DOING BUSINESS IN: MOROCCO

Frequently Asked Questions

1. **What should a U.S. company expect when doing business in this part of the world? In other words, how is it different than doing business here in the U.S.?**

   While business in the U.S. is often conducted over the internet, the local business community in Morocco relies heavily on personal contact. U.S. companies need to establish a solid relationship and should plan to visit Morocco and consider inviting their buyer to visit their facilities in the U.S. before they can close a deal.

   Prepayment of goods can be an issue. Because of local government restrictions on foreign currency transfers, buyers cannot make 100% advance payment as most U.S. exporters require. The ceiling allowed currently is 30%.

   Administrative and bureaucratic hurdles can delay business procedures. U.S. companies should be prepared to handle situations with patience, tact, flexibility and obtain the advice and guidance of a local representative.

   With the exception of a few structured sectors, primary data for market research is difficult to collect which makes it hard for U.S. companies to make an objective and precise assessment of the market's readiness for their product.

   Also, when considering Morocco, U.S. firms should know that this market presents an excellent platform to distribute products throughout French-speaking West Africa based on a web of centuries old living, shipping, banking and logistics connections.

2. **What are some of the main cultural differences U.S. companies should be aware of before visiting or doing business in a country in this region?**

   Morocco is usually placed on the trade map as a part of the Middle East. However, Morocco is part of the Maghreb, North Africa, which has a different culture and history than the rest of the Middle East countries and even the other countries on the African continent. Among the main differences:

   The position of women in the society and the economy is such that women aspire to occupy executive positions and are usually active in the management of family businesses.

   French is the official business language. In spite of the growing number of Moroccan professionals that speak English, local distributors and agents often expect U.S. exporters interested in the Moroccan market to provide product brochures and documentation in French - this makes it easier to determine if the product complies with local regulations

and standards. French is the standard labeling requirement and for certain products Arabic is strongly suggested.

While U.S. goods and services are recognized in Morocco for high quality and great after-sales service, U.S. firms should know that they will have to compete against Morocco's more traditional foreign trade partners which are France, Spain, Italy and Germany.

3. **What are some do's and don'ts U.S. companies should take note of? For instance, this can be about religion, body language, questions or comments U.S. companies should never bring up in their conversations with their new business partners.**

U.S. companies should not engage in discussions about U.S. policy in the Middle East unless it is initiated by the locals. Avoid commenting on religious issues or issues concerning the Royal Family which might offend the local business person.

Learning a few Arabic words and phrases is extremely effective to help develop business relationships. "*Inchallah*" is a local expression that literally means God willing but can be a polite way of saying "hopefully."

While Morocco is considered among the most liberal and tolerant countries of the region, some business leaders, in spite of their very westernized appearances, may be religiously conservative. As such, when meeting Moroccans, U.S. company representatives should avoid ordering alcohol over a business meal unless the local representative orders first or offers it. Although Moroccans tend to be very punctual, unanticipated delays are casually attributed to the will of God.

U.S. business representatives are also expected to show up in business attire. Women should try to dress in a relatively conservative manner. When sitting and crossing one's legs, one should keep his/her feet as close as possible to the ground level.

When invited to a family function, a U.S. business representative should never turn down the invitation as it is a sign of trust that should be properly appreciated.

Overly aggressive or insistent behavior may offend the local agent and is counterproductive to reaching an agreement.

4. **Communication is said to be an obstacle when conducting business, however, what communication techniques would you share with a U.S. client to overcome communication barriers?**

Not all Moroccan SMEs are internet literate, so unanswered emails should not be interpreted as lack of interest. Some respectable Moroccan firms still rely on fax communication. When making the first contact with a potential partner, it is recommended to inquire about his/her preferred means of communication. After sending a fax, one should follow up with a phone call to make sure that the fax was received.

As French is the official language for doing business, U.S. exporters should determine whether they want to deal only with clients that can communicate in English, or add a French speaker to their team. Using a professional translator is usually not efficient in the long run as face- to-face communication is essential to establish a business relationship.

5. **How important is bargaining with new business partners in this region of the world? Do you have bargaining examples U.S. companies can use with potential clients?**

   Bargaining is very important. In order to better position themselves during the bargaining process, U.S. companies must have a clear understanding of the market. In Morocco, bargaining is not about the price of the product only, but includes benefits that the company can offer, such as assistance in marketing the product, after sales services, and training. In one example, a U.S. company agreed to ship a product in bulk in order to help the local company reduce the cost of packaging, which is lower in Morocco; in another example, a U.S. company agreed to extend the terms of payment to 60-90 days rather than receiving payment in advance. Bargaining varies from one product to another and very often its terms are discussed during the meeting.

