper is probably the first academic study conducted to measure the perceptions of existing market players to

USMFTA's potential benefits on the Moroccan telecommunications sector. Thus this thesis is likely to meet a warm welcome by all arms of telecommunications in the country.

1.2 Validity and Reliability of the Study

Research always raises the questions of validity and reliability. Reliability is the issue of the consistency of the responses to the question. Validity, on the other hand, is the accuracy of responses to a measure. It is an assessment of the measurement, relative to what actually exists (Ghuri et al. 2002, 121). The quality of this study is fundamentally dependent on the information it is based on as well as determined by how the data in question is interpreted. The challenge has been to ensure validity of the study by finding and selecting reliable information, which is useful for the study purpose.

To produce a valid and reliable study the author sourced a significant volume of information from official sources. The information contains of primary and secondary sources. Primary data are original data collected by the researcher for the research problem at hand. Secondary data are information collected by others for purposes which can be different from ours (ibid.,78). As mentioned earlier primary data of the study comes from a field study questionnaire. Various reports, industry reviews, newspapers and governmental agencies information exemplify the study secondary data. US-Morocco FTA website administered by US Chamber of Commerce in Morocco, for instance, is a pattern of the study secondary data.

Important secondary data was also based on international organisations' websites like World Trade Organisations (WTO), International Telecommunication Union (ITU) and World Bank. The author encountered real challenges finding up-to-date statistics about Morocco's bilateral trade and investment in the official websites of Moroccan governmental agencies and ministries. Moroccan governmental websites of the Ministry of Communication and Ministry of External Foreign Trade for example are urged to undertake revolutionary updates to their databases and provide more information in English. To overcome this challenge, the study used Moroccan media sources such as the English-speaking Maghreb Arabe Presse (MAP) and Morocco Times (MT). Each information in this research is pursued to have been checked from at least two different information sources.

Conversely the theoretical part of the study was based on the classical and modern theories of free trade theories, namely, comparative advantage model of David Ricardo, factor proportions model of Eli Heckscher and Bertil Ohlin, product cycle model of Raymond

Vernon and Paul Krugman model. When analysing the Moroccan telecommunications industry both of Michael Porter's Diamond and Five Forces model are used in the discussion.

Yet, the author is a Moroccan-born citizen and therefore he was able to approach the research problem effectively in light of his familiar interaction with the Moroccan research sources and the case study as well. The telecommunications world, from its corporate dimension, is no strange space for the author either since he has successfully used his work placement as a trainee with the telecom global operator All Communications Network (ACN) in Finland, to learn and gather data about the telecommunications business in general.

1.3 Framework of the Study

The content of this research is divided into six parts (see figure 1). The first part (chapter 1) introduces the research problem and objectives of the study. The second part (chapter 2) is concerned with the classical and modern free trade theories. Reasons and gains from free trade are also discussed. The third part of the research (chapter 3) examines the negotiations and final text of US-Morocco free trade agreement. The chapter addresses the issues of the US-Moroccan diplomatic and trade relations, American opportunities in the Moroccan service sectors, implications and implementation issues of the Agreement.

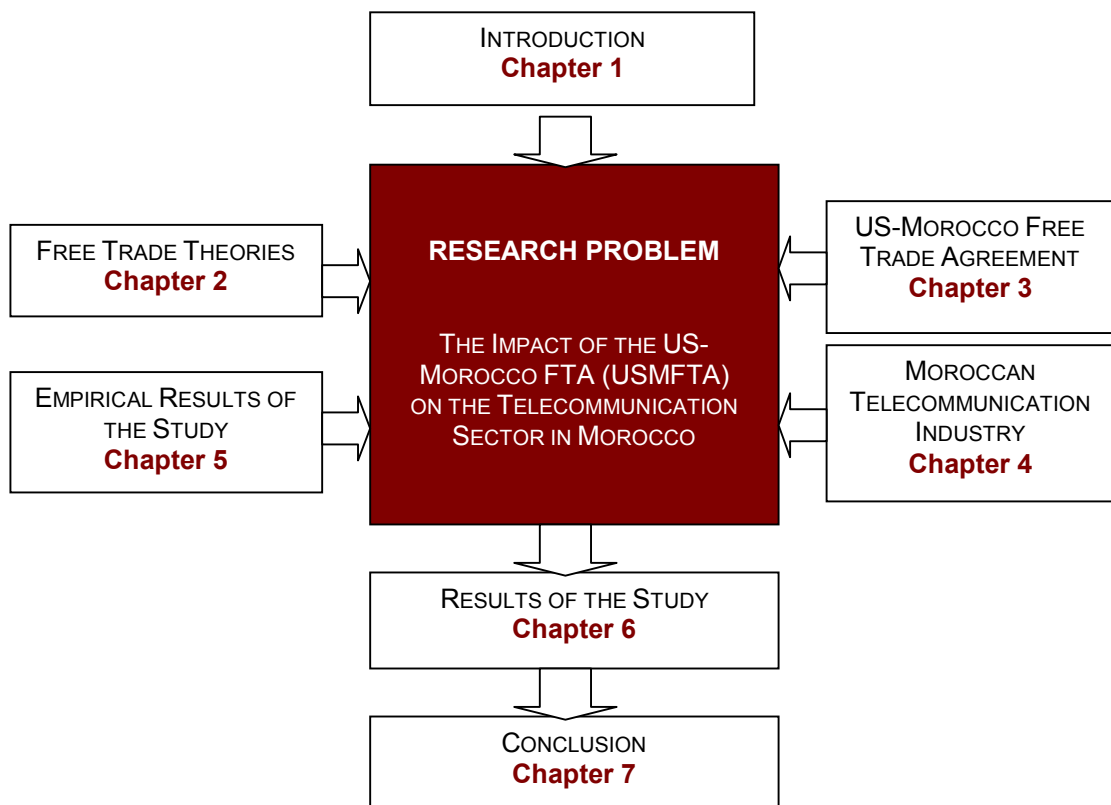


Figure 1: Framework of the study

The fifth part (chapter 4) illustrates the dynamics and transformations of Moroccan telecommunications, analyses the competitive advantage of the Moroccan telecommunications industry based on Michael Porter's Diamond theory, and presents the vast array of competition demonstrating the most up-to-date overview of the state of the competitive arena.

The sixth part (chapter 6) presents the research methodology as well as findings and interpretations of the empirical study. Twenty national and foreign firms operating in the domestic telecommunication business have successfully answered our questionnaire via e-mail and fax. The author is delighted for the fact that most of respondents represent the major telecommunications players in the country. This fact is a boost to the study results' credibility and reliability. The author ends his study with a conclusion (chapter 7).

II. FREE TRADE THEORIES

Economic development is associated with trade. As global economic linkages in the world become more pervasive, it would be difficult to find a country isolated from such linkages. Whether trade flows follow the classical theories or the contemporary principles trade is a form of exchange which contributes to the increased wealth, rising living standards and the sustained economic development of trading nations. In this chapter the author presents and analyses the major free trade theories used in international trade discussions. Each theory is explored in detail. However before these theories are stated, reasons for trade are initially examined. The chapter later draws the threads of the theoretical analysis together and restates precisely the gains from free trade.

2.1 Reasons for Free Trade

Goods and services have been traded internationally for centuries. Historically, this trade has been controlled by governments, either through force or through import and export taxes (tariffs), subsidies and other regulations. Whatever the method of intervention, the aim has been to maintain favourable terms of trade for the country, or group of countries, in question. The support by government of national interests - through tariff and non-tariff measures - is known, somewhat pejoratively, as 'protectionism'. Since the late 18th century, various economists, businessmen and politicians have argued against intervention in international trade. Protectionism, they say, stifles international trade and is uneconomic, inefficient and reduces employment; instead they argue for what they call 'free trade' or 'trade liberalisation'.

Suranovic (2003) argues that there are five basic reasons why free trade may take place between countries. A variety of models are described which offer a reason for trade, and the expected effects of trade on prices, profits, incomes and individual welfare:

- *Differences in Technology*: Advantageous trade can occur between countries if the countries differ in their technological abilities to produce goods and services. Technology refers to the techniques used to turn resources (labour, capital, land) into outputs. The basis for trade in the Ricardian Model of Comparative Advantage is differences in technology.
- *Differences in Resource Endowments*: Advantageous trade can occur between countries if the countries differ in their endowments of resources. Resource endowments refers to the skills and abilities of a country's workforce, the natural resources available within its borders (minerals, farmland etc.), and the sophistication of its capital stock (machinery, infrastructure, communications systems).

- *Differences in Demand:* Advantageous trade can occur between countries if demands or preferences differ between countries. Individuals in different countries may have different preferences or demands for various products. The Chinese are likely to demand more rice than Americans, even if facing the same price. Canadians may demand more beer, the Dutch more wooden shoes, and the Japanese more fish than Americans would, even if they all faced the same prices.
- *Existence of Economies of Scale in Production:* The existence of economies of scale in production is sufficient to generate advantageous trade between two countries. Economies of scale refer to a production process in which production costs fall as the scale of production rises. This feature of production is also known as "increasing returns to scale".
- *Existence of Government Policies:* Government tax and subsidy programmes can be sufficient to generate advantages in production of certain products. In these circumstances, advantageous trade may arise solely due to differences in government policies across countries. (Suranovic 2003, 30-31.)

2.2 Comparative Advantage Model

The basis of the free trade argument is an economic theory known as 'comparative advantage' formulated by British economist David Ricardo in the early 19th century. The theory of comparative advantage is perhaps the most important concept in international trade theory. Ricardo emphasized the importance of relative cost differences and advocated that nations can gain from specialization even if they lack absolute advantage - the less efficient nation should specialize in and export the good in which it is relatively less inefficient. The basic idea is best expressed using a two-country, two-goods example. (Suranovic 2003, 39.)

If country A is better at producing food than country B, and country B better at producing clothes than A, both will be better off specialising in the production of those goods and trading with each other. This is known as 'absolute advantage'. If on the other hand country A is much more superior at food production and slightly more superior at clothes production than Country B, it might be expected that country B will 'lose'. However, comparative advantage theory says that, country A should invest in specialising in producing the good which it is comparatively more superior at making (food). Country B should still specialise in what it does best (clothes) and the countries should trade. It is beneficial for both countries because, the theory argues, it is more economically efficient. (Ibid., 40.)

In its most simple form the model assumes two countries producing two goods using labour as the only factor of production. Goods are assumed homogeneous (identical) across firms and countries. Labour is homogeneous within a country but heterogeneous (non-identical) across countries. Goods can be transported costlessly between countries. Labour can be reallocated costlessly between industries within a country but cannot move between countries. Labour is always fully employed. Production technology differences across industries and across countries and are reflected in labour productivity parameters. The labour and goods markets are assumed to be perfectly competitive in both countries. Firms are assumed to maximize profit while consumers (workers) are assumed to maximize utility. (Ibid.)

The primary issue in the analysis of this model is what happens when each country moves from autarky (no trade) to free trade with the other country. In other words what are the effects of trade. The main things we care about are trade's effects on the prices of the goods in each country, the production levels of the goods, employment levels in each industry, the pattern of trade (who exports and who imports what), consumption levels in each country, wages and incomes, and the welfare effects both nationally and individually. (Ibid., 40.)

Using the model one can show that, in autarky, each country will produce some of each good. Because of the technology differences, relative prices of the two goods will differ between countries. The price of each country's comparative advantage good will be lower than the price of the same good in the other country. If one country has an absolute advantage in the production of both goods (as assumed by Ricardo) then real wages of workers (i.e., the purchasing power of wages) in that country will be higher in both industries compared to wages in the other country. In other words, workers in the technologically advanced country would enjoy a higher standard of living than in the technologically inferior country. The reason for this is that wages are based on productivity, thus in the country that is more productive, workers get higher wages. (Ibid.)

The next step in the analysis is to assume that trade between countries is suddenly liberalised and made free. The initial differences in relative prices of the goods between countries in autarky will stimulate trade between the countries. Since the differences in prices arise directly out of differences in technology between countries, it is the differences in technology that cause trade in the model. Profit-seeking firms in each country's comparative advantage industry would recognize that the price of their good is higher in the other country. Since transportation costs are zero, more profit can be made through export

than with sales domestically. Thus each country would export the good in which they have a comparative advantage. Trade flows would increase until the price of each good is equal across countries. In the end, the price of each country's export good (its comparative advantage good) will rise and the price of its import good (its comparative disadvantage good) will fall. (Ibid., 40-41.)

The higher price received for each country's comparative advantage good would lead each country to specialize in that good. To accomplish this, labour would have to move from the comparative disadvantaged industry into the comparative advantage industry. This implies that one industry goes out of business in each country. However, because the model assumes full employment and costless mobility of labour, all of these workers are immediately gainfully employed in the other industry. (Ibid., 41.)

One striking result here is that even when one country is technologically superior to the other in both industries, one of these industries would go out of business when opening to free trade. Thus, technological superiority is not enough to guarantee continued production of a good in free trade. A country must have a comparative advantage in production of a good, rather than an absolute advantage, to guarantee continued production in free trade. From the perspective of a less developed country, the developed countries' superior technology need not imply that LDC industries cannot compete in international markets. (Ibid.)

Another striking result is that the technologically superior country's comparative advantage industry survives while the same industry disappears in the other country, even though the workers in the other country's industry has lower wages. In other words, low wages in another country in a particular industry is not sufficient information to know which country's industry would perish under free trade. From the perspective of a developed country, freer trade may not result in a domestic industry's decline just because the foreign firms pay their workers lower wages. (Ibid.)

The movement to free trade generates an improvement in welfare in both countries both individually and nationally. Specialization and trade will increase the set of consumption possibilities, compared with autarky, and will make possible an increase in consumption of both goods, nationally. These aggregate gains are often described as improvements in production and consumption efficiency. Free trade raises aggregate world production efficiency because more of both goods are likely to be produced with the same number of

workers. Free trade also improves aggregate consumption efficiency, which implies that consumers have a more pleasing set of choices and prices available to them. Real wages (and incomes) of individual workers are also shown to rise in both countries. (Ibid.)

2.3 Factor Proportions Model

The factor proportions model was originally developed by two Swedish economists, Eli Heckscher and his student Bertil Ohlin in the 1920s. Many elaborations of the model were provided by Paul Samuelson after the 1930s and thus sometimes the model is referred to as the Heckscher-Ohlin-Samuelson (or HOS) model. In the 1950s and 60s some noteworthy extensions to the model were made by Jaroslav Vanek and so occasionally the model is called the Heckscher-Ohlin-Vanek model. Here we will simply call all versions of the model either the "Heckscher-Ohlin (or H-O) model" or simply the more generic "factor-proportions model". (Suranovic 2003, 60.)

The H-O model incorporates a number of realistic characteristics of production that are left out of the simple Ricardian model. Recall that in the simple Ricardian model only one factor of production, labour, is needed to produce goods and services. The productivity of labour is assumed to vary across countries which implies a difference in technology between nations. It was the difference in technology that motivated advantageous international trade in the model. The standard H-O model begins by expanding the number of factors of production from one to two. The model assumes that labour and capital are used in the production of two final goods. Here, capital refers to the physical machines and equipment that is used in production. Thus, machine tools, conveyers, trucks, forklifts, computers, office buildings, office supplies, and much more, is considered capital. (Ibid.)

In the H-O model we define the ratio of the quantity of capital to the quantity of labour used in a production process as the capital-labour ratio. We imagine, and therefore assume, that different industries, producing different goods, have different capital-labour ratios. It is this ratio (or proportion) of one factor to another that gives the model its generic name: the factor-proportions model. In a model in which each country produces two goods, an assumption must be made as to which industry has the larger capital-labour ratio. Thus, if the two goods that a country can produce are steel and clothing, and if steel production uses more capital per unit of labour than is used in clothing production, then we would say the steel production is capital-intensive relative to clothing production. Also, if steel production is capital-intensive, then it implies that clothing production must be labour-intensive relative to steel. (Ibid.)

Another realistic characteristic of the world is that countries have different quantities, or endowments, of capital and labour available for use in the production process. Thus, some countries like the US are well-endowed with physical capital relative to its labour force. In contrast many less developed countries have very little physical capital but are well-endowed with large labour forces. We use the ratio of the aggregate endowment of capital to the aggregate endowment of labour to define relative factor abundance between countries. Thus if, for example, the US has a larger ratio of aggregate capital per unit of labour than France's ratio, we would say that the US is capital-abundant relative to France. By implication, France would have a larger ratio of aggregate labour per unit of capital and thus France would be labour-abundant relative to the US. (Ibid.)

2.3.1 Theorems in the Factor Proportions Model

There are four main theorems in the H-O model; the Heckscher-Ohlin theorem, the Stolper-Samuelson Theorem, the Rybczynski theorem, and the factor-price equalization theorem. The Stolper-Samuelson and Rybczynski theorems describe relationships between variables in the model while the H-O and factor-price equalization theorems present some of the key results of the model. Applications of these theorems also allows us to derive some other important implications of the model. Let us begin with the H-O theorem.

