

MOROCCO

Opening the gateway to Africa's treasures

Morocco's key competitive advantage is the sophistication of its combination of PPPs with strategic planning and industrial ecosystems, explains dynamic AMDIE Ag. MD Hicham Boudraa.

Morocco's highly-attractive, pro-business climate and diversified economy attract a constant flow of foreign direct investment (FDI). While its broad range of competitive advantages are relatively well known, new investors and companies are discovering its many attributes all the time.

Crucial to its success, according to AMDIE chief Hicham Boudraa, is Morocco's reputation as the best cost destination on the continent. "We don't have the lowest salaries, or the lowest energy costs in Africa, but certainly if you look at us in terms of logistics and other positive factors — such as no limit on hard currency and our range of free trade agreements (FTAs) — Morocco is clearly the best cost destination on the continent.

"Indeed, we really do have the whole package: competitive labor and energy costs, a focus on environmentally friendly and renewable energies, low material costs, and local integration. You can manufacture for any constructor here; for example, automobile manufacturers' cost base is at least 20% less than similar productions sites in Europe and elsewhere, due to the number of suppliers available.

"In addition to our various tangible competitive advantages, it's also important to highlight our many intangible competitive advantages. At the very top of this list is our stability; this is a prerequisite. You can have the best country in the world, but unless industries where firms and investors take huge risks on extracting raw materials, like oil and gas, are given the conditions in which they can thrive, you will not enjoy the kind of success that we have."

The foundations for much of Morocco's recent success were laid several years ago with the launch



Hicham Boudraa
Ag. MD, Moroccan Investment and Export Development Agency (AMDIE)

of the Industrial Acceleration Plan (IAP). At the core of this comprehensive blueprint are 10 key steps that aim to act as a catalyst for the transformation of the industrial sector, including automotive, aerospace, textiles, pharmaceuticals, manufacturing, construction, offshoring, and renewable energies.

Targets include the launch of industrial ecosystems designed to create new dynamics and a new type of relationship between multinationals or large companies, and small and medium-sized enterprises (SMEs). Improving the competitiveness of SMEs is a crucial issue for which the IAP provides a series of integrated measures to ensure appropriate support for businesses' needs and generates a favourable setting for the development of their activities.

Auto industry sets the FDI pace
Key foreign trade and investment partners including Germany are contributing to the IAP, with measures to fulfil Morocco's African dimension also well established. Privileged relations with African countries will sow the seeds for



King Mohammed VI of Morocco

mutually beneficial partnerships in economic and social spheres.

Over the past two decades, Morocco and major foreign partners have invested billions of euros in automobile assembly plants and support infrastructure. Leading European manufacturers Renault and PSA (Peugeot Citroen) have led the way with state-of-the-art manufacturing facilities, while German counterparts including Volkswagen have been targeted by officials for similar projects.

Morocco is now the largest automotive exporter in Africa and the fifth largest to Europe after Japan, Turkey, the US and South Korea. Double-digit annual growth since the turn of the millennium means the industry employs 190,000 people directly and indirectly.

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Hicham Boudraa
Ag. MD, AMDIE

“Morocco is known for the car manufacturing industry and there is a really huge benefit for German companies to set up assembly operations here,” Boudraa states. “Perhaps they may first want to look at building plants for electric vehicles, then a second phase could be the assembly of small cars. Such local integration and

economy of scale would bring more competitive advantages.

“African countries are improving their purchasing power; populations are young and work opportunities are increasing, so there is more money. It would be beneficial for German firms to manufacture in Morocco using the competencies that have already been developed during the past 20 years.

“Morocco is a safe place to set up operations quickly, major industrial facilities are built and fully operational in just seven to 12 months; time to market is of the essence. German investors are very satisfied with the quality and dynamism of our young workforce and qualified engineers. PSA has recruited 2,000 engineers to design and industrialise the new 208 model here.”

Energising the economy through a core focus on environmentally friendly power generation projects

Morocco's lengthy coastline and sun-kissed terrain makes it a magnet for firms looking to explore projects in renewable energies.



Giant solar farms are powering Morocco's socioeconomic development and helping to tackle climate change

The development of renewable energies is at the heart of Morocco's national energy policy, which is moving towards a diversification of energy supply sources. AMDIE is spearheading the drive to attract significant FDI for solar, wind, and hydro-electric projects.

This strategy promises to boost the participation of green power projects to generate more than 42% of electricity generation by the end

of 2020. Energy efficiency, alongside the development of renewable energy, is a priority in the national energy strategy. The ambition is to save 12% of total annual energy consumption by the end of 2020, and 15% by 2030. Officials from the public and private sectors are putting in place measures in key industries to achieve this goal, with a particular emphasis on transport, industry and construction. Given the kingdom's huge renewable

energy potential and fast-growing appetite for energy, Morocco has launched a large, integrated programme of electricity generation from renewables.

According to the Moroccan government, combined new capacity of 4,000 MW will have come on stream by the end of 2020, comprising several wind farms and five solar power plants. By 2030, a further 3,000 MW of power generation have been earmarked for completion.

Germany is a prime supporter of Morocco's sustainable development efforts, with financial assistance to date of €330.5 million, including loans and grants. Such valuable help is welcomed and means German businesses are ideally placed to take advantage of opportunities in renewables.

“Renewable energies are a key public policy, ranging from additional capacity by 2030 to the building of a sustainable mobility

ecosystem around electric vehicles and energy storage,” explains Boudraa. “Germany has always been involved and was actually the first country to work with Morocco on renewable energies.”

In addition to AMDIE, professional bodies on hand to support and advise international investors on renewables include the National Federation of Electricity, Electronics and Renewable Energies (FENELEC).