6. **What is the best approach to negotiating with companies in this region of the world? At the beginning stages of negotiations, how should a U.S. company enter their negotiations? For instance, how important is building a relationship based on value? Value meaning taking the time to understand and handle their new partner product or service needs or being a reliable and caring supplier.**

   Taking the time to build a business relationship is very important, and should precede any bargaining. In general, it is the local firm that will initiate bargaining about prices and benefits (services, terms of payment).

7. **At the beginning stages of negotiations, how important is quality and pricing of products and services?**

   U.S. products are known for their high quality. There are industry areas where the market is very price sensitive and pricing is of most importance. Some sectors, where the government is the buyer, may place more importance on the quality (customer support, users training).

8. **What about the negotiation process, for instance, is the negotiation a slow process, fast process and should they expect large groups of people in the meeting?**

   The negotiation process is a slow process. The size of the group varies, depending on the complexity of the product, and the size of the local company. In some instance, when the general manager is also a technician, only one person attends the meeting and discusses

the agreement. In other cases, when the product is new and the company a large one, technicians, marketing staff, and the general manager will attend the meeting.

9. How soon should the U.S. Company begin discussing business with his new partner in this region of the world? In other words, is it rude to begin negotiations immediately or should they wait for their new partner to open negotiations first?

Always begin by asking about the person's health and wellbeing and that of the family.

The first meeting would serve to introduce the U.S. Company and its products. It is good to have a good presentation and to be flexible about payment terms because the Moroccans are used to obtaining credit facilities from their European and Arab suppliers.

Other meetings can follow if there is interest from the Moroccan company. Normally the second meeting is less formal than the first one.

10. Does this part of the world seek to build trust through written contractual agreements?

Yes. Companies are increasingly aware that written agreements are crucial in conducting business.

11. How important is follow-up when conducting business in this region of the world?

Follow-up is a key action when conducting business in Morocco. We have experienced times when we continue to follow-up with potential clients and it is until the last moment that they decide to give an answer.

U.S. companies should also not be surprised if they do not receive an answer to their e-mail immediately. In this case it could be good to call directly or have someone who speaks French call the company because it is the second language after Arabic.

12. When is the best time of year to conduct business in this region of the world?

U.S. companies are advised to visit Morocco during the months of October and November as well as between January and May.

13. When is the worst time of the year to conduct business in this region of the world (e.g. holidays, vacation season)?

U.S. Companies should avoid visiting during the summer vacations (July through September) , the month of Ramadan and the Eid Al Fitr and Eid Al Adha holidays, which change every year depending on the lunar calendar,

14. What other *important* tips would you suggest to a U.S. company before entering a market in this region of the world? Also, what other question(s) should I have asked that you want to share?

We highly recommend U.S. companies acquire a good knowledge about the history and the culture of Morocco and to identify how it is different from the rest of the Middle East and Africa. Moroccans are very proud of their heritage and are not impressed by foreigners who consider the Middle East and North Africa region as one market. As such, they may not accept to deal with a U.S. company's agent that is stationed in the Middle East and covers the whole region. U.S. companies should not award the Maghreb region to their same representatives that are covering the Levant or the Gulf territories. Also, U.S. firms should familiarize themselves with the Western Sahara issue, which has been a source of tension between Morocco and Algeria for almost 40 years, because this could hamper U.S. sales in Algeria if the firm was covered from Morocco and vice versa.

15. What are some of the business practices that would make it very difficult for a U.S. company to enter the market?

U.S. exporters face strong and active competition from European trading partners, particularly Spain and France, due to strong historical ties. French occupation of Morocco from 1911 through independence in 1956 left a strong cultural imprint on the people and the culture. European firms are familiar with all aspects of Moroccan business culture, financing, regulations and standards. Almost all business negotiations, written and spoken, are conducted in French and bids for government tenders must be submitted in French.

The greatest overarching barriers to trade in Morocco are lack of transparency in government procurement procedures and corruption. Although the government is diligently working to improve the business environment, foreign corporations often complain about these challenges. In addition, Morocco has recently become a less attractive market for pharmaceutical manufacturers following a price cutting decree implemented in 2014, and several U.S. firms are deeply concerned. Software piracy is also a great concern for a number of U.S. firms, especially in light of allegations of widespread use of pirated U.S. software even in Moroccan Government ministries. The FTA also strives to address these issues.

The legal and banking systems in Morocco differ in many ways from the U.S. systems. The legal system is based on a combination of Spanish, French and Islamic laws, and is sometimes complicated for U.S. companies. International and domestic arbitration are accepted and are often used in business contracts. Morocco has made significant reforms to the banking system including structures and programs for foreign direct investment (FDI), project finance and trade finance.

Restrictions on prepayments of imported orders are often problematic for U.S. exporters who require 100 percent advance payment. Currently, Moroccan companies can prepay only 30 percent of the total shipment in advance of importing it. A Moroccan company can prepay 100 percent only for orders under MAD 200,000 (about USD 23,343). Letters of credit are often used to finance shipments.