The Heckscher-Ohlin Theorem:

The H-O theorem predicts the pattern of trade between countries based on the characteristics of the countries. The H-O theorem says that a capital-abundant country will export the capital-intensive good while the labour-abundant country will export the labour-intensive good. A capital-abundant country is one that is well-endowed with capital relative to the other country. This gives the country a propensity for producing the good which uses relatively more capital in the production process, i.e., the capital-intensive good. As a result, if these two countries were not trading initially, i.e., they were in autarky, the price of the capital-intensive good in the capital-abundant country would be bid down (due to its extra supply) relative to the price of the good in the other country. Similarly, in the labour-abundant country the price of the labour-intensive good would be bid down relative to the price of that good in the capital-abundant country. (Ibid.)

Once trade is allowed, profit-seeking firms will move their products to the markets that temporarily have the higher price. Thus the capital-abundant country will export the capital-intensive good since the price will be temporarily higher in the other country. Likewise the

labour-abundant country will export the labour-intensive good. Trade flows will rise until the price of both goods are equalized in the two markets. The H-O theorem demonstrates that differences in resource endowments as defined by national abundances is one reason that international trade may occur. (Ibid.)

The Stolper-Samuelson Theorem:

The theorem describes the relationship between changes in output, or goods, prices and changes in factor prices such as wages and rents within the context of the H-O model. The theorem was originally developed to illuminate the issue of how tariffs would affect the incomes of workers and capitalists (i.e., the distribution of income) within a country. However, the theorem is just as useful when applied to trade liberalisation. The theorem states that if the price of the capital-intensive good rises (for whatever reason) then the price of capital, the factor used intensively in that industry, will rise, while the wage rate paid to labour will fall. Thus, if the price of steel were to rise, and if steel were capital-intensive, then the rental rate on capital would rise while the wage rate would fall. Similarly, if the price of the labour-intensive good were to rise then the wage rate would rise while the rental rate would fall. (Ibid.)

The Factor-Price Equalization Theorem:

The factor-price equalization theorem says that when the prices of the output goods are equalized between countries, as when countries move to free trade, then the prices of the factors (capital and labour) will also be equalized between countries. This implies that free trade will equalize the wages of workers and the rentals earned on capital throughout the world. The theorem derives from the assumptions of the model, the most critical of which is the assumption that the two countries share the same production technology and that markets are perfectly competitive. In a perfectly competitive market factors are paid on the basis of the value of their marginal productivity which in turn depends upon the output prices of the goods. (Ibid., 62.)

Thus, when prices differ between countries so will their marginal productivities and hence so will their wages and rents. However, once goods prices are equalized, as they are in free trade, the value of marginal products are also equalized between countries and hence the countries must also share the same wage rates and rental rates. Factor-price equalization formed the basis for some arguments often heard in the debates leading up to the approval of the North American Free Trade Agreement (NAFTA) between the US, Canada and

Mexico. Opponents of NAFTA feared that free trade with Mexico would lower US wages to the level in Mexico. Factor-price equalization is consistent with this fear although a more likely outcome would be a reduction in US wages coupled with an increase in Mexican wages. (Ibid., 62-63.)

The Rybczynski Theorem:

The theorem demonstrates the relationship between changes in national factor endowments and changes in the outputs of the final goods within the context of the H-O model. Briefly stated it says that an increase in a country's endowment of a factor will cause an increase in output of the good which uses that factor intensively, and a decrease in the output of the other good. In other words if the US experiences an increase in capital equipment, then that would cause an increase in output of the capital-intensive good, steel, and a decrease in the output of the labour-intensive good, clothing. The theorem is useful in addressing issues such as investment, population growth and hence labour force growth, immigration and emigration, all within the context of the H-O model. (Ibid., 63.)

2.4 Product Cycle Model

The H-O-S model suggests that in a perfectly functioning world of free trade, with incomplete specialisation and no-factor intensity reversals, there would be few incentives for international factor movements, since free trade would equalise relative factor prices. The failure of factor prices to fully equalise, due to various forms of trade barriers and the existence of transport costs, provides an explanation for foreign direct investment (FDI). New theories of international trade are primarily connected to technology and, in particular, explain the phenomenon of 'intra-industry trade', something that the H-O-S model cannot do. (Lawler et al. 2001, 190.)

As suggested by Raymond Vernon (1960) in his work on the product cycle hypothesis, a firm will tend to develop into some form of multinational corporation when it reaches the stage of investing abroad. The product cycle theory of trade attempts to provide explanation of the empirical observations that:

- Innovations are usually concentrated in the more developed countries and that the production of the good, in the early states of its development, usually takes place in the innovating country;

- The innovating firm which actually developed the new product may eventually switch production to a country where its resource endowment are more suited to the production of this good in the long term. (Ibid.)

As most inventions and innovations are the result of large amounts of investment in research and development (R&D), although some innovations may occur as the result of good fortune or inspiration, it is generally the case that the main sources of new product inventions and innovations occur in the richer, more developed economies. The observation that R&D expenditure is concentrated more in some countries than in others may be due to the existence of effective and long-running product patents, favourable tax structures, or the availability of specialist equipment in the particular country, all of which lead to a relatively R&D-abundant environment. (Ibid., 191.)

Vernon argues that because innovation is a risky undertaking, only rich firms will be able to afford to run product development programmes. Such risks can be reduced, by proximity to the market. This explains why the development of the good should occur in the innovating country. As the product and the manufacturing become more standardised and any product patents run out, manufacturers in other countries will attempt to enter the market, especially if such countries possess more favourable factor endowments which give them a cost advantage over the original producer. Vernon then proposes that the original firm, which developed the new product, will seek to keep up production facilities in other countries in order to benefit from possibly more advantageous prices. (Ibid.)

If the technology for the new product becomes completely standardised, so that relatively unskilled labour may be used in its manufacture, the production base may well switch to relatively lower labour-cost nations. Moreover it may be the case not only that factor inputs are less expensive abroad, but that greater scale economies from longer production runs may be obtainable as well as through the allocation of component production and assembly to different plants. Thus production may come from newly established domestic companies in lower labour-cost countries, or from existing companies transferring production plant abroad. At this stage, the model suggests that the foreign (less developed) country will now export this erstwhile innovated product back to the innovated (developed) country. Vernon's product cycle hypothesis can explain trade flow and FDI as an integrated process. (Ibid.)

2.5 Paul Krugman Model

Paul Krugman (1979) developed the Vernon model of the product cycle. The basic assumptions of Krugman's model are:

- Even if labour in two countries is equally productive in similar industries, wages will still be higher in the North due to the rent the North is able to obtain due to the monopoly position it holds in the creation of new goods;
- Innovation, which is assumed to take place only in the North, by extending the range of new goods, increases the demand for Northern goods at any relative price. Therefore, as the relative price of Northern goods rises capital will move from South to North; assuming that capital will move until it earns the same return in both countries. Thus, due to this reallocation of capital and the relative price of Northern goods rising, the income of Northern goods increases relative to Southern workers;
- In the same way, technology transfer tends to shift demand towards goods produced in the South. This will cause a southwards movements of capital and the relative income of Southern workers to increase. (Lawler et al. 2001, 192.)

Thus the model shows that technological change will be associated with capital movement, and the region that experiences the most rapid technological advance will also experience capital inflows. The important point Krugman makes is that, due to the technological process that causes the marginal product of capital to increase, this provides an incentive for foreign investment, the causation will only run from technological change to capital movement and will not occur the other way around. Thus Krugman's model implies that the decline of industries in developed countries and their emergence in the less developed countries (due to increasing levels of world technological transfer) will be a recurrent phenomenon. (Ibid.)

The other implication of the model is that technical change is even more important than the conventional theory predicts since new developed countries must continually innovate, just to maintain their real incomes, and not simply just to maintain growth, as argued by Vernon. Thus, Krugman suggests that technology transfer can bring about an improvement in a less developed country's terms of trade, whereas greater success by the less developed countries in adopting the new techniques of the developed countries, he predicts, will slow the economic growth of developed countries and may even bring about a decline in real incomes. (Ibid.)

2.6 Gains from Free Trade

Economic integration is defined as 'the diffusion of boundaries of segmented economies in order to create a big more coherent economy (Nielsen et al. 1991, 3). In essence, there are six stages, beginning with the abolition of trade barriers in visible and invisible goods. Once these two stages are completed, a free trade area exists. Within a free trade area, there are no internal trade restrictions, but each member state is free to set its own external tariff. The use of a common external tariff (CET) represents the third stage of economic integration to form a customs union. The idea of CET is crucial. This issue became the focus of the work of Jacob Viner (1950) when he contested the previously unchallenged ideas that custom unions were welfare improving by suggesting that there was potentially a significant 'trade diversion' caused by external barriers (Lawler et al. 2001, 135.)

Customs unions represent fundamental issues in world trade, in so far as they constitute a movement towards free trade areas. However there are crucial differences between free trade areas and customs unions. Within a free trade area, members are free to set their own external tariff. 'A customs union consists of two or more countries which have no tariff between themselves and a common tariff against the rest of the world' (Eatwell et al. 1998, 743). The idea is to create an area of free trade, so that once goods enter into it, or if they are produced within it, they are free to circulate without tariffs. More over CET strengthens barriers against external countries, supporting the industries of members and discriminating against non-members. Hence the main similarities between customs unions and free trade areas are that they are both represent discriminatory trading arrangements (Ibid., 135-136.).

Little work of free trade areas existed until the formation of the North American Free Trade Association (NAFTA) involving the USA, Canada, and later Mexico. However the formation of this prompted new research which attempts to show the free trade areas are in fact inferior to customs union. The research focus points out that problems arise free trade areas as goods enter through the country with the lowest external tariff and then circulates through members. This may alter the distribution of production, consumption, welfare, income and investment. Thus the advantage of a customs union, with common external tariffs is clear as such problems do not arise. Equalisations of rents, wages, profits and interests rates may occur as the convergence process continues. (Ibid., 136.).

The dynamic effects of customs unions occur through time. Balassa (1961) views dynamic effects as one of the many ways that a customs union may affects the rates of countries

involved. The 'orthodox' customs union theory implicitly and strictly assumes perfect competition. However, more recent work relaxes such assumptions in order to analyse the effects in terms of the following factors, namely, economies of scale, monopolies, terms of trade and increased efficiency. (Ibid.)

Economies of scale involve internal specialisation which encourages efficiency. This is because, within any area of free trade, only the most efficient survive. The formation of a customs union increases the market size. In response, supply expands and unit costs fall. In essence, this creates higher levels of economic welfare, from the union member point of view. Internally there is more efficient use of machinery and better division of labour. Corden (1972) considers two effects of economies of scale as a cost reducing benefit (internal) and a trade-suppressing consequence (external). He argues that in most cases the internal effect is likely to outweigh the external effect so net benefits are gained. (Ibid., 137.)

National monopolies are exposed to competition not previously experienced. A group of monopolies become subject to oligopolistic competition in an area of free trade. Increased competition creates efficiency, and traditionally, a monopolistic firm does become inefficient over time. The results of trading alliances are normally increases in economic welfare, especially in the long run. Such increases in economic welfare may be large. Increased market share should not reduce the gains yielded by economies of scale as the new market share should be sufficient to support all players. Moreover, increasing market sizes induces better technological progress as investment and R&D are stimulated. This implies better quality machinery and products. (Ibid.)

The terms of trade of a country compare the price paid for imports with the prices attained for exports. These should improve with economic union due to falling import prices. Moreover, the abolition of tariffs and quota barriers significantly diminishes import prices, and thus terms of trade improve. However the effects on exports is quite different. Prices received for exports fall and in this case, there is a worsening in terms of trade. It can be deduced from this that the more import-biased a country is the more the benefits they potentially derive from customs unions, whereas export-biased may lose welfare in free trade arrangements in the short run. (Ibid.)

Jacob Viner, on the other hand, was the first theorist to question the conventional view that trading alliances were unambiguously welfare improving. The argument begins with the separation of the two effects of custom unions. Thus trade creation is the replacement of

expensive domestic production by cheaper imports from a partner country (El-Agraa 1990, 80). It relates to the increased volume of trade flows internally. Hence new supplies of goods within the union replace higher-priced external goods, which were previously protected by tariffs barriers. Thus, trade occurs which would not have happened without the union. External trade creation is also possible provided the common external tariff is lower than previous individual tariffs. This however is unlikely as trading alliances are discriminatory; they discriminate in favour of members and against of non-members. It is this discriminatory dimension which leads to trade diversion. Trade diversion is the replacement of cheaper imports from the outside world by more expensive imports from a partner country (Lawler et al. 2001, 138.).

III. US-MOROCCO FREE TRADE AGREEMENT

Having explored the main theories surrounding the purpose and gains from free trade, it is now time to explore the US-Morocco Free trade Agreement (USMFTA). This chapter begins by drawing the countries mutual diplomatic and trade relations. But the focus of the chapter is on USMFTA conclusion, implications and implementation issues as well as the American momentous market access to the kingdom's business sectors; in particular to services.

3.1 US-Morocco Relations

The ties of the kingdom of Morocco (see appendix 1) with the United States date back to December 20, 1777 when Morocco was the first nation to recognise the independence of the United States. On July 18, 1787, the Treaty of Marrakech was implemented, providing for the protection of American shipping along the Moroccan coast and for commerce between the two nations on the basis of most favoured nation. Renegotiated in 1836, the Treaty of Marrakech is still in force, constituting the longest unbroken treaty relationship in US history. As testament to the special nature of the US-Moroccan relationship, the Moroccan city of Tangier is home to the oldest US diplomatic property in the world, and the only building on foreign soil that is listed in the US National Register of Historic Places, the American Legation in Tangier (now a museum) (MATIC 2005.).

More recently, Morocco's early activism in the search for peace in the Middle East has made the kingdom a valuable partner on the international stage. Until his death in 1999, King Hassan II enjoyed a warm relationship with a succession of American Presidents. A similarly close relationship has been established with King Mohammed VI, whose successful visits to the US in 2003 and July 2004 exemplify the strengthening bilateral relationship. Five years into his reign, Mohammed VI remains committed to reforming Morocco's economy and deepening its democratic structures as seen in his dedication to USMFTA. To date, promising progress toward these objectives has been achieved. (Ibid.)

Morocco was the only country in the Arab World in 2005 to become eligible for the US Millennium Challenge Account (MCA) designed to reinforce sound political, economic and social policies that promote economic growth. The MCA is based on its progress in governing justly, investing in its citizens and ensuring economic freedom, as measured against criteria established and monitored by independent organisations (Millennium Challenge Corporations 2005.). Morocco was granted Major Non-Nato Ally status in June

2004. In addition to scheduled US Navy port visits, Morocco allows coordinated access by American forces to its facilities and Moroccan air and sea space (USDS 2004).

The US Trade and Development Agency (USAID) has had an active and effective programme in Morocco since 1953, for a cumulative amount exceeding \$US 2 billion (see appendix 2). The amount of USAID assistance to Morocco in 2003 was \$US 11.9 million (USMFTA¹ 2004). USAID's current multi-sectoral strategy (2004-2008) consists of three strategic objectives in economic growth and job creation, basic education and workforce training, government responsiveness to citizen needs and implementation of the USMFTA. (Arabic News¹ 2004.).

3.2 US-Morocco Bilateral Trade

Morocco and the United States have signed several economic treaties, namely, the Bilateral Investment Agreement in 1991, the Trade and Investment Framework Agreement in 1995 and the Open Skies Agreement in 2001 (Heritage Foundation 2004). Prior to USMFTA Morocco was beneficiary of the Generalized System of Preferences which granted duty-free access to the US market in a broad range of product categories (Sequentum 2004).

Moroccan exports and imports in 2003 were amounted at \$US 8.73 and 14.16 billion respectively. Main exports are food, beverages and tobacco 20.1%, semi processed goods 23.9%, and consumer goods (38.6%). Main import goods are food, beverages and tobacco (8.4%), energy and lubricants (15.7%), capital goods (21.4%), semi-processed goods (22.9%), and consumer goods (23.9%). The bulk of Morocco's exports and import is with the EU 75.7 and 58.7 percent respectively. Morocco's total trade exchanges in 2003 with the US totalled 2.8% of exports and 4.1% of imports. The US is the fifth customer and ninth supplier of Morocco (USDS 2004.).

The kingdom is one of the few countries with which the United States enjoys a positive trade balance. In the past ten years, US exports to Morocco exceeded imports from Morocco by an average of \$US 169 million per year, for a total of \$US 1.86 billion. Annual American exports to Morocco are averaged \$US 475 million with leading exports including aircraft, corn and machinery. The US trade surplus with Morocco decreased from \$US 173 million in 2002 to \$US 83 million in 2003. Morocco is currently the United States' 76th largest goods trading partner with \$US 853 million in total (two way) goods trade during 2003 (see table 1). (USMFTA¹ 2004.)

