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A Perspective on Morocco's Relations with Sub-Saharan African Countries

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Introduction

Sub-Saharan African countries performed poorly in the late eighties and beginning of the nineties. However, their performance has improved since 1995 and the real per capita income, in its turn, has gradually risen in some sub-Saharan countries.

Such progress has been possible thanks to the re-adjustment of trade terms, but most importantly because many countries decided to implement a sound macro-economic policy, extensive opening up to international markets, a more efficient management of their economies and better preparation for the economic and social challenges that emerged across the region. Hence, the growth of sub-Saharan countries reached 7.2% in 2007 against only 6.4% in 2006.

Despite economic reforms and vast human and natural resources, Africa has not yet benefited from the new international market. Sub-Saharan African countries are home to 13% of world population, but holds only 1.6% of world commerce and 1.7% of international investment.

This paper highlights Morocco's relations with Sub-Saharan African countries and assesses Morocco's economic position in this market. This study was carried out by the Department of Economic Studies and Financial Forecast (DEPF) and is part of a follow up on the free exchange process and on the economic and commercial cooperation between Morocco and Sub-Saharan African countries.

To do so, the paper will first analyse the economic relations of Morocco with its African partners, in the light of Morocco's new policy vis-à-vis African countries (debt cancellation for some African countries (Less Advanced ones), customs duties total exemption of their products at entry to Moroccan market, undertaken measures to promote exchange, signature of agreement with UEMOA, adherence to COMESSA…)

Such an analysis will identify Morocco's trade potential with the main countries of the continent. As a matter of fact, the African market could be a strategic niche for national enterprises because the international context is marked by an intense competition in the traditional markets of the North, and also because the scale of the African market is expected to get bigger, given the extensive effort made by the international community to help develop Africa.

Finally, this paper will explore the potential opportunities emanating from a possible "triangular" cooperation. It is expected that such cooperation would eventually gear international fund aids to finance infrastructure projects in Africa and entrust their execution to Moroccan enterprises, mainly consulting firms, civil engineering enterprises and others.

1. Regulatory Framework for Morocco-Sub-Saharan Africa Cooperation

Bilateral trade and economic cooperation has always been at the heart of Morocco's foreign trade policy. The setting up of an appropriate regulatory framework at the bilateral level is a crucial tool for the development of trade transactions with foreign markets, particularly with countries that have comparable level of development.

In the last decade, Morocco opted for the consolidation of its economic ties with Sub-Saharan Africa through negotiation and conclusion of many trade agreements of standard type or preferentiality type with 17 African countries. This initiative aimed at consolidating the acquired market share and diversifying foreign markets

Trade and Tariff Conventions between Morocco and its African Partners
Source: Ministry of Foreign Affairs and Cooperation

Country	*Date of Signature*	*Date of entry into force*	*Nature of the agreement*	*Observation*
Senegal	13-02-1963	13-02-1963	Commercial	Additional Protocol in 1981
Gabon	17-10-1972	13-10-1974	Commercial	
Niger	07-11-1982	11-03-1993	Commercial	
Ivory Coast	22-09-1973	16-12-1980	Tariff and commerce	
Nigeria	04-04-1977	05-07-1978	Commercial	
Cameroon	16-04-1987	28-05-1993	Commercial	
Mali	17-09-1987	29-04-2003	Commercial	
Angola	06-10-1988	23-10-1989	Commercial	
Benin	07-03-1991		Commercial	Underway (Ratification required)
Burkina Faso	26-06-1996		Commercial	Underway (Ratification required)
DR of Congo	18-09-1996		Commercial	Underway (Ratification required)
Guinea	12-04-1997	06-09-2000	Tariff and commerce	
Senegal	01-03-2002	19-05-2006	No double taxation	

Interstate commissions were set up during various business trips of official delegations. Further, the government is thinking of involving the private sector in this policy. Governments in Africa have also worked hard to make their countries attractive to Moroccan investment.

In addition to that, the Moroccan government has taken various measures to promote economic and trade relations with African partners, such as participating in international fairs, organising business trips for Moroccan businessmen, and finally entrusting Moroccan consulting firms to carry out economic exploration studies of some African markets in behalf of Moroccan businessmen.

Hence, after four years of preliminary discussions, Morocco signed in Rabat in 2002 trade and investment agreement with the West African Economic and Monetary Union (UEMOA). This agreement, however, has not been implemented as certain states of the UEMOA consider that their economies are not ready to compete with Moroccan firms, and wish initially to implement concessionary mechanisms in terms of tariff and rules of origin.