	1980	1985	1990	1994	1998	1999	2000	2001	2002	2003	2004*
Trade Balance	309	240	386	217	218	180	82	-152	173	83	152
Exports	344	279	495	409	561	566	523	282	565	468	654
Imports	35	39	109	192	343	386	441	435	392	385	502

*annualised 6 months

Table 1: US Goods Trade with Morocco (in millions of \$US)

Source: USMFTA¹

Morocco was the US' 70th largest goods export market in 2003. US goods exports to Morocco in 2003 were \$US 468 million, down 17 percent (\$US 565 million) from 2002, and up 17% from 1994. The top export categories in 2003 were: aircraft (\$US 131 million), corn (\$US 75 million), machinery (\$US 39 million), miscellaneous grain, seed, fruit (\$US 57 million), and fats and oils (\$US 17 million). Exports of products such as fabrics and pharmaceuticals grew 435 percent and 122 percent, respectively, in 2001. US exports of agricultural products to Morocco totalled \$US 151 million in 2003. Leading categories include: soybeans (\$US 55 million), wheat (\$US 40 million), corn (\$US 35 million), and soybean oil (\$US 12 million) (USMFTA¹ 2004.).

In turn, Morocco was the US' 84th largest import market in 2003. US goods imports from Morocco totalled \$US 385 million in 2003, a 2 percent decrease (\$US 7 million) from 2002, but up 102% over the last nine years. The five largest import categories in 2003 were: electrical machinery (\$US 92 million), salt, sulphur, earth and stone (calcium phosphates) (\$US 70 million), woven apparel (\$US 49 million), fruits and nuts (\$US 30 million) and knit apparel (\$US 27 million). US imports of agricultural products from Morocco totalled \$US 83 million in 2003. Leading categories include: olives, mandarins, and fish. (Ibid.)

3.3 USMFTA Conclusion

Economic integration has four levels: free trade agreements, customs union, common market and economic union. The free trade agreement (FTA) is the most loose and less restrictive of these forms. With this agreement countries remove all the trade barriers between them, allowing the goods and services to move freely across the borders. A FTA can also be agreed on some particular class of products and/or services, e.g. agricultural ones. The countries that are members to a FTA are not bound to other member countries' policies when it comes to the trade barriers with third countries, but can set them independently (Czinkota et al. 2003, 196.).

Throughout the world, many governments have signed, are negotiating, or contemplating new bilateral free trade and investment agreements. They are another way to ensure that

governments implement the liberalisation, privatization and deregulation measures of the corporate globalisation agenda. They are based on assumptions that free trade and the removal of regulations on investment will lead to economic growth, the reduction of poverty, increased living standards and employment opportunities. A bilateral FTA is the most important protection of international foreign investment. It is creating more rights and powers for foreign investors (UNCTAD¹ 2005). Moreover, a FTA is one of the main types of the so called preferential trade agreements having similar economic effects. It is also called discriminatory since it put countries in unequal positions when it comes to importing/exporting (Husted and Melvin 2004).

The US-Morocco Free Trade Agreement (USMFTA) was signed in June 2004 after seven rounds of negotiations lasting 13 months of discussions (MAP¹ 2005) making the FTA the most comprehensive and quickest ever created (BCIU 2005). USMFTA is one of only seven free trade agreements completed by the United States, only the second with an Arab nation, the first in Africa, and the first under President Bush. On July 2004 the US Congress ratified the Agreement by an overwhelming bipartisan majority signed later by the US President on August 2004 (Reuters 2004). The FTA was similarly approved by the Moroccan parliament in January 2005 (IESC 2005). USMFTA will enter into force on summer 2005.

The interest of the United States in negotiating a FTA with Morocco does not lie merely in the size of its market. The strength of Morocco is also to be found in its institutional stability, in the transparency of public and private decision-making, in its strategy of opening up trade, in the quality of its macroeconomic management and in its solid financial system. Morocco had a smooth political transition, with democratic reforms that were undertaken with complete independence of the political powers, low levels of corruption, full respect of human rights and an active presence in regional and world forums promoting free trade.

This is the achievement of several decades, and has required the convergence of a variety of political and economic actors, conforming a culture open to the world. These are achievements that were not easy neither fast, however, as they work, they facilitate consensus-building needed to face the challenge of sophisticated negotiations as the ones Morocco has concluded with the US. The reform programme has led to advances in terms of export-promotion efforts, including everything from improvements in the legal framework and administration, to laws on investment, finances and taxation. It consolidates a strategy of export-oriented openness, and juridical certainty for exporters and investors is reinforced, granting the foreign investor a non-discriminatory treatment.

According to the American Administration, USMFTA recognises Morocco's unique geographic location at the crossroads of three continents, its commitment to reform, and the Kingdom's status as a long-time friend and ally in the Maghreb (Koplovski 2004). USMFTA is the most comprehensive agreement that the US has ever negotiated: an agreement with no exceptions that includes all the difficult issues of the international trade agenda that establishes an adequate balance between labour, environmental and trade issues. The successful conclusion of trade negotiations between Morocco and the United States meant excellent news for free trade in the kingdom and a boost to economic expectations.

A FTA with the United States offers Morocco an historic opportunity to remove or reduce market access barriers and other regulatory restrictions that affect Morocco's goods and services exports and investment in the world's largest and most dynamic economy. A FTA would also help Morocco attract US investment. Examples of potential indirect benefits include better business linkages and promotion of best practice in such areas as management and the use of e-commerce. A FTA can minimise any competitive disadvantage Moroccan exporters to the US might face as a result of the United States' FTA negotiations with other countries.

The Moroccan government's stance from the conclusion of USMFTA is clear. USMFTA is a win-win proposition which will make the kingdom a regional platform for investment inflows. Morocco's overall objective in concluding USMFTA is to:

- cover elimination of tariffs, quotas and other barriers across all sectors of both economies;
- secure substantial market access for Moroccan exports - such as agricultural and textile products - which currently face restrictive barriers to the US market;
- reduce restrictions on the ability of the two countries to do business with each other;
- comply with World Trade Organization (WTO) rules;
- impair not Morocco's ability to meet fundamental policy objectives in health care, education, consumer protection, cultural policy, quarantine and environmental policy.

According to Michael Koplovski, US economic counsellor and chief trade negotiator, USMFTA represents the best market access package of any FTA with a developing country. USMFTA does not only cover the market access, manufacturing goods and agriculture, but also addressed new areas including services, intellectual property rights, e-commerce, government procurements, and investment code. From the very first day of implementation, Morocco will enjoy duty free access to 300 million American consumers who import \$US 1.5 trillion in goods and services annually. Duties on 98 percent of merchandise entering the

United States from Morocco will disappear immediately. Key US export sectors such as information technologies, machinery, construction equipment and chemicals, gain immediate duty-free access to Morocco. USMFTA provides opportunities beyond trade because it also opens both markets for government procurement, e-commerce and services. (Koplovski 2004.)

3.4 USMFTA and Services

The international trade in services is big business, comprising between half and three quarters of all economic activity in richer and poorer countries. Under the WTO's GATS (General Agreement on Trade in Services), and the services provisions in bilateral and regional free trade agreements, governments agree to open the economy to foreign suppliers of certain services. In those services, foreign suppliers must be given at least as favourable treatment as it gives to local suppliers. Governments cannot set limits on the numbers of service suppliers operating in its market or impose requirements for local content.

Given the considerable importance of services in the world economy as well as in international economic relations, services have become an increasingly important issue in international economic policy (Gaudard 1989, 205). In the recent negotiations on regional agreements - which used to concentrate on goods- the attention to the liberalisation of international transactions in services has been prominent (e.g. Canada-USA FTA, NAFTA, EC-1992, EEA, Australia-New Zealand Closer Economic Relation trade agreement, etc.) (Jepma et al. 1996, 123.).

Services are categories of intangible goods, including: communication services (e.g. telecommunication services, postal services, courier services, audiovisual services); business activities (e.g. computer and related services, research and development services, real estate services); construction services; distribution services; educational services; environmental services; financial services (e.g. banking, insurance); health-related and social services; tourism and travel-related services; recreational, cultural and sporting services; and transport services. (Ibid., 124.)

The service sectors in Morocco contributed to 52% of GDP and employing 32% of the workforce in 2003 (USDS 2004). Accordingly, American negotiators worked hard to guarantee the utmost market access for American firms to the Moroccan service industries. As an important lynchpin between Europe, Africa and the Middle East, access to Morocco is

essential for the US banking and insurance industries. USMFTA accords US firms substantial market access across its entire service regime, subject to very few exceptions.

Main service sectors covered by the FTA include financial services and telecommunications, tourism, energy, express delivery, computer and related services, distribution, audiovisual, construction and engineering. The FTA provides benefits for businesses wishing to supply services cross-border as well as businesses wishing to establish a presence locally in Morocco. Under the agreement, Morocco will also permit US financial service firms to establish subsidiaries and joint ventures in Morocco. Banks and insurance companies will be permitted to establish branches, subject to a four-year phase-in for most insurance services. (USMFTA² 2004.)

Morocco will allow US-based firms to supply insurance on a cross-border basis (through electronic means) for key markets including reinsurance, reinsurance brokerage, and, subject to a two-year phase-in, marine, aviation and transport, insurance and brokerage. Morocco also will allow US-based firms to offer services cross-border to Moroccans in areas such as financial information and data processing, and financial advisory services. Of further benefit to US insurance suppliers, Morocco will phase-out certain mandatory reinsurance cessions and expedites the introduction of insurance products. (USTR 2004.)

In telecommunications, USMFTA establishes a secure, predictable legal framework for US telecom investors operating in Morocco. All forms of investment will be protected under the Agreement, such as enterprises, debt, concessions, contracts and intellectual property. US investors will enjoy in almost all circumstances the right to establish, acquire and operate investments in Morocco on an equal footing with Moroccan investors, and with investors of other countries. (Ibid. 2004.)

US firms seeking to build a physical network in Morocco will have non-discriminatory access to key telecommunications facilities and will be able to lease lines from Morocco's dominant carrier, and to resell telecom services to build a customer base. Morocco commits that users of the telecom network will have reasonable and non-discriminatory access to the network, thereby preventing local firms from having preferential or "first right" of access to telecom networks. (Ibid. 2004.)

3.5 USMFTA Implications

A FTA contributes to global economic welfare if it creates more trade than it diverts. Economic theory suggests that the larger the initial trade flows and the higher the tariffs before the FTA the larger the benefits of integration. USMFTA eliminates tariffs on 95 percent of bilateral trade in consumer and industrial products with all remaining tariffs to be eliminated within nine years. The reduction, and eventually removal, of most tariffs between the US and Morocco is likely to result in significant trade creation and even trade expansion, as lower prices will lead to increases in demand for some of the products. It is also likely to promote efficiency in Morocco and enhance the private sector as it comes into direct competition with US exports.

The elimination of tariffs has another major implication: it will facilitate the access to the Moroccan market by US firms and the access to the US market by the Moroccan firms. On the US side, scores of firms in a wide range of industries, namely agriculture, manufactured goods and service sectors will benefit from eventually zero tariffs. Even as tariffs are replaced with sales taxes, those sales taxes will be applied across the board therefore resulting in price increases for all non-US products. On the Moroccan side, firms involved in textiles and agriculture will be allowed to compete with US firms on a more equal footing.

Moreover, a larger and more open market will enable Moroccan firms to reap the benefits of economies of scale. It will also help create more opportunities for the economic diversification that these economies aspire to. Though there is still a very strong dependence on the agricultural industry, the results of diversification are apparent, namely when it comes to exports. Overall, it is reasonable to expect a significant increase in bilateral trade as a result of the FTA. It is also reasonable to expect that more competition will result in efficiency gains in both markets. The potential for trade diversion, on the other hand, appears to be rather small given the US-Morocco trade structure. Increasing trade integration would also help pave the way for greater capital market integration. An effective trade agreement between the US and Morocco would enhance the credibility that is so crucial for the development of capital markets, and increase investors' confidence.

3.6 USMFTA Implementation

The removal of trade barriers would not be sufficient to expand bilateral commerce if inappropriate public policies, administrative inefficiency, and market rigidities blocked new business potential. The United States engagement with Morocco will include many activities

related to helping the government of Morocco meet its FTA commitments. Morocco can anticipate keen pressure from the United States to enforce proactively USMFTA's obligations. The kingdom will need to pass new implementing legislation, conform existing legislation, and take certain regulatory actions. Much of the burden of administering the FTA will fall on Moroccan customs authorities. The Moroccan Customs Administration has taken major steps to modernise in recent years, though private sector trade facilitators have yet to catch up, and customs officials anticipate developing excellent working relations with the US Customs Service (Nathan 2003.).

Substantial US financial aid is provided to Morocco so as to undertake its FTA commitments. The US Trade and Development Agency (USAID) has earmarked US\$100 million to aid the Moroccan government implement USMFTA (Arabic News¹ 2004). USAID projects will prepare the Moroccan private sector to take full advantage of the new opportunities and advantages provided by USMFTA. Additionally, the White House has asked Congress for an additional \$US 20 million in bilateral Economic Support Funds (ESF) for Morocco in 2005. If approved, these resources will be used to implement USMFTA and other programmes (Koplovski 2004). The US Bureau of Near Eastern Affairs (BNEA) have also granted \$US 6 million to provide technical assistance as the government look at the reforms they need to implement USMFTA (BNEA 2005).

IV. MOROCCAN TELECOMMUNICATIONS INDUSTRY

The chapter first discusses some issues of global telecommunications and then highlights the role of the Moroccan governmental and its information and communication technologies (ICTs) policy. Next, the author assesses the sources of the competitive advantage of the Moroccan telecommunications industry, considering in turn the role of Moroccan factor conditions, domestic demand conditions, related and supporting industries, and firm strategy, structure and rivalry, in accordance with the diamond model of Porter (1998). Finally the chapter presents the market segments and competitors of telecommunications, paying special attention to the mobile market part based on the five forces model of Porter.

4.1 An Introduction to Telecommunications

Information and communication are integral to human society. In many cultures today, information retrieval and presentation – the recording of wisdom and history – is still done with the use of speech, drama, painting, song or dance. The use of writing changed this enormously, and the invention of the printing press allowed communication on a massive scale, through newspapers and magazines. More recent technological innovations increased further the reach and speed of communication, culminating, for now, with digital technology. These new ICTs can be grouped into three categories:

- Information technology uses computers, which have become indispensable in modern societies to process data and save time and effort;
- Telecommunications technologies include telephones (with fax) and the broadcasting of radio and television, often through satellites;
- Networking technologies, of which the best known is the internet, but which has extended to mobile phone technology, Voice Over IP telephony (VOIP), satellite communications, and other forms of communication that are still in their infancy. (APC 2004.)

Telecommunication is the exchange of information at a distance with use of electrotechnical devices. A telecommunication service is the provision of an opportunity to (tele)communicate. Telecommunications services can be supplied on the market, but they differ from other services because they are provided via networks consisting of wires, optical fibers or radio waves transmitted via terrestrial towers or via satellites (Blankart and Schwandt 1993, 2.). Telecommunication services include: voice telephony, mobile communications, data communications, image communications, videotext, and integrated

system digital network (ISDN). Telecommunication services regroup into two main categories: basic services and value added services. In spite of the growing importance of value added services, basic services are predominant. (Jepma et al 1996,132.)

The telecommunication services sector has shown a revolutionary development since the mid-1960s. Until the 1960s, only a limited range of basic services (telegraph, telephone, telex) was available to business and resident users. Telecommunication services were traditionally provided by government-owned and operated public telecommunications organizations (PTOs). Also the telecommunication service sector has traditionally been protected in domestic markets, usually by allowing monopoly positions in infrastructures and services and through a range of regulations (Ibid.).

The justification of such protection of national markets was based on universal service considerations. This original border protection placed limits on the internationalisation processes of the telecommunication industry. However, as a result of the globalisation of service activities (e.g. in financial services), there has been an increasing demand for a more liberal regulatory framework. Significant technological changes have created additional pressure for structural and regulatory changes in the telecommunication services sector (Ibid.).

The liberalisation process in the international telecommunications sector, with an annual turnover of some \$US 300 billion, has taken place at the multilateral level as well as at the regional or bilateral level. Due to the abolition of monopoly rights in countries such as the United States, newly privatised telecommunication groups, have begun to follow their multinational business customers and started expanding globally, through acquisitions and strategic alliances, or as stakeholders in consortia for new operating licences. However protection of basic services was usually left intact, whereas advanced services are generally open to competition (Ibid.).

Full market liberalisation of the EU telecommunications industry began on January 1998 which injected an extra boost for competition and large-scale consolidations. The recent unprecedented spate of telecommunication takeovers was largely motivated by the liberalisation of world telecommunications set in motion by the Geneva WTO meeting in 1997. Early momentum was introduced by a new Telecommunications Act in the USA in February 1996, which brought competition into local telecommunications services and video entertainment coupled with a series of privatisations of state owned telecommunications

companies in various countries between the mid-1980s and early 1990 (Lawler et al. 2001, 289.).

4.2 Liberalisation Process of Telecommunications in Morocco

Telecommunications changes in Morocco were based on three main factors: privatisation, deregulation, and globalisation. To illustrate:

- Moroccan PTO has increasingly been split into separate telecommunication and post administrations, with the telecommunication part being sold to the private sector;
- Traditional monopoly rights have being abolished or at least limited;
- With opportunities growing in Morocco's telecommunications, international telecom investors have started to do business in the country.

Traditionally in Morocco, almost all public telecommunications infrastructures were controlled indirectly by the established political regime and its administrative authorities, which acted as monopolists. These were not separate functions until after reorganisation in 1984. National Office of Post and Telecommunications (NOPT) was created in 1984 as an autonomous public enterprise and was run not by professional managers but by bureaucrats to reduce central government intervention in day-to-day operations. Consequently, the market was controlled by the incumbent monopoly carrier NOPT, which provided all telecommunications services including wireless and international long distance (Kavanaugh 1998.).

After the 1997 election, the socialist-led government affirmed its commitment to economic liberalisation and to the integration into the information-based global economy (Hajji 2002). The Moroccan government has been under tremendous pressure to adapt to the rapid pace of development of new ICTs, global market forces, and the growing demand for telecommunications services. In its engagement to arm itself with institutional and legal framework, the Moroccan government launched a programme of telecommunications legal policy reforms (see figure 2). On 7 August 1997 the Moroccan Parliament adopted the Post Office and Telecommunications Act under Law 24-96 (ITU 2001, 12).

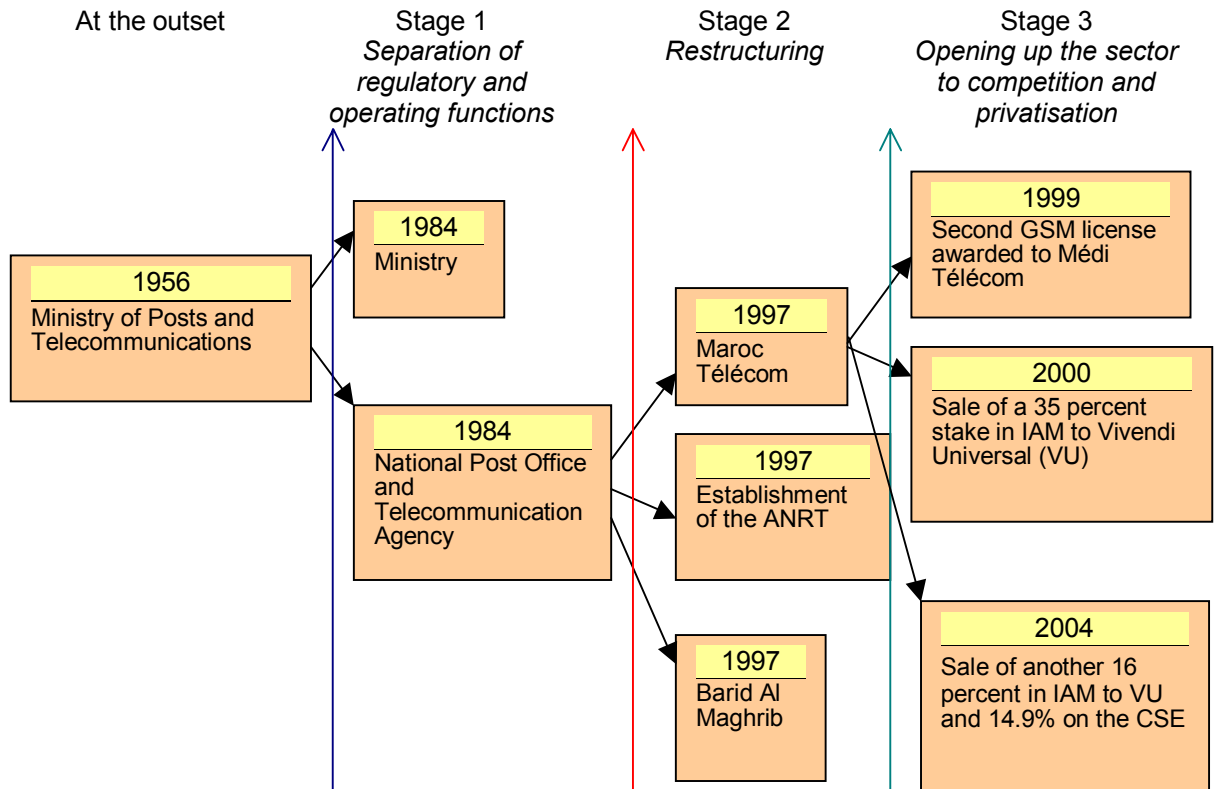


Figure 2: Telecommunications sector reforms in Morocco
Source: The Author 2005

Law 24–96 has guided into the break-up of the NOPT into three separate units (regulatory, telecommunications and post) and has progressed competition being brought into the market place - first through the licensing of the second GSM (Global Satellite Messaging) operator, second with the granting of licenses for VSAT (Very Small Aperture Terminal), GMPCS (Global Mobile Personal Communication Services) and 3RP trunking, and third with the national incumbent privatisation of the “Itisaalat Al-Maghrib”, Maroc Télécom (IAM) (see section 4.4.1.1). The speed and comprehensiveness of this liberalisation effort is perhaps unparalleled and could well become a model for other developing countries in the region seeking to liberalise their telecommunications sectors.

On the other hand, the promulgation of Law 24–96 on post and telecommunications provided Morocco with a modern legal framework. One of the significant results of the new telecommunications law was the creation of the National Telecommunications Regulatory Agency (ANRT) in March 1997. The chief aim of this autonomous agency is to promote rapid modernisation of the telecommunications systems and services in Morocco through regulation and the maintenance of transparency in tender procedures. ANRT’s first priority has been to introduce competition into the marketplace. The agency has pursued a

competitive telecommunications market policy by focusing on revising legislative authorities. (Ibid.)

To further this process the Moroccan government has established in 1997 the Secretary of State for Post Information and Communication Technologies (SSPICT) to the Prime Minister's office, a body policy whose mission is to bring Morocco into the digital age. By setting up ANRT and SSPICT, the government showed its determination to eliminate its monopoly in telecommunications, permitting competition and ushering in a multitude of new services. Thus, the transition from government-owned telecommunications monopoly to greater competition has been driven by politics and government policies (Ibid.)

Importantly, ANRT has been given broad powers in comparison with other public institutions in Morocco, although the State does maintain close oversight, particularly in regard to finances. The agency has been successfully established as a regulatory agency that is effective, credible and legitimate in discharging its technical and regulatory functions. The agency have also demonstrated its effectiveness and ability in regulating and overseeing competition, as cellular basic services were opened up to competition in 2002 (Ibid.). Thanks to ANRT, the Economist Intelligence Unit ranked Morocco as having the most autonomous telecommunications regulator in all of Africa and the Middle East behind Israel (Ibahrine 2002, 2.).

The latest liberal reform of Morocco's telecommunications was the introduction of a new Telecommunications Act (Law 55-01) in 2004, modifying and supplementing Law 24-96. One of the main objectives of Law 55-01 is to end the monopoly of IAM in the fixed telephony market, awarding six new generation licences for establishment and operation of public telecommunication networks by yearend 2005. Law 55-01 also considers the launching of third generation mobile services (3G) license in 2005 and third mobile license in 2007. The Law comprises several significant actions aiming at encouraging investment initiatives, sharing and streamlining existing infrastructures, facilitating the territory coverage and strengthening the sector regulation (ANRT¹ 2004.).

4.3 Industry Competitiveness: Diamond Theory

To analyse the competitiveness of Moroccan telecommunications industry, Michael Porter's Diamond theory of competitive advantage of nations has been applied to study the factors that most significantly affect the development of telecommunications in Morocco. The model

(see figure 3) will help to understand the industry and gain ideas as to where its competitive advantages could be triggered. This section demonstrates the four dimensions of the model.

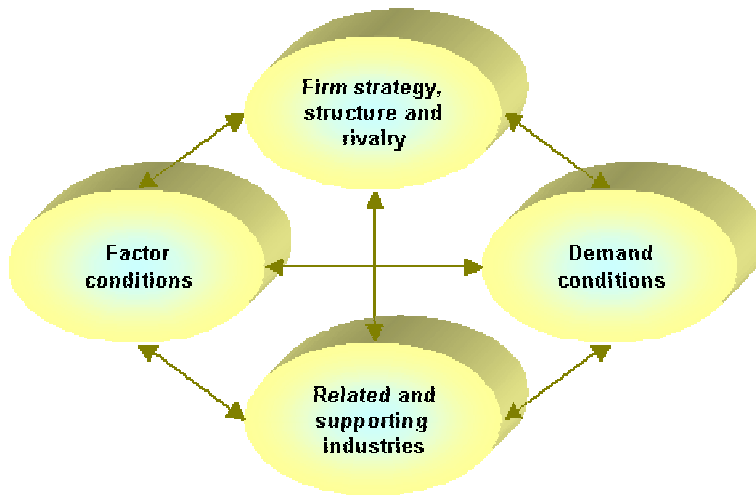


Figure 3: Diamond theory of competitive advantage of nations
Source: Lynch 2003, 702

4.3.1 Factor Conditions

Factor conditions refer to inputs used as factors of production such as labour, land, natural resources, capital and infrastructure. Porter emphasised that competitiveness was not just a matter of comparative advantage. Resources can also be 'home grown' and specialised. Thus, the provision of education, universities and excellent telecommunications goes well beyond the natural resources but can assist in delivering national competitiveness (Lynch 2003, 702). The principal factors which are used by the telecommunications industry and which might have a significant influence on its competitiveness in Morocco are infrastructure, the government's investment, direct investment and labour.

Infrastructure:

In just a few years, Morocco achieved the physical modernisation of its telecommunications networks. Telecommunications infrastructure in Morocco has increased in both quantity and quality. This development is the direct outcome of three major causes: the institutional telecommunications reform process; political democratisation; and, technological advancement. This section will introduce you to the level of growth and development concerning mobile and fixed telecommunications networks, computers, Internet and human

resources in the Kingdom of Morocco. The following table compares Morocco's main telecom indicators with its neighbouring countries:

Indicators	Algeria	Tunisia	Libya	Mauritania	Egypt	Morocco
Population (millions)	31.8	9.8	5.5	2.8	66.4	29.8
Literacy rate	68.9	73.2	81.7	41.2	56.9	55.5
TVs per 1000 people	110	198	137	96	217	159
Radios per 1000 people	244	158	237	149	339	243
Telephone mainlines per 1000 people	61	109	109	7	104	41
Mobile phones per 1000 people	3	40	9	42	43	284
Personal computers per 1000 people	7.1	40	-	10.3	22	20
Internet users (thousands)	60	400	20	7	600	800
High-technology exports (% of manufactured exports)	2	4	-	-	0	11

Table 2: Comparable infrastructure indicators in North Africa, 2004
Source: APC 2004

Morocco has an excellent telecommunications network with the latest fiber optic technology, allowing for up to 622 Mbps and a complete digitised transmission network. In just two years, the Moroccan telecommunications sector has radically changed, thanks to the effective implementation of the Government's liberalisation and privatisation reforms. The Moroccan government, in the frame of its 2000-2004 Economic and Social Development Plan, also continues to expand and modernise the infrastructure to connect all of the administration, business centres, universities, and hospitals using a minimum of 2 Mbps/fiber optic, digital subscriber line (xDSL) and multi-channel multi-point distribution system (MMDS) (Tourougui 2002.).

The Government's Investment:

The movement towards market liberalisation and deregulation in the telecommunications sector has meant growth in investment development. In a bid to transform the country into a new telecommunications powerhouse, the Morocco government has invested heavily in ICTs, providing funding for the development of the telecommunications infrastructure. To date, the government had made a massive investment, nearly \$US 1.2 billion, to upgrade and expand telecommunications digital networks. This is about \$US 11.90 per capita. For the period 1995–2000, Morocco's telecommunications investment reached three percent of the GDP. (El-Mandjra 2002.)

Other telecommunications sources of fund, especially the funds directed toward building infrastructure projects, were solicited from multilateral organisations such as the International Monetary Fund (IMF), the World Bank and foreign development banks (Japan, Kuwait Development Bank, and Islamic Development Bank). These funds took the form of long term debt with very low interest rates. For example the World Bank granted in 2003 a

\$US 100 million loan that aims to establish and further competition in telecommunications, ICTs, and postal system (Arab Datanet 2003.).

More recently, telecommunications sources of fund stopped relying substantially on foreign aid solicited by the government. More recent projects, such as the two Techno Parks in Casablanca, relied on local private equity under the form of venture capital. Moroccan big banks such as the BMCE Bank, BCM and CDG now participate in telecommunications projects. Another source of funding is direct investment. Morocco's telecommunications sector has witnessed the greatest opportunity to competition and the greatest amount of FDI in the late 1990s and early 2000s.

Foreign Investment:

The term foreign direct investment (FDI) is used to describe transactional capital transaction made by companies from one country ('the country of origin') to another country ('the host country'). The transactions entail the purchase of production resources (such as buildings, machinery, or land) or companies or stakes in them. The aim is to add value locally by means of production or services and to exercise some influence on corporate activities (Jepma et al 1996, 42.). There are three different options of FDI: direct investment with total control (acquisitions and Greenfield operations), direct investment but with shared control and thirdly non-capital investment (service management contracts and franchises) (Buckley 1995, 183).

Many developing countries now actively solicit foreign investment, offering income tax holidays, import duty exemptions and subsidies to foreign firms, as well as measures like market preferences, infrastructures and sometimes even monopoly rights. The reason for subsidising these firms is the positive spillovers from transferring technology to domestic firms (Bouoiyour 2003, 2). In Morocco the government has adopted policies that hamper investment and has taken major strides in establishing Regional Investment Centres and effective commercial courts. In order to encourage foreigners to invest in Morocco, projects exceeding 200 million Moroccan Dirham (MAD) (\$US 22.9 million) (MAD 1= \$US 8.7) are given particular attention by the government and qualify for special conditions. They are evaluated by the Investments Commission and can benefit from attractive indirect-tax reductions. The Hassan II Fund for Social and Economic Development can also subsidize land-plots acquisition and the building of facilities. (MT¹ 2005.)

As a result, Morocco was the number one recipient of FDI inflows to Africa in 2003 (see figure 4). Inflows rose from \$US 480 million in 2002 to \$US 2.3 billion in 2003, a 246%

increase thanks to privatisations. Investments in the country's telecommunication sector as a percentage of total FDI was 0.35% in 1998, 55 percent (\$US 2.3 billion) in 1999 (when imports of telecommunication equipment rose by 193% compared to 1998), 64% (\$US 2.7 billion) in 2000, and 80% (\$US 2.3 billion) in 2001 (TPCC 2005, 12), 31,3% (\$US 72,81 million) in 2003 and \$US 1.1 billion in 2004. Most of this improvement could be attributed to more FDI friendly policies in the country (UNCTAD² 2004, 18).

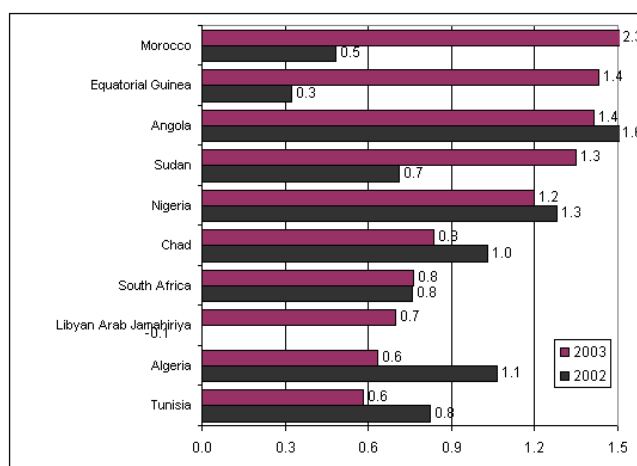


Figure 4: The top 10 recipients of FDI inflows in Africa 2002 and 2003 (Billions of \$US)
Source: UNCTAD², World Investment Report 2004

With the privatisation of the national operator Maroc Télécom valued at MAD 35.74 billion (\$US 3.7 billion) and sale of the second mobile licence to Médi Télécom with MAD 10.8 billion (\$US 1.2 billion), the possibility of greater foreign involvement in the telecommunications sector has been greatly increased. Increasing privatisation and liberalised policies in Morocco have strongly encouraged numerous telecom multinational firms to invest in the country. Because telecommunication Law 24-97 allowed private FDI with international giants in the field of telecommunications, Motorola, Nokia and Siemens set up local production facilities in Morocco. Pursuant to law 24-96, telecom companies wishing to provide telecommunication services or infrastructure must establish a subsidiary incorporated in Morocco for this purpose (ITU 2001).

Labour:

The telecommunications sector currently employs over 50.000 people (TPCC 2005, 9). Professional Association of Information Technologies (Apebi) estimates that the telecommunications sector in Morocco will represent by 2008 will generate over 60.000 direct jobs and 200.000 indirect jobs (ICT SitExpo 2004). Success of any sector of a

country's economy is highly dependent on the availability of the skilled work force. Thus, the ability of Morocco to produce and retain its engineers is an ever important issue for the telecommunications sector. Recent Moroccan policies aimed at broadening education opportunities and improving worker development and technical training will enlarge the labour pool available to new investors.