Following this, Morocco proposed the cancellation of custom duties on UEMOA products and a reduction of duties on agricultural products. This measure is meant to allow UEMOA industrial products bound free duty access once the agreement comes into effect. On their part, UEMOA countries are required to grant progressive reduction of customs duties and non tariff barriers on Moroccan industrial products. Null rate custom duties should be deferred after some years and fixed later.

Morocco also joined the Community of Sahel-Saharan States (COMESSA) in February 2001 in its third summit in Khartoum

During the royal visit in five Sub-Saharan African countries in 2004 (Benin, Cameroon, Gabon, Niger and Senegal) different projects were inaugurated wherein Morocco participated either with its expertise or financial assistance. Furthermore, various conventions were signed with these countries, particularly the ones related to the principle of non-dual taxation, promotion and protection of investment.

Specific agreements in promising sectors such as, shipping, mining, civil engineering, housing, water and training[1] were signed;

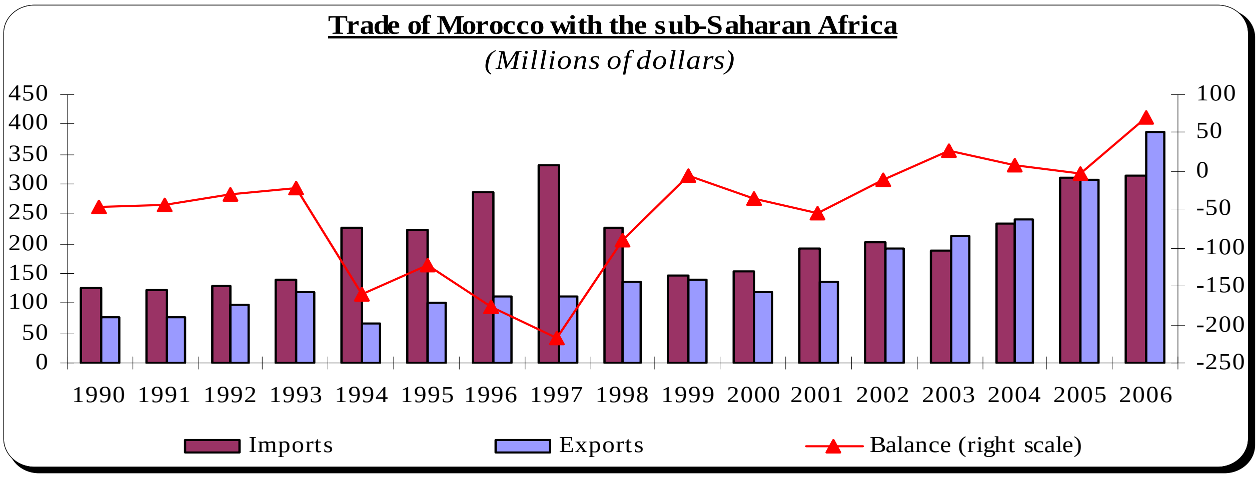
Morocco's interest in these African countries was illustrated by the adoption of a strategy towards less developed countries on the continent. In fact, in Cairo conference of Europe-Africa Summit in 2000, Morocco cancelled debt for less developed African countries, thereby totally exempting their products from custom duties upon entry into the Moroccan market.

2. Exchange Trends between Morocco and its African Partners

In an international context marked by a specific dynamic of international trade, Moroccan foreign trade with African countries show the same weaknesses characterizing trade relations among countries of the South.

Between 1990 and 1996, the global amount of Morocco's trade with African Sub-Saharan countries[2] rose, on an annual average, to $272 million, which is only 2.2% of the total value of Morocco's foreign trade.

Nevertheless, between 1996 and 2006, trade between Morocco and African Sub-Saharan countries witnessed a significant improvement. It reached an annual average of $425 million. On the other hand, Morocco's trade with its African partners is generally characterized by a deficit estimated, on an annual average, at $44.4 million for the same period, with the exception of 2006, when Morocco witnessed a surplus of $71 million.