Morocco had 277.428 students enrolled in 14 public universities in academic year 2003-2004. As far as the output of technology and science institutions (public only), it is estimated that in the academic year 2002-2003 alone there were 24.802 graduates (11.166 were women) (Ministry of Education 2005). Most of the state institutions for technology and science are reputable schools with solid programmes and curriculum. Admission tends to be very selective and competitive and there is no chance for failing and retaking (i.e. who ever fails at the end of the year is out of the program) (American University¹ 2005.). These schools produce annually almost 2.500 engineers per year. Morocco is behind its North African neighbours where 3.500 engineering degrees are distributed each year in Tunisia and as many as 20.000 in Egypt (North Africa Journal 2005).

To cover the current needs of companies, the education system needs to produce twice as many. The migration of ICT talented young Moroccans to Europe for jobs is another main problem facing the industry. There is a huge shortage of qualified labour to fill in all technology oriented positions. That is another reason why most of the big companies are concentrated in the big cities so they have direct access to this poor output of skilled ICT professionals. Obviously, there is a lack of equilibrium between the supply and demand of workforce; small supply of workforce that does not meet the huge demand of IT workers.

4.3.2 Demand Conditions

High sophistication and demanding customers in a nation's home market will drive up innovation and quality (Lynch 2003, 702). Porter argues that a sophisticated domestic market is an important element to producing competitiveness. Firm that face a sophisticated domestic market are likely to sell superior products because the market demands high quality and a close proximity to such consumers enables the firm to better understand the needs and desires of the customers.

The meaning of telecommunication and information technology (IT) is growing in importance for Moroccan companies, which start to regard modern telecommunications as a basic requirement. Modern infrastructure demands modern equipment, international compatibility,

good penetration of the Internet and reasonable using costs. As stated earlier, the infrastructure of telecommunication is in high quality. The costs of telecommunications in Morocco are one of lowest in the Arab countries and the market segments are very open. Many multinational telecom firms have set up local factories and sales offices to serve the need of the Moroccan market.

In addition to companies, individual customers are growingly aware of the latest development in telecommunication thanks to the heavy advertisement. The use of the Internet is growing progressively in Morocco. Internet traffic growth is estimated at +300% per year, and an increase of the Moroccan Internet community estimated at +100% per year (Tourougui 2002.). The government's E-Morocco project plans to integrate IT into production, work and home life. A significant number of banks, schools and government agencies exist virtually. Corporate online banking is developing gradually in the country. Online banking for individuals stays weak.

There is plenty of room to international competition penetration into the Moroccan telecommunications market. The market is currently characterised with 7.5 million mobile subscribers, 1.254 million fixed lines subscribers, 800 thousand Internet users and 500 thousand computer owners. Of the country's 29.8 million inhabitants more than 50% are under the age of 20 and 70% under the age of 30 years (ICT SitExpo 2004). The youth of the population could be seen as a competitive advantage for the market and a success factor for companies who wish to supply especially the non-mature segments of telecom services, data communications and related markets (i.e. e-commerce). Many expect the opening of fixed market by yearend 2005 to duplicate the success story of cellular market. Competition in the cellular market introduced in the year 2000 has allowed the penetration rate to grow from less than 2% in 1999 to more than 25% (ANRT² 2001). This evolution has made of Morocco a leader in the region.

4.3.3 Related and Supporting Industries

Porter argues that a set of strong related and supporting industries is important to the competitiveness of firms. Internationally competitive suppliers and other related industries represent a critical resource for international success. Clusters of such industries, each offering expertise and world-class service, can be vital. Hollywood USA relies for its world success not just on film studios but on a range of other related companies in film recording, electronics, design and music (Lynch 2003, 702.). Computers and IT industries, some of the

most related and supporting industries of the telecommunications industry in Morocco, shall be studied in this section.

Computers:

Morocco is the second most computerized country in Africa, after South Africa, with a sector annual growth exceeding 15 percent, and a computer market estimated at \$US 315 million at the end of 1999. Experts predict that the rapid liberalisation and expansion of the Moroccan IT sector will boost the computer and peripheral sales up to 35-40 percent per year. Computer networks and operations are widely introduced compared to other countries in the region. PC penetration remains however very low in comparison with developed countries. The latest official statistics (1998) estimated the penetration rate at 0.7 percent, with a total number of PCs of approximately 200.000 units. This is due to the low Moroccan purchasing power, which prohibits acquisition of computers with the capacity to perform a wide range of applications. (Tourougui 2002.)

Computer sales did however increase as a result of worldwide cheaper prices, the increase in the number of companies that assemble PCs locally, and of the decrease in the Moroccan customs duties (down from 42.5% in 1991 to 17.5% in 1996 and 2.5% in 2000). This resulted in increased imports (assembled PCs, laptops, hardware parts, RAMs, CDs, etc.), which grew from \$US 14 billion in 1999 to \$US 16.3 billion in 2000 and \$US 17 billion in 2001. The total number of PCs went up from 200.000 in 1998 to approximately 500.000 in 2000, valued at \$US 144 million (1998) and \$US 180 million (2000). These figures indicate that the current penetration rate should be well above the 1998 figure of 0.7%. (Ibid. 2002.)

Despite its small size, the Moroccan market presents excellent opportunities. A recent survey by the Ministry of Industry and Commerce indicates that 57% of the 4.400 polled industries have not computerized yet, while 22% use PCs and 4% use mainframes. Experts estimate the companies' need for equipment at 5.200 units in the near future and at 1.300.000 by 2008, worth \$US 2 billion. The needs for home computer and peripherals are estimated at 270.000 new units in 2000 and at 600.000 by 2008. The public sector (offices, schools, hospitals, etc.) are far below their needs and require new equipment in order to enter the IT world. (Ibid. 2002.)

Moroccan households also represent an attractive market. Moroccan households are presently under-equipped compared to modern countries, with only 30.000 home PCs,

representing 6 per one thousand inhabitants (vs. USA 50%, Germany 35%, France 23%). This is due to the high price of PCs, which ranges between MAD 13.000 (\$US 1.171) and MAD 24.000 (\$US 2.163) and equates to one year of an average income. Local assembling firms target this segment, offering lower prices but lack service quality. Pro-competitive entries in the Internet marketplace, along with providers that already offer packages comprised of a computer coupled with Internet access for a small monthly fee. IBM in partnership with the Morocco-French ISP Maroc Connect and Wanadoo) are both expected to increase the Moroccan PC and Internet population. (Ibid. 2002.)

Information Technologies:

Related software and IT goods and services are estimated at \$US 1.6 billion. US companies are well present in the Moroccan market (see appendix 3). Microsoft has a significant presence in the country. The company was selected by the Moroccan Government to implement its "online e-government" project, and to assist the kingdom with its techno-parks (Tourougui 2002). Additionally, in 2003 Microsoft helped 500 small to medium Moroccan firms to upgrade their computer systems (Arab Datanet 2003). IBM, on the other hand, is working with the Moroccan Ministry of Education to help the country develop a "Distance Learning" network. IBM has a partnership with Maroc Connect, a subsidiary of France Telecom, to furnish computers to students and families throughout the country. Oracle and Moroccan firm Saham IT created a partnership in 2002 that makes Morocco the distributor and integrator for French-speaking Africa (Washington Times 2000.).

American producers hold more than 55 percent market share of the country's computer market. US equipment is respected for its technical sophistication and high quality (Arab Datanet 2003). US hardware is well accepted and has an excellent reputation. US firms dominate the market with Hewlett Packard-Compaq (12.91 percent), followed by Fujitsu-Siemens (10.51 percent), IBM (9 percent), Nixdorf (3.72 percent), Bull (3.6 percent), others (Acer, Dell, Gateway, and local assembling companies: 60.24 percent). US firms also lead the software market with Microsoft/Windows NT ranking first (80%), followed by Lotus, Corel, Adobe, and Unix/Linux. Computer vendors also offer their own software (OS2 of IBM) (Tourougui 2002).

Foreign hardware companies operating in Morocco are segmented into five major groups. The first group includes foreign leading firms that sell equipment through distributors (IBM, HP, Fujitsu-Siemens, etc). Distributors include wholesalers, which distribute computers as

well as electronic components, and about 500 retailers, which offer equipment and added value services. Wackenhut is an example of local equipment manufacturers, which assemble products phones and parts. The last group includes firms that provide reconditioned computers and printers (Tourougui 2002.).

4.3.4 Firm Strategy, Structure and Rivalry

Fierce national competition will drive innovation, force down costs and develop new methods of competing that can be used internationally by the same companies (Lynch 2003, 702). Some telecom service providers in Morocco follow a strategy of specialisation in market niches. Companies which follow such a strategy of specialisation can succeed without having to be very large. Most of these companies recognise that staff development and training is very important for their competitive success.

Four types of company structures could be identified in the Moroccan telecommunications. The first category is the one corresponding to delocalised national companies. These are the companies based in the country of origin which transfer their production to Morocco through the creation of a subsidiary. This subsidiary produces exclusively the brands of the parent company based in the country of origin. Examples of these companies are Eriksson, Nokia and Motorola. The second category corresponds to investing companies with foreign capital. These are entities created in Morocco with foreign capital whose production is directed to different clients and brands. Global Star Tesam for example is a consortium of US Globalstar, French Tesam of France Telecom and Alcatel, and Moroccan Medi Holding.

The third category corresponds to contracting companies. These are companies based in Morocco with national or foreign capital, and which are contracted by a foreign company or brand to manufacture part of its production. There are all types of contracting companies: big, medium and small-sized. The fourth category corresponds to subcontracting companies. These are companies contracted punctually by contracting companies. In many cases, the majority in some areas, these are irregular or clandestine factories.

Casablanca City is the principal location in Morocco for telecom and high-tech subsidiaries and sales offices. 60 percent of Moroccan firms and 90 percent of foreign firms are based in Casablanca including all those of the high-tech sector (Washington Times 2000). Casablanca is the primary point of entry for foreign manufactured goods for direct distribution to the public, wholesalers, distributors and retailers. The country's IT parks which provide the well-educated ICT human resources are also present in Casablanca. About 90

IT firms are contributing positively to the parks financed by the US, France and South Korea (Jankari 2002).

4.4 Telecommunications Market Segments

Morocco's telecommunications generated \$1.3 billion in turnover in 2003 (TPCC 2005, 9) and is estimated to represent by 2008 sales of more than MAD 20 billion (\$US 2 billion) (ICT SitExpo 2004). The telecommunications market in Morocco has been opened to competition for the following services: GSM, VSAT, GMPACS and 3RP. This section analyses these market segments and the main services offered by competition as shown in figure 5.

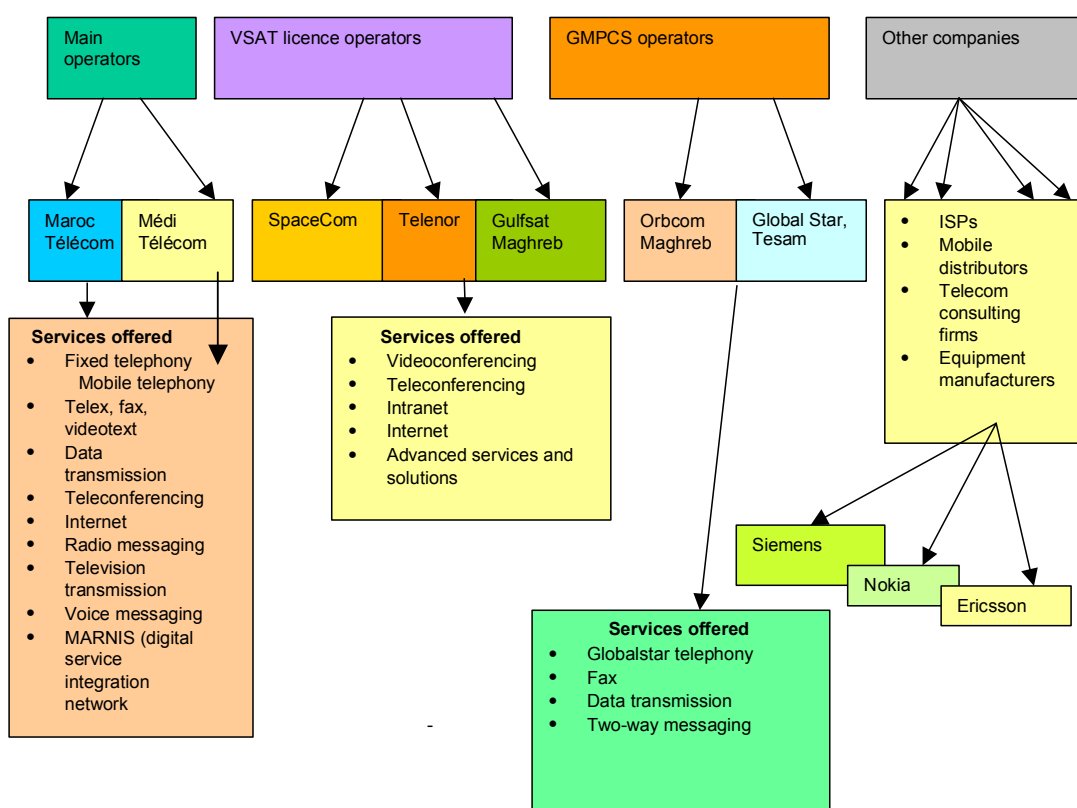


Figure 5: telecommunication market segments in Morocco
Source: ITU 2001, 22

4.4.1 Mobile Telephony

The five forces model of Michael Porter is applied in this section to analyse the competition of the mobile market characterised by oligopoly between Maroc Télécom and Médi Télécom. Before jumping to their competitive performances the companies are first profiled.

4.4.1.1 Maroc Télécom

From a bureaucratic government office, Maroc Télécom (IAM) has been thoroughly restructured since 1998 when it was incorporated. With 1.3 million fixed telephone lines and 6.4 million active mobile phone clients (67.5% market share), IAM is the incumbent operator of the country. Valued at \$US 7.06 billion, IAM also provides GSM and value-added services that include multimedia integration of voice, text, data, graphics and images. IAM holds a general license, and its fixed transmission network is 100% digital (MT² 2005).

IAM is a subsidiary of Vivendi Universal (VU), a French conglomerate which holds 51% of the equity. VU bought a 51% stake of the company's capital in two separate deals. In 2001, it bought a 35% of its equity from the Moroccan government for MAD 23.345 billion (\$US 2.3 billion). Late November 2004, it paid an additional MAD 12.4 billion (\$US 1.4 billion) to the Moroccan government representing the price of a 16% additional equity stake, valuing the company's stock at MAD 88.16 (\$US 10.13) a share. (Ibid.)

The government pressed ahead in November 2004, with the initial public offering of an additional 14.9% stake of IAM on the Casablanca Stock Exchange (CSE) for a price of MAD 68.25 (\$US 7.8) bringing down its position in the telecom operator to 34%. The deal generated MAD 8.9 billion (\$US 1.2 billion) for the government's coffers, the biggest Moroccan offering in history (Ibid.).

IAM has sound financial fundamentals with MAD 15.09 billion (\$US 1.73 billion) equity and MAD 5.124 billion (\$US 0.58 billion) dividends distributed in 2004 (MT³ 2005). IAM's total revenues for 2004 reached a record MAD 17.9 billion (\$US 2.1 billion), up 12.8% from last year, which makes of it one of the world's most profitable telecom companies (MAP² 2005). The operator's revenues generated by its 6.4 million clients in the mobile phone business surpassed MAD 10 billion (\$US 1.2 billion), up 21% from last year, while revenues derived from fixed telephone lines and the internet business were capped at MAD 11 billion (\$US 1.3 billion) (MT³ 2005.).

4.4.1.2 Médi Télécom

Médi Télécom (Méditel) was awarded the second GSM licence in August 1999 for a cost of MAD 10.8 billion (\$US 1.2 billion) (ANIMA 2005) following an official call for proposals in which seven telecommunication firms took part (World Bank 2001). Méditel is a consortium led by Telefonica (32.18%), Portugal Telecom (32.18%) and bringing together BMCE Bank

(18.6%), Groupe Holdco (9.93%) and the Deposit and Management Fund (7.66%) (Méditel 2005). Méditel posted an annual increase in operating revenues by 24.9% to \$US 445 million in 2004. Its net active subscriber base grew by 32.5% to \$US 2.7 million from \$US 2.04 million at the end of 2003 (T.A. Business Development 2005.).

Recapitalised by its shareholders in 2001, Méditel rapidly took its place as a major telecom player in the Kingdom. Today, it claims 2.57 million mobile phone clients and 32.5 percent market share (Ibid.). According to market specialists, Méditel will gradually achieve 50% market share (ANIMA 2005). Since the attribution of the GSM licence, Méditel has not ceased developing on the Moroccan market, renewing the packs for individual use and more particularly introducing short messages (SMS) in Arabic (ANIMA 2005).

4.4.1.3 Competition: Five Forces Model

The success of a company in business depends to a very large extent on how it is able to understand the level of competition in the business environment. It is important to study the strengths, weaknesses and the strategies of competitors for two basic reasons. Firstly, a good strategy cannot be developed in isolation and secondly the strategies of firms are highly interrelated (Murray 1996, 131). A change in a competitor's strategy will have a great impact on business.

Any analysis of competition tries to answer some strategic questions. These include who are the present and future competitors, what is the position they have established in the market, what are their main objectives. Also important is what is the typical pattern of behaviour of the competitors, how strong is their resource base and what key competitive advantage do they have (Ibid., 141). To conduct the analysis of the mobile competition in Morocco the five forces model of Michael Porter is applied (see figure 6). Porter holds that industry competition is influenced by the five forces and thus competition in an industry could be analysed from five main perspectives.

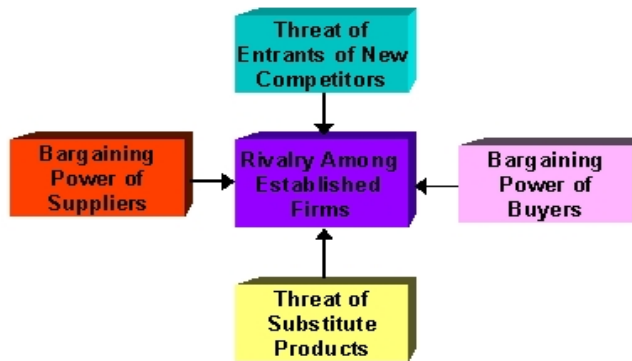


Figure 6: Porter five forces model of competition
Source: Murray 1996, 141

The Threats of New Entrants:

In order to do business Morocco, a new mobile operator needs to bid for a new licence from the sector's regulator ANRT. This entry barrier requires a high level of capital investment. In the year of 2000, a new competitive threat to IAM emerged. Mobile telephone licence was awarded to Méditel. IAM remained a monopoly provider for almost 5 years until the second GSM licensee, Méditel, entered the Moroccan market in the spring of 2000 (see figure 7). Since launching commercial services, this second mobile operator has managed to carve for itself a significant position in the GSM market. It has doubled its capacity, and continues to develop its infrastructure. In August 2000, with the deployment of the Méditel network, it was able to extend its reach to include 60% of the Moroccan population (ANIMA 2005).

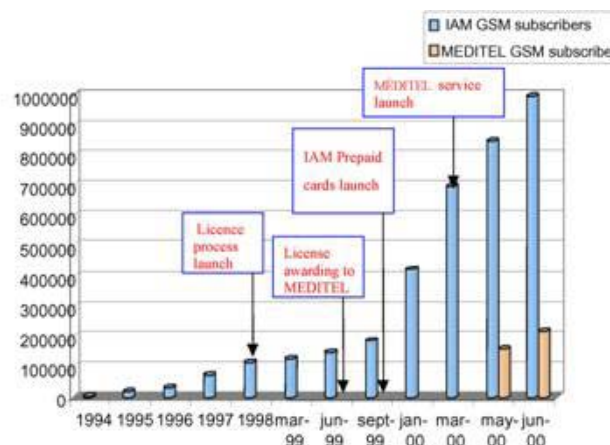


Figure 7: Mobile Market Development in Morocco in the late 90s
Source: Rochdi 2000, 19

Given that fair competition is an essential factor for the development of telecommunications, ANRT is ensuring optimal conditions for the liberalisation of all Moroccan telecommunication market segments. New fixed and 3G licenses have been prepared in the wake of Law 55-01 (ANRT¹ 2004). Thus, in addition to mobile, IAM will face competition in the fixed segment for the first time. Méditel has already announced its interest in the forthcoming competition for the granting of a second telecommunications fixed-line license in Morocco (Méditel 2005). If Méditel succeed to enter the fixed market, the company would need to expand their infrastructure and deploy its technologies and services in order to gain shares in the market.

Seeking new ways of raising money the Moroccan government will auction the fixed and 3G licenses to the highest bidder. 3G would deliver full webcasts and moving pictures so caller would see each other on their mobile phones. 3G would require a new generation of mobile telephones, new transmitters and other equipment, along with technology (Lynch 2003, 559). In addition to the 3G-license cost, existing firms and new entrants will meet the need to develop, install and maintain the new equipment that would operate the new 3G network in Morocco.

Customer Power:

An industry will not be attractive if there are few dominant buyers and the products in the industry are highly standardised (Jobber 1998, 496). Firms in an industry may attempt to lower the influence of buyers by increasing the number of buyers they sell to. Buyer's power influences the prices that firms can charge. It can influence also costs and investments in the telecom market because powerful buyers demand costly services. The mobile market in Morocco is characterised by large number of B2C buyers and therefore the industry seems attractive to many new comers. The highest number of B2B clients appears to be non-governmental organizations and small and medium enterprises. Any company who is able to give a distinctive added value will be in a position to dominate the market. Customers constantly demand better and cheap services while companies need to distinguish their added value in order to increase market share and gain profit. This could ultimately benefit and buyers and their power.

Supplier Power:

The cost of raw materials and components can have a major impact on the profitability in the industry. The bargaining power of the suppliers will be high when there are few dominant

suppliers. Having powerful suppliers of raw materials can influence prices and delivery in the industry (Murray 1996, 143). One could say that power of suppliers is not that influential in the Moroccan telecommunication market. Supplier power cannot influence prices, quality and service level demands. Suppliers include for instance telecom infrastructure producers, high-tech equipment producers, SIM card producers, and human resources recruitment agencies.

Threat from Substitutes:

The presence of substitute's products can lower the attractiveness of an industry and profitability because they put constraints on the levels of prices (jobber 1998, 496). Morocco's telecommunications market is the first market in the Maghreb and Middle East to undergo a very clear fixed to mobile substitution phenomenon. The total number of mobile phone subscribers exceeded the fixed telephone line subscribers of four million in August 2000. The entrance of Méditel in 2000 generated a subscriber growth rate of 683% to reach 2.852 million subscribers the same year (Arab Advisors¹ 2003.). The spectacular success of introducing effective duopoly competition in the GSM market did not replicate itself in the fixed segment, quite possibly because of the boom of the GSM market.

Fixed lines declined at a CAGR of -4.6% between 1999 and 2003, and in 2001, there were 332,000 lost fixed line subscribers (Arab Advisors² 2004). The mainlines market improved in 2004 compared to the previous years, as it grew by 8.2% to reach 1.308 million lines, a penetration rate of 4.2%. According to Arab Advisors, the fixed line subscriber base is decreasing because of the boom in the cellular market and lack of attention by the incumbent to the segment. The demand for the fixed services, at its current rates, is diminishing in the country although the market has a very low PSTN penetration rate. However, the fixed market improved in 2003 compared to the previous years, as it grew by 8.2% to reach 1.219 million lines, a penetration rate of only 4.1% (Arab Advisors² 2004.).

A recovery has been noted recently thanks to the successful relaunch of residential and public services through a new line of products under the 'El Manzil' brand, including calling plans, packages, and capped plans with recharge options (see: www.elmanzil.ma), and the spread of the Internet (VU 2005). The total number of subscribers to fixed telephony reached 1.254 million in March 2004 (USMFTA³ 2004). The fixed line market is expected to grow at a CAGR of 12% between 2003 and 2008 to reach 2.15 million lines in 2008, a penetration rate of 6.6%, with a teledensity of 10 percent (Arab Advisors² 2004.).

Morocco's telecom regulator ANRT is keen to have a successful second chance for liberalizing the fixed line market in Morocco, after the failure of the fixed license tender in 2002. The year 2002 has been a disappointing year for the liberalisation process of the communications market in Morocco. Neighbouring countries closely watched Morocco since it was the first country in the region to try to liberalise its fixed communications market (Arab Advisors² 2004.). Yet, it is worth noting that fixed telephony liberalisation has not enjoyed any success within developing countries; except in India and Pakistan thanks to the deployment of technologies allowing limited mobility (ANRT¹ 2004.).

Importantly, ANRT has launched a new tender in February 2005 for the awarding of new generation licences for establishment and operation of public telecommunication networks. The operation concerns six licences: local nodes (two for each region), inter-urban (2 licences) and international (2 licences). Firms will be invited to tender for the second fixed-line license in the first half of 2005. Results are expected to be unveiled twelve-month after offers are received (Ibid.). The Moroccan market has a great development potential for fixed services. ANRT expects fixed services penetration rate to easily reach more than double in the next ten years.

The fixed telephone lines are currently exclusively provided by IAM. Thus, IAM still holds total monopoly of the fixed telephone lines. A monopoly exists when an industry or market has only one player. Obviously, a sole supplier enjoys complete control over the prices of its products. Its only constraint is the fall of consumer demand in response to increased prices (Ebert and Griffin 2000, p 17). With its current telephone lines, Morocco belongs to the top five Arab states with telephone lines, ranked after Egypt and Saudi Arabia. But in 2003 Morocco had a telephone density of only 4 per one hundred inhabitants, one of the lowest rankings among the Arab world, with an average teledensity of around eight percent.

Other substitutes of mobile services are payphones and call centres. The payphones business represented 67.9 percent of the fixed market in 2004 while the residential and professional subscribers amounted to 21.6 percent and 10.37 percent respectively (2004). Payphones grew by 39% in 2004 to reach 135,000 payphones, thereby becoming the largest Arab payphones market (ANRT³ 2004.). On the other hand, over 100 call centres are settled in Morocco, posting a turnover of some MAD 800 million (\$US 91.9 million) and employing about ten thousand jobs. 85% of this turnover is generated through activities with France and Spain. Morocco soon expects to host 50% of French off shoring in this field. On

May 2005 IAM announced a 13% cut in its tariffs for international phone lines leased to call centres. Following this cut, the centres will benefit from a 35% decrease compared to the practiced standard tariffs (MAP³ 2005).

Competitive Rivalry:

The level of competition rivalry is high in an industry when there are many and equal competitors, growth of the market is slow, and where products cannot be differentiated (Murray 1996, 144.). The Moroccan cellular market is characterised so far with oligopoly between IAM and Méditel while IAM still holds total monopoly of the fixed market. Oligopoly is defined as a market in which a small number of producers compete with each other. In some cases two organisations dominate. Because of the small number of competitors each organization has to consider how its actions will affect the decisions of its competitors. Organizations are interdependent, which means that action by one organization will solicit a response from its competitor(s) (Brooks and Weatherston 2000, 53.).

Competition between IAM and Méditel is quite healthy. The dynamic competition between the two mobile operators and has led, among other things, to price dropping, frequent exceptional discounts, several offers and also to customer fidelity programmes. Tariff decrease, diversity offers and service quality enhancement, high added value and job creative depend mainly on telecommunications services and need competitive and various services offers. Both operators offer their services at competitive rates and provide subsidized handsets and very generous prepaid terms as well as postpaid terms (such as billing by the second after the first minute). Given the great success of mobile services, both mobile operators have been launching GPRS services (which provides high-speed access to the Internet over mobile phones) and MMS services. Morocco's SMS tariffs are the highest in the Arab world being 188% above the regional average (Arab Advisors³ 2005).

In 2002 the ITU classed Morocco as the fastest growing cellular market in the world (Ibahrine 2001). The number of cellular telephone subscribers soared from 42.924 subscribers in 1997 to 3.05 million in 2000 (ANRT² 2001). In 2003, Morocco headed Arab countries with the highest number of cellular subscribers, which reached 7.364 million, a penetration rate of 24.5 percent. The total number of mobile phone subscribers exceeded the fixed telephone line subscribers of four million in August 2000. The entrance of Méditel in 2000 generated a subscriber growth rate of 683 percent to reach 2.852 million subscribers

that year. The cellular market has been continuously growing since then. (Arab Advisors¹ 2003.)

By yearend 2000, the first year of competition, the Moroccan GSM market added 2.48 million new subscribers and IAM attracted 79% of whom, while Méditel had 21% of the total increase. IAM continued to win over the majority of new subscribers until 2002 when Méditel attracted 53% of the total added subscribers leaving the remaining 47% of the new subscribers to IAM. By yearend 2004 IAM had the largest market share of around 67.9%. The mobile telephone network of IAM now reaches more than 97 percent of the population (VU 2005). Many remote areas with no previous telephone services can now be reached with the cellular phone network.

The Moroccan mobile market is dominated by prepaid accounts. There were more than 7.1 million prepaid subscribers and about 411,000 postpaid subscribers in March 2004 (USMFTA³ 2004) (see figure 8). The attractiveness of prepaid cards for users is evident in a number of different facets. The most obvious advantage is that, without a fixed monthly charge, users have greater control over their costs. From the perspective of operators there are less customer acquisition and billing costs in servicing prepaid card users.

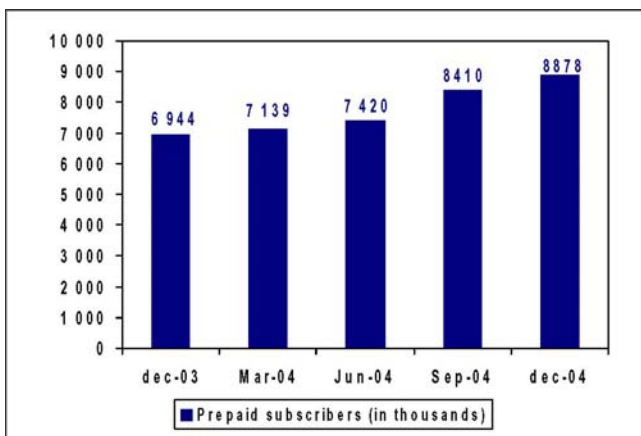


Figure 8: Prepaid market size in 2004
Source: ANRT⁴ 2005

Teledensity (number of fixed and mobile lines per 100 inhabitants) of the mobile telephone has swiftly progressed from 0.4 percent in 1998 to 25 percent in 2004 greater than the international average of 15 percent (ANRT² 2001.). The teledensity grew sharply following the sale of the second licence, rising from 6.5 percent to 15.2 percent in the space of one year. These figures exceeded all public and private sector estimates at the time that the second GSM licence was being awarded to Méditel. This growth comes as a result of the

government's efforts in pursuing reforms and the role played by the ANRT in opening up the market.

4.4.2 Internet

The history of the Internet in Morocco dates back to the early 1990s. Research universities were the starting points for the development of the Internet in Morocco. Mohammedia's High School for Engineers in Rabat was a pioneer in establishing the first national Internet connection to Morocco in 1993. At the very outset is UUCP, (Unix-to-Unix Copy) an e-mail connection to the global Internet via European Universities. The first connection on the basis of TCP/IP was in 1995 through the Al Akhawayn University in Ifrane, which marked the official birth of the Internet in Morocco (El-Mandjra 2002).

Typically, Internet access was limited to universities and research centres, to computer scientists for research communication at top universities. The Internet has been available to the Moroccan public since November 1995. Its first widespread use was by students and researchers, who employed it for sending and receiving e-mail. The Internet's diffusion in Morocco was slow primarily because computers were still rare. Furthermore, Internet costs were quite high during these early years. Thus the Internet had to overcome these hurdles if it was to enjoy popularity in Morocco. (Ibid.)

Unparalleled privatisation in Morocco increased the number of Internet Service Providers (ISPs) from a few in 1995 to about 2.500 in August 2000 ranking Morocco first in the Maghreb region with an Internet traffic growth estimated at +300% per year, and an increase of the Moroccan Internet community estimated at +100% per year (Tourougui 2002.).

IAM operator is the leading Internet access supplier in the country and exploits the leading Internet portal (Menara, 15.000 pages read every day) (ANIMA 2005). At yearend 2003, IAM had approximately 47.000 residential and business customers subscribing to Internet access packages sold under the Menara brand (an increase of 40% as compared to 2002) and a 72% market share (VU 2005). In September 2003, IAM launched its ADSL (Asymmetric Digital Subscriber Line) service, which registered over 103.000 subscriptions by the end of 2004 (IAM 2005).

The entry of foreign competitors like the French-based Wanadoo in 2000 forced IAM to reduce prices and subscription fees. In 1999, introduction of reforms by the regulator ANRT ended the Internet bottleneck, doubling the number of Internet subscribers by 2001. Despite

its presently small size, with approximately 100.000 ISP subscriptions, 100.000 cyber café clients, and 100.000 universities and administrations users, the Moroccan Internet market is expected to grow strongly in the near future (TPCC 2005, 23.). In February 2005, IAM announced dramatic cuts in high speed Internet connection prices, reaching up to 37.5 percent to a monthly MAD 199 (\$US 24.8) (MAP³ 2005). Internet user's number is expected to rise thanks to the introduction of Broadband ADSL launched in 2003 and the new option of Internet access without a subscription. The launch of ADSL in 2003 was much later than most Arab markets (USMFTA³ 2004).