Source: Chelem

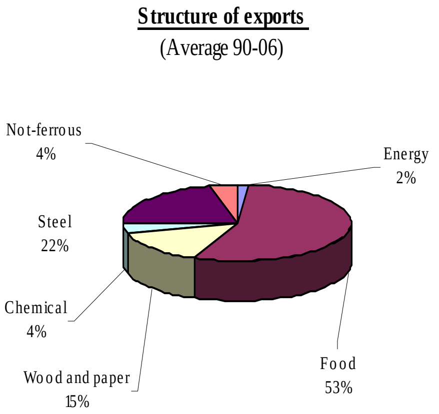
With the exception of the Republic of South Africa, the main African suppliers of Morocco are Gabon and the Ivory Coast, while Morocco's main export markets are Senegal, Nigeria and the Ivory Coast.

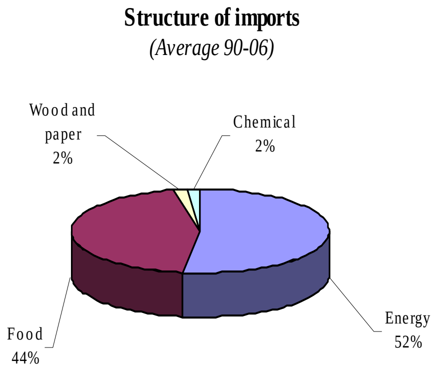
By contrast, Morocco is relatively better placed in the African Sub-Saharan market than other North African countries, mainly Egypt and Tunisia. During the period 1990-2006, Egypt and

[1] As far as higher education training Moroccan African cooperation is concerned, the Moroccan Agency of International Cooperation offers around 2000 grants to postgraduate African students in prestigious schools.
[2] According to Chelem data base, Sub-Saharan Africa is made of 56 countries.

Tunisia's trade with the African Sub-Saharan countries did not exceed $321 million for Egypt and $107 million for Tunisia.

The breakdown of Moroccan exportation by product between 1990 and 2006 clearly shows the importance of food industry products, chemical products, engineering goods, annually averaging 53%, 22% and 15% respectively of total Moroccan exports to this region.





Source : Chelem, calcul DEPF

During the same period, Moroccan imports from African Sub-Saharan countries mainly involved energy and food industry products, averaging 53% and 45% respectively of total Moroccan imports.

It should be noted that the structure of trade between Morocco and its African partners has not witnessed any changes in the last two decades and has always focussed on the same products.

2.1. Impediments to Trade

Despite the considerable progress made in the nineties, trade policies in Sub-Saharan Africa remain, on average, more protectionist. African countries are traditionally known for the state's strong control of the economy, an approach in keeping with the government-regulated development model they generally adopt.

According to the IMF[3], trade regimes in Africa are more restrictive than in other regions. Custom duties, the most commonly used variable to measure the degree of trade restriction, are higher (20% on average) in Africa than anywhere else.

Non-tariff measures such as import certificates, quality controls, sometimes indiscriminately imposed on imports, and the diversity of fiscal regimes among countries, do drive up transaction costs afferent to foreign trade, thus negatively affecting national industries' competitiveness and trade volume.

In addition to non-tariff factors, other structural problems, mainly related to transport infrastructure, limit the expansion of trade relations between Morocco and its African partners.

Most direct land or sea transport lines incur additional cost and undeniably limit price competitiveness of traded products. This inconvenience is compounded by the provisions of bilateral preferential agreements which consider the respect of the rule of direct transport as a pre-

[3] Regional Economic Perspectives: Sub-Saharan Africa, IMF, May 2006.

requisite to tax benefit. Hence, the transit of a product in a third party territory incurs de facto a law breach and constitutes a renunciation motive of the product to benefit from preferential regimes.

For all the various trade agreements between Morocco and these countries, lack of information on concessionary framework with African partners is a major impediment to reaching the expected objectives of this cooperation tool. Such information deficit is evident in the absence of business opportunities' publications and incentives that the framework should offer to economic operators. In fact, economic operators are practically absent in the whole process of preparation and negotiation of these agreements.

2.2. Bilateral Trade Intensity between Morocco and his African Partners

The sustained trend of trade between Morocco and its partners during 1996-2006 suggests a trade development potential, as shown by the reference to bilateral trade intensity indicators[4]

The examination of bilateral trade intensity of Morocco with African countries highlights the following conclusions:

- Morocco and African Sub-Saharan countries do not yet fully exploit the potential of their bilateral trade. Bilateral intensity trade indicator shows that trade between the two partners is far below the potential of business opportunities this partnership could offer. Business potential could be improved with the diversification and revival of a cooperation framework with these countries;
- Morocco's bilateral trade intensity with its African partners, while suffering from the same limitations that characterize South-South trade, shows the need to address the structural-institutional, political and logistical- constraints, which negatively impact the expansion of trade relation cooperation with these countries. This will surely broaden the scope of Morocco's foreign trade and diversify its source of growth.
- The two partners' exports still concentrate on products that are the least dynamic in worldwide demand. There is a potential for trade development, provided that African Sub-Saharan countries liberalise the service sector. This sector is regarded as the world's trade activity that has witnessed the quickest expansion for the last twenty years, and represents an essential intermediary product in the entire process of production.