Even if the Internet users have jumped from 500.000 to nearly 800.000 between 1999 and 2002, especially thanks to the success of cybercafés, the number of Internet subscribers is low in Morocco (100.000), which leads us to think that there are likely to be large investments in the data communication infrastructures in the future (ANIMA 2005). A study, conducted by the IEC Marketing in 2001, showed 58 percent of all Internet access in Morocco is via cybercafés (Pastore 2002). The huge presence of the Internet cafes in the country means the actual Internet users in the country far exceeds the size of the registered Internet accounts (Arab Advisors² 2004).

The opening of fixed market to competition will have a major positive impact on the Internet segment. Internet and information society development do necessarily require a good development of a fixed infrastructure and broadband services. Data transmission for businesses has also an important development potential. Thanks to governmental encouraging measures, operators will be prompted to develop Internet services. According to ANRT, corresponding penetration rate, in terms of subscribers' number, could significantly grow to exceed 5% in the year 2010 (ANRT¹ 2004.).

The Moroccan strategy also aims at reaching 3 million Internet users by yearend 2005 (10% of the population) worth \$5 billion in the following ways (Tourougui 2002). Morocco's FTAs with the EU and US that constitute an initial step towards globalisation requires more competitiveness from Moroccan companies, and therefore use of Internet to reach international markets. Global needs that pressure businesses towards on-line transactions and therefore acquisition of adequate equipment are all the factors that are expected to boost the Moroccan Internet market.

4.4.3 Other Services

Morocco was the first country in the region to grant satellite services licenses such as the VSAT (Very Small Aperture Terminal), GMPCS (Global Mobile Personal Communication Services) and 3RP trunking (Radio Electrical Systems). VSAT and GMPCS services may offer an alternative to the terrestrial infrastructure for distant points connections, Internet traffic conveyance, and a contribution to the universal service actions.

Three VSAT licences were awarded in 2000 (ITU 2001, 19) to SpaceCom (whose shareholders 23% Moroccan Wafa Investment, 15% U.S. Southel Inc., 15% English Marivaux, and French Bureau Yves Houssin et Bayard Participations), Gulf Sat Maghreb (70% Moroccan holding CKM Information Technology Trust, 30% Gulfsat International, Kuwait), and CimeCom Nortis (100% Norwegian Telenor), for the provision of closed commercial services that do not make use of the public network. These VSAT operators offer videoconferencing, teleconferencing, Intranet, Internet, point-to-point, starnet, and a range of advanced services and solutions (Tourougui 2002).

Two GMPCS licences were awarded in 2000 to the company Global Star Tesam (US Globalstar and French TE.SAM of France Telecom and Alcatel, and Moroccan Medi Holding) and Orbcomm Maghreb (MIFA, Orbcomm of the United States, ASMA Invest and the Moroccan bank Wafabank) for the provision of satellite services (ITU 2001, 19). Orbcomm Maghreb uses the US firm Scientific Atlanta's equipment as well as the Japanese Panasonic's, and offers mobile low earth orbiting, two-way data short messaging, trucking and monitoring/telemetry through its 35 Orbcomm LLC satellites (Ibid.).

Orbcomm Maghreb was approved for two additional GMPCS licenses in 2002, posting a 300% increase in revenue for the period 2000-2001 (TPCC 2005, 23). Importantly in 2000 Orbcomm Maghreb installed in Morocco a ground monitoring station for the entire region. Thanks to this ground station, the first in Africa, Morocco becomes a platform servicing Europe, North Africa and Sub-Saharan Africa (Arabic News², 2000).

According to ANRT, the VSAT and GMPCS markets have not experienced the predicted development in the country. These segments should be able to take advantage of the most recent innovations in terms of offers and inherent services to the technologies which new operators may offer. Thus, a lining up of new and existing operators' terms of reference will be effective, particularly in terms of the expansion of the offered services. (ANRT¹ 2004.)

V. EMPIRICAL RESULTS OF THE STUDY

As explored in chapter 3, US firms need to consider the opportunities presented in the Moroccan service sector especially in the telecommunications sector. The identification of the sector's competitiveness factors and opportunities rising in all the market segments, plus USMFTA preferential advantages to US firms indicate futures potential boost in US capital movement and technological transfer to the country. Importantly, the purpose of the study research is to document the perception of the Moroccan telecommunications industry to USMFTA. The empirical results of the study are presented in two entities in this chapter. The first part describes the research methodology of the study and process of data collection. The second part jointly presents the results and interpretations of the data gathered.

5.1 Methodology and Data Collection

A research fundamentally requires appropriate tools and techniques to seeking answers. There are two main method of research: qualitative and quantitative. The former is subjective, humanistic and interpretative in nature whereas the latter is considered to be objective, scientific and experimental. A quantitative research methodology is appropriate where quantifiable measures of variables of interest are possible, where hypotheses can be formulated and tested, and inferences drawn from samples to populations. Qualitative methods, on the other hand, are appropriate when the phenomena under study are complex, are social in nature, and do not lend themselves to quantification" (Liebscher 1998, 669.). Until recently, the strict scientific methods employed by quantitative analysis have been considered the best way to conduct any meaningful research (Howe 1985, 10).

To conduct my research; a quantitative method was chosen as it permits to lead the study in a more controlled and systematic framework. It is the author belief that a quantitative approach can benefit the research the most because of its ability to bear fresher fruits to the case study. Data were collected through a questionnaire consisting of seven statements was sent to 53 companies based in Morocco operating in the telecommunications sector (see appendix 4). The key objective of these statements is to document perceptions about US-Morocco free trade agreement (USMFTA) from the standpoint of existing and established companies with a local presence. Companies were contacted by fax and e-mail. The initial distribution of questionnaires was followed-up by a number of repeat e-mailings, phone calls and personal contacts by the author's brother Jaafar Debbarh based in Casablanca. A total of 20 completed questionnaires were returned. Without Jaafar Debbarh, this would not have been possible.

Seven surveyed firms were Moroccan, five American, four French and two Spanish, one Kuwaiti and one Belgian (see appendix 5). The respondents represented the telecommunications business cluster with some sort of international involvement, namely, subsidiaries, joint ventures, representation or liaison offices, Moroccan companies and holdings.

5.2 Results and Interpretations of Data

This section shall introduce the results of the study and more specifically interpret the implications of the findings. The respondents were asked to indicate their agreement with seven statements on a 3 points scale ranging from “agree”, “disagree” and “neutral”. It is worthwhile to note that there are a number of statements for which a substantial “neutral” response was recorded. The meaning of being neutral can be difficult and controversial to interpret. For instance, a respondent may be neutral because he or she has had positive and negative experiences. In this case, being neutral means being divided. Another scenario is to be neutral because a respondent considers that he does not have enough information to support an opinion. Being neutral would then mean lacking objective data. Finally, a respondent may be neutral because he or she has had no experience whatsoever with a specific issue – in this case, neutral reads as “no-opinion”.

Statement 1: “The FTA between Morocco and the US will have a major positive impact on my business”

On this statement, 75% of respondents had a positive view of the Agreement (see table 3). USMFTA could benefit the private sector working in the telecommunications field by facilitating their exports (i.e. 95% tariff abolition), encouraging US investment (i.e. joint ventures, capital stakes) and drops in input costs. USMFTA could stimulate the sector growth and create business opportunities. Another possible explanation of the respondents’ perception is USMFTA potential of having a positive impact on the telecommunications business environment. USMFTA is expected to bolster Morocco's commitment to transparency, openness, and the rule of law, support Morocco's efforts on labour and intellectual property protection while helping to expand employment opportunities.

Agree	Disagree	Neutral
15	3	2
75%	15%	10%

Table 3: Questionnaire results of statement 1

Statement 2: "The FTA between Morocco and the US will reduce my input costs"

On statement 2, respondents were in agreement by 65% to 10%, whereas neutral respondents totalled 25% (see table 4). The majority of respondents held a positive stance (65%). USMFTA may lead to economies of scale thanks to the elimination of export duties on telecommunications goods (i.e. raw materials and equipment). This may reduce some variable costs for businesses operating in hardware and other segments of Moroccan telecommunications. If procurement and production costs decrease and increase in competition, output prices might fall radically in the market. Therefore supply expands and unit costs fall.

Agree	Disagree	Neutral
13	2	5
65%	10%	25%

Table 4: Questionnaire results of statement 2

Statement 3: "The FTA between Morocco and the US will lead me to source more imports and products from the US"

On statement 3, respondents were in agreement by 40% to 40%, (see table 5). The 40% negative responses may reflect uncertainty and limited knowledge, both regarding the content of USMFTA and the United States market itself. It may also reflect the current sourcing and marketing arrangements of questioned companies, which in turn reflects the European domination of the Moroccan trade profile. Not surprisingly, the five US firms spoken to agreed with the statement.

Agree	Disagree	Neutral
8	8	4
40%	40%	20%

Table 5: Questionnaire results of statement 3

Statement 4: "The FTA between Morocco and the US will lead me to begin or increase exports to the US"

Compared to the other statements, neutralism rate in statement 4 is the highest (60%) (see table 6). The majority of the questioned Moroccan firms disagreed with this statement despite the fact that the ICT sector exports annually 11% of manufactured high-technology

goods. In 2001 Moroccan companies exported 75% of ICT goods towards European markets (Tourougui 2002). Not surprisingly, all the five questioned US and 90% of European respondents answered neutrally to the statement probably because the majority of them are already present in the United States.

Agree	Disagree	Neutral
1	7	12
0,5%	35%	60%

Table 6: Questionnaire results of statement 4

Statement 5: "The FTA between Morocco and the US will expose my business to greater competition"

On statement 5, respondents were in agreement by 60% to 30% (see table 12). Not surprisingly, all the Moroccan firms supported by EU firms agreed with the statement: (see table 7). US opportunities lie especially in the segments of the Internet, business process off shoring, satellite telecommunications, telecom hardware and software supplies, and telecommunication services. USMFTA probably equals a new wave of US firms' emergence in the Moroccan telecommunications market offering quality goods and services with cost effective output, taking advantage of their technology superiority over EU counterparts. This emergence may have a form of takeovers, joint ventures, business liaisons and capital investments with the existing players in Morocco.

Agree	Disagree	Neutral
12	6	2
60%	30%	10%

Table 7: Questionnaire results of statement 5

There are already 120 US firms (including 6 telecom and 19 IT firms) operating in Morocco investing so far more than \$US 600 million and creating 90.000 direct and indirect jobs (TPCC 2005, 4) setting up offices, factories, subsidiaries, franchises, and joint ventures in Morocco. Existing US investors in Morocco are Motorola (telecom hardware), Convergys and Dell (call centres), Orbcomm (GMPCS) AT&T and NCR (telecom equipment suppliers).

More US participation in the Moroccan telecommunications market is likely to occur under the Agreement. USMFTA terms encourage new phone companies to entering the Moroccan market, as they gained enhanced access to the Moroccan telecommunications market, including the right to interconnect with a dominant carrier in Morocco at non-discriminatory

and cost-based rates. US firms seeking to build a physical network in Morocco will have non-discriminatory access to key telecommunications facilities and will be able to lease lines from Morocco's dominant carrier, and to resell telecom services to build a customer base. Morocco commits that users of the telecom network will have reasonable and non-discriminatory access to the network, thereby preventing local firms from having preferential or "first right" of access to telecom networks (USMFTA³ 2004.).

USMFTA puts US companies on equal footing with their EU competitors (who already benefit from a FTA with Morocco since 2000) and will allow US companies based in Morocco to export to Europe duty free. According to Koplovski, American direct investment in Morocco is expected to increase significantly over the next few years, providing a much needed stimulus to the Moroccan economy. More American hardware telecom manufacturers are expected to build production facilities in the kingdom. Many areas in Morocco's telecommunications remain under-exploited. The market presents excellent niches for US firms due to the increasing number of companies that require technology that is adapted to their needs. Existing players in the Moroccan telecom market would have to think of new ways to face US entrants motivated by USMFTA's preferential advantages. For instance IAM has already launched drastic price cuts in long distance telephony and Internet.

The Internet business holds great opportunities for US potential investors especially after the liberalisation of the fixed market and governmental aims at increasing the number of Internet users to 3 million by 2005 (10% of the population) worth MAD 43.5 billion (\$US 5 billion) investment. Internet-related industries are expected to generate MAD 17.4 billion (\$US 2 billion) sales in 2008 (Tourougui 2002). PC prices are already going down and the growing awareness of the Internet is pushing up sales while US producers hold the largest stake of the country's computer market. There are also opportunities in the fixed and long distance phone, Internet and e-commerce markets. USMFTA would not necessarily have to increase product variety, but rather can reduce prices by increasing market size.

The Moroccan government is planning wide-scale telecom projects targeted for international competition likely to win US bids. In addition to the launching of new second fixed line telecommunications network tenders by fall 2005, the government is considering the launching of a 3G license in 2005 and third mobile license in 2007 for an entry in exploitation in 2008 (ANRT¹ 2004). The first project will require new infrastructure in the seven major cities and is an excellent opportunity for US equipment suppliers. The new mobile license is expected also to offer prodigious business potential to US firms (TPCC 2005, 23.) Many US

firms were successful to win previous bids like the \$US 47 million bid to build network infrastructure for the country won by Motorola in 2001 (Arab Datanet 2003).

There are also opportunities for US firms in the hardware telecom business. All the existing telecom hardware companies are active in the mobile line. They are expected to expand into the fixed segment by yearend 2005 after the abolishment of IAM monopoly. Hardware firms are constantly providing clients with hardware for voice and data transportation solutions. Their main target groups are carriers as well as medium and large enterprises. They provide carriers with different product types like network infrastructures, mobile and fixed networks, broadband access and optical network, voice-data convergence and service & software solutions. As for medium and large enterprises, they are offering communications systems, call centres, business applications, telephone and terminals.

Statement 6: "The FTA between Morocco and the US will protect my intellectual property rights"

Forty percent of respondents were neutralists whereas others were in disagreement by 25% to 35% (see table 8). The results of statement 6 show a division in responses possibly due to the uncertainty that USMFTA would positively decrease Intellectual property rights (IPR) violation. It should be noted that despite the Moroccan regulations (Dahir No. 1-00-20 dated May 2000) that protect intellectual property, software piracy continues, especially in the form of illegally copied software and CDs. Experts estimate that more than 70% of the total number of computers use illegal copies (Tourougui 2002).

Agree	Disagree	Neutral
7	5	8
35%	25%	40%

Table 8: Questionnaire results of statement 6

IPR are a crucial economic and political issue for transnational companies in particular and industrialised country governments in general. IPR have become key assets in what is sometimes called "the knowledge economy". IPR are artificial monopoly rights to intangible goods and services; methods of doing business on the internet, trademarks, computer programmes, designs, manufacturing processes or drug formulations. They give IPR owners the right to prevent anyone from making or using their "creation". As such, they provide companies a direct tool to control a portion of the market, to block out competition and to fence off territories. That is why they are seen as a thorn in side of free trade dogma. They are protectionist barriers to enterprise, administered by governments (Koplovski 2004.).

Even though Morocco is a member of the World Intellectual Property Organization (WIPO) and party to a number of other international agreements and conventions dedicated to the protection of intellectual property, including the Bern Copyright, Paris Industrial Property and Universal Copyright conventions, the Brussels Satellite Convention, and the Madrid, Nice and the Hague Agreements for the Protection of Intellectual Property (American University¹ 2002) organized piracy remains still a big business in Morocco.

According to recent figures, piracy and counterfeit that affect the sectors of software, cinema and music cost the Moroccan economy about MAD 2 billion (\$US 0.22 billion). Nearly MAD 200 million (\$US 22.9 million) are lost because of CD and audiotape piracy (BMDA 2005). Most of the piracy taking place focuses mainly on software (general productivity applications), music (MP3's and illegal copying and selling), video games and satellite smart cards. These goods are sold mostly by young mobile dealers in souks (traditional markets), cafés, public squares for prices between MAD 5 (\$US 40 cents) and MAD 50 (\$US 5.7).

Some powerful organised groups are behind 70% of the total fraudulent deeds. These groups act by continuously changing their corporate name, and have a production capacity of 400.000 audiotapes and 600.000 CD's per week. Piracy in Morocco reaches a percentage of 73%. The average in Africa is 56% and 36% in the World (BMDA 2005). As the percentages show in table 9 there is a 13% increase from 2000 to 2005 in piracy rates thanks to the rise of the Internet.

1996	1997	1998	1999	2000	2005
77%	72%	72%	64%	60%	73%

Table 9: Piracy rates in Morocco
Source: MBA report³ 2002 & BMDA

USMFTA is expected to reinforce the IPR. The Agreement contains platinum-standard intellectual property rights protections. The Moroccan commitments made on trademarks, copyrights and patents will bring new investment and technology transfer and will create skilled jobs. Morocco and the United States can expect increased investment and trade in high technology sectors, like audio-visual, information technology, and biotechnology. These areas are the future of trade. USMFTA ensures that authors, composers and other copyright owners have the exclusive right to make their works available online and have rights to temporary copies of their works on computers, which is important in protecting music, videos, software and text from widespread unauthorized sharing via the Internet. (Koplovski 2004.)