If the obstacles hindering trade development on the continent are averted or better still lifted, the rehabilitation of bilateral trade intensity between these partners to a level comparable to the one observed in 2006 in some countries of the South, notably between Brazil and Latin American countries, will show a potential gain in Morocco's trade with African countries to more than $700 million a year, all parameters considered.

[4] The bilateral trade intensity indicator used in exports is the following:
$I_{ij} = (X_{ij}/X_i)/(M_j/ M_w)$,
With X_{ij} exports of country I to country j; X_i total export of country I; M_j total import of country j and M_w total world exports.

3. Export Opportunities towards Africa

A comparison of the trend of import demand of African Sub-Saharan countries to that of Moroccan export reveals that there are important business opportunities in this region. The present weakness of trade activities with Morocco's African partners is due to the fact that Moroccan exporters hardly make use of the concessionary trade measures available through the different trade and tariff agreements with these countries. It is also caused by the non adaptation of a national productive apparatus specific to the African market.

An examination of the different sectors of Morocco's trade with its African partners highlights the following observations:

- Between 1990 and 2006, the sales of food industry products in the African markets did not exceed 3.6% of Morocco's overall exports and 0.8% of Africa's overall food industry imports;
- The majority of Africa's textile industry product purchases come from China, India and France. Morocco's presence in the African market is weak and its market share represents only 0.6% of textile industry import in the region; which accounts for 0.7% of the overall Moroccan exports of textile products.
- As to chemical products, Moroccan exports to Sub-Saharan Africa represent a mere 0.9% of its overall sales and 0.3% of overall African imports of these products.

We can conclude that Moroccan exports towards Sub-Saharan Africa have evolved below their potential.

Hence, the African market can be profitable for Moroccan exporters, provided they adjust to the import requirements in the region. Nevertheless, as the African consumer purchasing power is weak, Moroccan enterprises should adopt a penetration strategy based on cost leadership, and thus mass-produce low or medium quality items, especially in the textile sector.

Given the present context characterized by tough competition in the European market, Moroccan textile enterprises are required to consolidate their presence in the African market to make up for the losses incurred from Agreement on Textile and Clothing dismantling.

4. Triangular Cooperation: Further Impetus to Moroccan-African Relations.

Sub- Saharan African economies witnessed a significant slowdown in the eighties. GDP dramatically fell down in the whole region, its market share halved in twenty years and its importation of cereal tripled, while its total external debt multiplied twenty fold.

The State directed industrialisation model[5] has shown its limitations, and the new industrial policies launched in the late eighties, largely based on more opening up to the world market, negatively impacted national industrial fabrics. With the exception of some protected sectors, industry tends to regress in favour of importations.

Furthermore, the undertaken agricultural policies proved inefficient and at times counterproductive. Production growth does not match the growing food needs, while Sub-Saharan Africa's competitiveness has been undermined before an alarming external competition from the South-East Asian competitor.

This led the international community to start various institutional and economic rehabilitation programmes meant to alleviate the marginalisation of African countries.

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[5] This model, based on importation, strongly contributed to the compartmentalisation of African economies and allowed the setting up of interest and monopole groupings.

The issue of modernising infrastructure constituted a major component of the new partnership for Africa's Development (NEPAD). Regarded as an essential vector of economic growth, infrastructure development is a necessary condition to reduce the existing gap between Sub-Saharan African countries and emerging countries.

Although the needs expressed by NEPAD in terms of infrastructure have proved to be ambitious, they raised many questions in relation to their financing. People in charge of action programmes are aware that facing shortage in aid schemes and weakness of local financing, an entails improvement of infrastructure in Africa through foreign private investment.

While African governments have committed to achieving Millennium Development Goals (MDG), developing nations, especially the G8, have pledged to finance infrastructure projects in Sub-Saharan African countries.

Given these circumstances, Morocco could play an important role in developing a triangular cooperation strategy to channel international fund aids withy the aim of financing infrastructure projects in Africa and entrust their execution to Moroccan service providers, such as consulting offices, civil engineering and other enterprises.

Such an approach permeates Morocco's and France's official statements illustrating their predisposition to work on a tripartite cooperation with Sub-Saharan African countries. The two parties have given priority to the sectors of agriculture, health and water in their cooperation schemes.

On the other hand, Morocco had already shown commitment towards Africa well before the declaration of the Millennium. Hence, over the last ten years, Morocco has consolidated its African position as a bridge between Europe and of Africa. As a matter of fact, Morocco has taken many initiatives to help its African partners. It was the spokesman of indebted countries, chaired the African group in WTO and in the UN, or else led African countries in group 77 plus China. In June 24 and 25th 2003, Morocco hosted in Rabat the Extraordinary Conference of the Least Developed Countries (PMA).[6]

4.1. Presence of Moroccan companies in African markets: Examples of a Success

Moroccan investment in Su-Saharan Africa is still timid, while Chinese projects in the region exceeded \$9.5 billion in 2006[7]. It has been noted that Moroccan private investment in Africa is growing; especially that these markets are totally open to Moroccan firms and that Morocco enjoys a good reputation in Africa.

Moroccan investments in Africa have always been geared towards the banking sector, financial institutions, telecommunications, cement industry, mines, transport or construction. Moroccan investors either participate in local enterprises' capital and/or in setting up subsidiaries.

As far as banking sector and financial institutions are concerned, Attijariwafabank and BMCE Bank were the first banking groups to have entered the international market, particularly the African one. Attijariwafabank is present in Tunisia, Senegal (buy out of 66.67% of BST's capital [the Senegalese-Tunisian Bank]) and Mali (acquisition of 51% of shares of *Banque Internationale du Mali*'s for €60 million)

[6] In this conference, the 49 Least Developed Countries (PMA) called for developed countries to reach the objective of devoting 0.7% of their GDP for development. Participants also asked WTO to adopt new measures to encourage the integration of PMAs in world trade system.
[7] *Finance and Development,* March 2008.

BMCE Bank is the first Moroccan bank to invest abroad. It is present in Europe, Asia as well as in other 12 African countries. For example, BMCE, through its subsidiary Capital Dakar, carried out debenture loans of €50 million on behalf of the Autonomous Port of Dakar. In 2007, BMCE engaged in an equity amounting to 35% of Bank of Africa capital, third banking group of the West African Economic and Monetary Union (UEMOA).

The principle Moroccan financial institutions operating abroad are CDG and ONA, through its subsidiaries *Lessieur Cristal* which holds 36% of the Tunisian firm *"la Raffinerie Africaine"* capital. and "*Optorg"* which set up a joint venture with the South African firm "*Barloward Equipment*".

Telecommunications represents 25% of the global amount of outgoing Foreign Direct Investment. *Maroc Telecom* is the major shareholder of the Mauritanian operator "*Mauritel*" and owns 51% of the capital of the Burkinabe operator *Onatel*. *Maroc Telecom* has been present in Gabon since February 2007 with 51% of *Gabon Telecom's* capital.

The Holdings' sector has 13.8% of Moroccan Direct Foreign Investment and comes in the third position. The case of *Ynna Holding* is a good case in point as it has various activities in Tuinsia, the Ivory Coast and Egpyt. It is expected that this group will invest in other African countries such as Mali (construction of factories of cotton spinning mill, grinding and cement production) Gabon and Equatorial Guinea.

Cement industry is still the sector that stimulates Moroccan enterprises to go international. *LAFARGE*, for example, carried out with the Greek group *TITAN* gigantic investments in Egypt.

In mining and energy sector, *ONA*, through its mine subsidiary *Managem*, has many ore deposits in Africa (Guinea, Mali, Burkina Faso and Niger)

ONE was awarded a 25-year contract of rural zone electrification in the North of Senegal.

As to transport, *Royal Air Maroc* has consolidated its commercial presence in Africa. Hence, it bought out 51% of the capital of *Air Senegal International* and signed an agreement protocol with CEMCA (the Central African Economic and Monetary Community) to set up a sub-regional air company, baptised *Air CEMAC*. Finally, *COMANAV*, the sea carrier, owns 51% of SOMAT's capital (*Société Mixte Sénégalaise)*

CCGT group, which operates in infrastructure sector, carried out agricultural planning projects in Guinea with the budget of MD70 million. In Senegal, the group was awarded one of the largest public projects in the country relating to the construction of a road 230 Km long. *ONEP*, on its part, was awarded the 2006 international tender for a management lease of SNEC (the Cameroonian National Office of Water)

Ultimately, the dynamic economic and financial relations between Morocco and African countries affirm Morocco's willingness to review its relations with countries of the South. Two factors attest to this growing interest: firstly, Morocco has to explore new alternative markets to national investors, which would serve as a support base to face the tough competition in traditional markets; Secondly, Morocco has to hold major stakes in large-scale African projects that are potentially beneficial to trade.