Morocco also commits to protect copyrighted works, including phonograms, for extended terms, consistent with US standards and international trends. USMFTA includes strong anti-circumvention provisions, requiring the government to prohibit tampering with technologies (like embedded codes on discs) that are designed to prevent piracy and unauthorized distribution over the Internet. The government commits to using only legitimate computer software, thus setting a positive example for private users. USMFTA also requires protection for encrypted program-carrying satellite signals, thus preventing piracy of satellite television programming. ISPs will have limited liability, reflecting the balance struck in the US Digital Millennium Copyright Act between legitimate ISP activity and the infringement of copyrights. (Ibid. 2004.)

Statement 7: "Given the current environment, I would recommend investing in the Moroccan telecommunication sector"

The key objective of statement 7 is to document perceptions about recommending investment in the Moroccan telecommunications market. The result shows that 75% of respondents recommend Morocco for more foreign investments (see table 10). This positive perception is due to the respondents confidence in the Moroccan general business environment and telecommunication sector in particular, the transparency of the sector watch dog ANRT, the billion of dollars invested in telecommunications, the comprehensive bilateral FTAs signed between Morocco and other countries (i.e. US, EU, EFTA, Turkey) and their potential impact on the sector, the governmental continuous reforms in the sector and commitments for IPR protection

Agree	Disagree	Neutral
15	1	4
75%	0,5%	20%

Table 10: Questionnaire results of statement 7

VI. CONCLUSION

An emerging market at the crossroads of Europe, Africa, and the Middle East, Morocco is now steadily progressing internally toward greater modernization and globalisation, with the creation of the country's first commercial courts and education of their judges, new streamlined customs departments and 16 new regional investment centres dedicated solely to facilitating new business ventures, and a new comprehensive labour code protecting both the employer and employee. The bilateral free trade agreements concluded mainly with the US and EU turned the kingdom a natural platform for the European, American, African and Asian markets. Morocco is more open than ever to all business structures and FDI.

Equally important, Morocco's existing local and foreign investors can be its best advocates or its worst detractors depending on their experience in the country. 75% of respondents to the study questionnaire held very positive perceptions to USMFTA potential and its ability to improve the telecommunications business environment. The findings of the study tend also to indicate that while there is cause for optimism in the way investors view the potential of USMFTA and are willing to recommend investing in the Moroccan telecommunications sector, there is also some cause for alarm. The negative perceptions to some of the questionnaire statements require immediate focus and action or they will eventually affect even the most sanguine investor's assessment of USMFTA.

Neutral responses to some critical statements may indicate that a significant number of firms, especially Moroccan ones, are not adequately familiar or completely aware of USMFTA opportunities such as import/export possibilities and US market characteristics. The Moroccan firms I spoke to may have shown some resistance and unwillingness for change of their current sourcing and marketing arrangements with European firms. Thus serious education and training of USMFTA's opportunities by both Moroccan and American governmental bodies (i.e. ministries, embassies and delegations) and business communities (i.e. chambers of commerce) through chains of seminars, meetings, events and forums are likely to strengthen the stance of USMFTA and consequently change the behaviour and perception of the firms I spoke to and the whole industry.

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Appendix 1

Morocco: Statistical Data



Official Name	Kingdom of Morocco (Al-Mamlaka Al-Maghribiya)
Capital	Rabat
Government type	Constitutional Monarchy
Total Area	780,580 sq km
Location	Northern Africa, bordering the North Atlantic Ocean, the Mediterranean Sea, Mauritania and Algeria.
Population	29,891,708 (2004 est.); Urban residents: 55.1 percent, rural residents: 44.9 percent. Casablanca, with 3.6 million inhabitants, is the largest city and commercial centre.
Languages	Arabic and French (the business language)
Religion	Sunni Muslim (98.7%), Christians (1.1%), Judaism (0.2%)
Labour force	5.860 million (2004)
Economy	Agriculture 16% of GDP (43% of labour force), industry 32% of GDP (25% of labour force), services 52% of GDP (32% of labour force)
Industrial Sectors	Phosphate mining, manufacturing, handicrafts, construction, public works, energy, food processing and textiles
Export Commodities	Textiles, fish, inorganic chemicals, automotive parts, crude minerals, phosphates, fruits, vegetables
Export Partners	EU 75.7%, Asia 8.8%, US 4.9 % Arab countries 3.4%, Brazil 2.1% (2004)
Import Commodities	Crude petroleum, textile fabric, telecommunications equipment, wheat, gas and electricity, transistors, plastics, machinery

Source: Moroccan American Trade and Investment Council (MATIC)

<http://www.moroccanamericantrade.com/date.cfm>

Appendix 2

USAID Contractors in Morocco

<p>Amideast Joseph Phillips, Country Director 35, Rue Oukaimeden Agdal, Rabat Tel: 037 67 50 81 to 82 Fax: 037 67 50 74 Business activity: Training and testing; information and services for studies in the U.S.A.</p>	<p>Chemonics International Suzie LeBlanc, Project Director Abdellatif Mazouz, Economist Andrew Thorburn, Conseiller 10, Avenue Mehdi Ben Barka Suissssi, Rabat Tel: 037 63 20 01, Fax: 037 65 36 29 Business Activity: USAID project</p>
<p>Financial Markets International Shelley Liberto, Chief of Party 10, Avenue Mehdi Ben Barka Souissi, Rabat Tel: 037 63 20 01 Fax: 037 75 14 43 Business Activity: Consulting commercial legislation of Morocco</p>	<p>Financial Services Volunteer Corps Samy Nadifi, Country Director Twin Center, Tour Ouest, 16ème étage Angle Boulevard Zerktouni et Massira Al Khadra Casablanca Tel: 022 95 82 35 – 022 95 82 34 Fax: 022 95 80 23, www.fsvc.org Business Activity: Financial services consulting</p>
<p>Global Education Jack Rusenko, President Angle Avenue Omar Alkhayam & Bd. Sidi Abderrahmane Hay Erraha, 20200 Casablanca Tel: 022 94 38 00 Fax: 022 94 38 01 www.global.org.ma Business Activity: Education</p>	<p>International Executive Service Corp. (IESC) Mohamed Bensouda, Executive Director 17, Boulevard My Youssef Casablanca Tel: 022 20 88 37 to 39 Fax: 022 20 88 40, www.iesc.org Business Activity: (USAID) Morocco fast track trade program</p>
<p>John Snow, Inc. Theo Lippeveld, Director C/o Ministère de la Santé Publique Km 4.5 Route de Casablanca Rabat Tel: 037 69 03 79 - 037 29 84 23 Fax: 037 69 06 64 Business activity: USAID development projects</p>	<p>PREM Mario Kerby, Project Director 2, Rue Oum Errabia Agdal, Rabat Tel: 037 77 37 88 – 037 77 37 98 Fax: 037 77 37 92 Business Activity: USAID environment project</p>
<p>Tadla Resources (USAID) Mohamed Khatouri, Director Fquih Ben Salah 23200 Tel: 023 43 69 60 - 023 43 69 62 Fax: 023 43 69 63 Business activity: USAID agribusiness project</p>	<p>MACECE Daoud Stephen Casewit, Executive Secretary 7, Rue Agadir Rabat Tel: 037 76 41 09 Fax: 037 76 88 52 Business Activity: Moroccan-American Commission for Educational and Cultural Exchange</p>
<p>Management Systems International (USAID) Lahcen Haddad, Chief of Party Tahira Kham, Finance and Office Manager mmeuble 104, Apt. 11 Avenue Fall Ould Oumeir Agdal, Rabat Tel: 037 67 56 44 – 037 67 56 46 Fax: 037 67 56 41, www.msiworldwide.com Business Activity: Consulting in policy change, strategic management, monitoring and evaluation, organizational development, institutional development capacity building, training</p>	

Source: American Chamber of Commerce in Morocco

<http://www.amcham-morocco.com/downloads/uscomp.pdf>

Appendix 3

US Firms operating in the Moroccan ICTs Sector i

<p>3Com Sam Lihyaoui, General Manager Twin Center, Tour Ouest 16ème étage, Casablanca Tel: 022 95 83 67 to 69 Fax: 022 95 80 23 - 022 95 83 90 Business activity: Computers & Telecommunications</p>	<p>3M Maroc Jean Louis Jacob, Managing Director La Coline II, Lotissement 33 Sidi Maârouf Casablanca Tel: 022 97 79 77 Business activity: Telecommunication, electrical and office supplies</p>
<p>AT&T – NCR Rachid Abou Elbal, General Manager 20, Rue Théophile Gauthier, Casablanca Tel: 022 20 03 39 - 022 29 85 40 - 022 20 18 79 Fax: 022 20 24 06 Business activity: Automatic teller machines, telecom equipment, and computer systems</p>	<p>Global Network Systems Jamal Mendoun, General Manager Espace Porte d'Anfa Angle Avenue Moulay Rachid et Rue Bab El Mansour Casablanca Tel: 022 36 90 70, Fax: 022 36 90 64 Business activity: Electronic Data Interchange</p>
<p>Cisco Systems Franck Eurvin, Regional Responsable Twin Center, Tour Ouest, 16ème étage Angle Boulevard Zerktouni et Massira Al Khadra Casablanca Tel: 022 95 84 60 – 022 95 83 52 Fax: 022 95 80 23 Business Activity: Network and Telecommunication</p>	<p>Dell Danielle Lagarde, Human Resource Director Stephan Debar, Financial Director Zénith Millenium, Lotissement Attaoufik 1 Sidi Maârouf, Casablanca Tel: 022 50 97 70 Fax: 022 50 97 83 Business Activity: Call center</p>
<p>Hewlett-Packard Fouad Afilal, Regional Director Lotissement La Coline N° 10, Sidi Maârouf, Casablanca Tel: 022 97 37 37 – 022 43 64 00 Fax: 022 97 37 27 Business activity: Computers, computer equipment, and printers</p>	<p>I.B.M. Maroc Ali Aqallal, Human Resources Director Amine Echcherki, Country General Manager Lotissement Attaoufik, Immeuble Le Zénith Route Nouasser, Sidi Maârouf, Casablanca Tel: 022 97 25 97, Fax: 022 97 27 32 Business activity: IT sector; computer hardware, software</p>
<p>Intel Frank Perez, Regional Assembling Program Manager Twin Center, Tour Ouest, 17 ème étage Casablanca Tel: 022 95 82 25 Fax: 022 95 80 23 Business Activity: New information technology</p>	<p>Mitre Group International Richard Yahya, Chief Executive Officer 56, Rue de Sebou, Appartement 16 Agadal, Rabat Tel: 037 77 08 01, Fax: 037 77 16 36 Business Activity: Audit and security for infrastructure, secure e-commerce transactions over the Internet for B2B and B2C environments</p>
<p>Microsoft Afrique du Nord et de l'Ouest Karim Bernoussi, Regional Director Twin Center, Tour A, 15ème étage Boulevard Zerktouni, Mâarif Casablanca Tel: 022 95 61 63 - 022 95 61 50 Fax: 022 95 85 85 Business activity: Computer software</p>	<p>Motorola Maroc Mohamed Taj, General Manager 26, Angle Avenue de France Rue Oum Rabii Agdal, Rabat Tel: 037 68 94 00 – 037 68 77 68 Fax: 037 67 19 97 Business activity: Telecommunications</p>
<p>Morocco Trade and Development Services (MTDS) Karl Stanzick, Managing Director 14, Rue du 16 Novembre Agdal, Rabat Tel: 037 67 48 61 to 62 Fax: 037 67 48 63 Business activity: Telecommunications, Internet services, management consulting services</p>	<p>Oracle Mustapha Hlil, Regional Director Ghita Alj, Marketing Manager 2, Lotissement Attaoufik, Sidi Maârouf Casablanca Tel: 022 97 28 28 - 022 97 28 36 to 37 Fax: 022 97 28 38 Business activity: Software</p>
<p>Orbcomm (Orbcomm Maghreb) Youssef Benchekroun, General Manager Espace Porte d'Anfa, Immeuble B 4ème étage Angle Boulevard Moulay Rachid, Casablanca Tel: 022 94 11 06, Fax: 022 94 11 09 Business activity: Communication by satellite and global messaging services</p>	<p>Unisys (Munisys) Yasser Gaber, General Manager 89, Boulevard Moulay Ismail Casablanca Tel: 022 24 03 69 Fax: 022 24 03 65 Business activity: Computer systems and software</p>

<p>Wackenhut Maghreb Said Alaoui Belhassan, Managing Director Ex Villa Bouabid, Lotissement N° 3 Bir Kacem, Souissi Rabat Tel: 037 75 32 61 - 037 75 68 74 - 037 36 30 24 Fax: 037 75 71 46 - 037 36 30 26 Business activity: Security systems and services</p>	<p>Walsman & Associates Steven Wills, General Manager Angle Boulevard Abdelmoumen et Rue Soumaya Casablanca Tel: 022 99 09 58 to 59 Fax: 022 99 09 60 Business activity: Computer services</p>
<p>Futurekids Mounira Sedrati, Director 72, Avenue des Nations Unies Agdal, Rabat Tel: 037 67 08 66 to 67 Fax: 037 67 08 69 Business activity: Computer education and training (franchise)</p>	<p>The Fourth R Abdelmoutaleb Regragui, General Manager 33, Rue Bab El Irfane (ex Rue Ader) Casablanca Tel: 022 95 02 95 - 022 95 02 14 Fax: 022 95 02 15 Business activity: Computer education and training franchise</p>

Source: American Chamber of Commerce in Morocco
<http://www.amcham-morocco.com/downloads/uscomp.pdf>

Appendix 4

Questionnaire

Company	
Business Activity (please specify)	
Number of years in Morocco	
Number of Employees	

This questionnaire should **not take more than two minutes** to complete. This is an important exercise, which should help me to accomplish my final bachelor project (thesis). Each company's answers will be kept confidential. The author will share the results of questionnaires only with his project instructors at Helsinki Business Polytechnic (Helia). We have tried to make the questionnaire as easy as possible to complete and appreciate the time you spend on it. Please help us make this significant exercise that deals merely with the Morocco-US Free Trade Agreement (FTA). **Please read the seven statements below and tick the proper box that meets your agreement.**

<p>1. The FTA between Morocco and the US will have a major positive impact on my business.</p> <table border="1"> <tr> <td>Agree</td> <td>Disagree</td> <td>Neutral</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	Agree	Disagree	Neutral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	Neutral				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<p>2. The FTA between Morocco and the US will reduce my input costs.</p> <table border="1"> <tr> <td>Agree</td> <td>Disagree</td> <td>Neutral</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	Agree	Disagree	Neutral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	Neutral				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<p>3. The FTA between Morocco and the US will lead me to source more imports and products from the US.</p> <table border="1"> <tr> <td>Agree</td> <td>Disagree</td> <td>Neutral</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	Agree	Disagree	Neutral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	Neutral				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<p>4. The FTA between Morocco and the US will lead me to begin or increase exports to the US.</p> <table border="1"> <tr> <td>Agree</td> <td>Disagree</td> <td>Neutral</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	Agree	Disagree	Neutral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	Neutral				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<p>5. The FTA between Morocco and the US will expose my business to greater competition.</p> <table border="1"> <tr> <td>Agree</td> <td>Disagree</td> <td>Neutral</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	Agree	Disagree	Neutral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	Neutral				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<p>6. The FTA between Morocco and the US will protect my intellectual property rights.</p> <table border="1"> <tr> <td>Agree</td> <td>Disagree</td> <td>Neutral</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	Agree	Disagree	Neutral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	Neutral				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<p>7. Given the current environment, I would recommend investing in the Moroccan telecommunication sector.</p> <table border="1"> <tr> <td>Agree</td> <td>Disagree</td> <td>Neutral</td> </tr> <tr> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	Agree	Disagree	Neutral	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Agree	Disagree	Neutral				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

Appendix 5

Questionnaire Population

Companies (Respondents)	Company Headquarters	Mother Company Headquarters	Business Activity in Morocco
Telepac Technology	Casablanca	Morocco	IT solutions for security and electronic money
MTDS	Rabat	Morocco	ISP & consultancy
S2M	Casablanca	Morocco	IT sector & services
Saham IT	Casablanca	Morocco	Software
Allnet	Casablanca	Morocco	Software
Global Star TESAM	Casablanca	Morocco	Satellite services
Success Technology	Casablanca	Morocco	IT sector & services
Microsoft Maroc	Casablanca	USA	Computer software & services
Falconix	Casablanca	USA	Telecom Import-export
NCR	Casablanca	USA	Telecom equipment
Amitelo Technology	Casablanca	USA	Call Centre & Telecom Networks
Dell	Casablanca	USA	Call Centre
Sitel	Casablanca	France	Consultations & Services
Maroc Connect	Casablanca	France	Telecom & Internet
India Software Group	Casablanca	France	IT sector & services
Maroc Telecom	Rabat	France	Telecom services
Médi Telecom	Casablanca	Spain, Portugal	Telecom services
Amitelo	Casablanca	Spain	IT sector & services
Arinso	Casablanca	Belgium	IT sector & services
Gulfsat International	Casablanca	Kuwait	VSAT services