5 Underlying Factors to consolidate Morocco's Economic Position in Africa.

Much infrastructure is necessary to relieve the isolation of depressed zones in Sub-Saharan Africa and encourage trade. Infrastructure has a dual role of development:

- It is part of production factors: power supply, transport of goods and people, communication… . The decrease of their cost and quality level of their services are determining factors in economic growth;
- It is related to basic services, some of which are regarded as fundamental rights (access to water and sewage), while other types of infrastructure (energy, transport, telecoms…) contribute, at least indirectly, to reducing poverty. The setting up of base infrastructure constitutes an efficient way of reducing inequalities.

Nevertheless, private investors and donors are discouraged to operate in some African countries because of bad governance. In these circumstances, and in addition to the financial aids destined to Sub-Saharan Africa in the NEPAD or bilateral cooperation frameworks, Morocco is required to play an important role by mobilising the appropriate expertise to help reform the institutional contexts (encourage the effort that boost governance).

Regaining operators' trust, and eventually potential investors, implies accentuating the institutional reforms in different sectors (delegated management, leasing, dealership agreements, and privatisation). This requires reliable and stable regulation. Morocco can share with African countries the experience and expertise it has acquired in this domain (investment, charter, Regional Investment Centres, administration reforms…).

In a context marked by increased initiatives related to public financial aids to African countries, and as part of a triangular cooperation, Morocco can fully play its role by offering the appropriate technical, scientific and cultural assistance… and exchange expertise in different fields.

To do so, Morocco should actively work on developing technical assistance schemes aimed at designing projects, and looking for financing sectors, such as water and sewage, transport, Information and Communication Technology. Such a technical cooperation could be assigned to the Moroccan Agency for International Cooperation, whose main mission would be to send experts, host trainees, students… . Hence, it is essential to:

- Consolidate institutional dialogue: private enterprise partnerships, bilateral institutional cooperation, technical exchange between vocational training organisations and public enterprises;
- Introduce a dialogue to mutually follow up on the political, economic convergence through permanent discussion forums;
- Consolidate cooperation in education and vocational training: assist partners in designing technical training policies and the appropriate vocational training programmes, especially in Francophone Africa.

It is also necessary to consolidate cooperation ties between chambers of commerce of the two partners to revitalise non-governmental trade diplomacy.

Conclusion

In an international context marked with an absence of South-South cooperation, Morocco's trade relations with Sub-Saharan African countries show the same limitations that characterize trade relations with countries of the South.

Hence, the efficiency of cooperation agreements between Morocco and its African partners is hindered by many obstacles relating to the absence of specific structural infrastructure in developing countries and pertaining to the fact that Moroccan operators are uninformed about the existence of a concessionary cooperation framework with these countries. In addition, non-tariff measures and various fiscal regimes between the two partners drive up transaction costs relating to foreign trade between the two partners.

However, the sustained trend of Moroccan trade with its African partners in the years between1996 and 2006 suggests that there is a potential of trade development, as shown in the bilateral intensity indicator.

Moroccan bilateral trade intensity with its African partners underlines the necessity to clear structural, institutional, political and logistical constraints, which interfere with the promotion of trade cooperation with these countries. Actually, these actions are undertaken to enlarge Moroccan trade geography and diversify its foreign trade sources of growth.

Hence, the African market can be profitable to Moroccan export firms; provided they adopt an adjustment strategy that responds to importation needs of this region. However, in the light of the weak purchasing power of the African consumer, Moroccan enterprises targeting the African market should adopt a penetration strategy based on cost leadership that should have recourse to mass produce low/medium-quality items.

On the other hand, if the international community has undertaken various economic and institutional rehabilitation programmes destined to attenuate the marginalisation of many African countries; Morocco could play a vital role by embracing a strategy of triangular cooperation based on gearing international aid funds to finance infrastructure projects in Africa and entrust their execution to Moroccan suppliers of service.

Morocco should then devise a long term strategy to anticipate the benefits that are very likely to manifest in Sub-Saharan Africa.

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