Logistics operations on crest of a wave with modern ports

Morocco continues to invest significant sums in streamlined transport and logistics infrastructure, such as the impressive Tangier Med port.

One of the key components of Morocco's successful economic diversification is the kingdom's enviable strategic position and heavy investment in world-class logistics operations to make the most of its natural competitive advantage.

AMDIE is well aware of this fortunate geographical feature, and is quick to highlight the outstanding contribution made to international trade and national economic well-being by the state-of-the-art, bustling transshipment hub Tangier Med. However, had it not been for the foresight of King Mohammed VI, such an important logistics center may not have been developed, or at least certainly not in its current location in the Mediterranean.

"The history of Tangier Med is quite amazing because this port was initially planned for our Atlantic coastline," reveals Boudraa. But when our King came to power he decided to move the port to the Mediterranean.

This meant extra costs and also that the port was sited in a region which had economic difficulties at the time. Now, the region of Tangier is one of the most prosperous in Morocco, it has experienced tremendous development in the last 20 years, so it is clearly a key success factor for the development of this region and for Morocco in general.

"We now have now huge trade

from all around the world transit this site. We are so close to Spain, to Europe, so now it's like we are a European country. Tangier Med is not just a port, but a driving force for different strategies for logistics, business environment, and transit. The most important thing is the achievement Morocco has recorded over the last 30-40 years since deciding to open its economy. When you decide to reduce your custom duties then you need to have the means to increase imports and exports by boosting trade with countries on different continents.

"Tangier Med is absolutely vital to Morocco's trade fortunes; it's a success story, and one we are striving to repeat elsewhere as we aim to develop other ports in the kingdom. They include one on the south of our Atlantic coast that will cater for the specific needs of the automotive industry."

On the road to real success

AMDIE expects the dedicated new port for vehicle exports to follow in the slipstream of the state-of-the-art Renault vehicles terminal at Tangier Med. According to Tangier Med Port Authority, up to 400,000 vehicles per year produced at the French car giant's nearby Melloussa plant are shipped directly to countries including Australia, South Africa, France, Spain, Italy, Egypt, India, Mexico, and the United Arab Emirates (UAE).

"The Renault vehicles terminal is spread over 13 hectares with a nominal storage capacity of 6,000 vehicles," port officials note. "Renault has been granted a 30-year concession agreement contract for the design, financing, realisation, and maintenance of the terminal.

"The facility has two docks to receive vessels up to 240 metres in length, and a railway terminal connected to the Melloussa factory. In addition, adjacent to the Renault vehicles terminal and spread over 5.5 hectares, is the multi-user vehicles terminal. Operational since 2013, the facility can store 3,000 vehicles and process up to 100,000 vehicles per year."

Such scale and reach is impressive and data compiled by the port authority shows that in 2018 Renault's vehicle terminal handled 383,000 vehicles, with the overwhelming majority manufactured in Morocco. They included 301,000 vehicles made at the Melloussa plant, 49,500 vehicles from the French car major's assembly site at Somaca, and 32,500 vehicles for import. Nearly 95,000 cars were handled at the nearby multi-user vehicle terminal last year.

Given the positive experiences to date enjoyed by foreign multinationals like Renault and PSA, the Moroccan government is eager for rivals in the highly competitive automobile industry and other sectors, whether they are heavily re-

liant on new technology or not, to make the most of Morocco in mutually beneficial trade and investment projects.

During the Berlin Energy Transition Dialogue earlier this year, Morocco's Minister of Energy, Mines and Environment, Aziz Rabah, revealed the kingdom is keen to invest in an energy sector joint venture with Germany. "Morocco

which to serve the growing onshore wind power markets in Africa, the Middle East and Europe.

"The economy is strong, the political climate is stable, and Morocco has a young, skilled and motivated workforce. When combined, all these factors make Tangier the ideal site for our state-of-the-art factory."

German companies blaze a trail

AMDIE's Boudraa is clearly very proud to have attracted significant investment from such a large and prestigious German company, although Siemens Maroc has been present in the country for more than half a century.

"Siemens came in 2016 for an international bid for renewable energies with some Moroccan companies, and Siemens won the bid, but the key behind that was Siemens decided to establish a factory in Morocco for turbines," he states. "Siemens has also set up a research and development (R&D) centre with Moroccan engineers, so they have really brought to us some competitive advantages, such as new R&D facilities, their arrival and continued presence really is a success story.

"Germany is a reference country in the world, German means quality, but this image needs to be maintained through other tangible factors, because otherwise, other countries will take market share."

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is a promising destination for German energy investors," the minister noted, adding Siemens built a wind turbine rotor blade facility in northern Morocco that opened a couple of years ago.

Blades from that plant can be spotted rotating on wind farms in remote parts of the nation, as well as oscillating on top of turbines in several other countries. When first announcing news of the plant back in 2016, Siemens Wind CEO, Markus Tacke, explained the reasoning behind the decision: "Morocco is the perfect location from

AMDIE

الوكالة المغربية لتنمية الاستثمارات و الصادرات
MOROCCAN INVESTMENT AND EXPORT
DEVELOPMENT AGENCY



Morocco's investment and export agency is in charge of promoting national and foreign investment as well as exports of goods and services. The agency is committed to supporting all economic actors throughout their entire life cycle.

AMDIE is here to :

- Follow up on you throughout your entire project, from preparation to financing and execution;
- Help you identify the best partners in Morocco and assist you during the deal-making process;
- Facilitate your access to international markets and help you sign export contracts with local players;
- Help you identify the best opportunities abroad and provide you with support during the entire investment process regardless of your country of origin.

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INVESTMENT AND EXPORT



1st Foreign Direct Investment destination in Africa
Ernst & Young Survey, 2018



1st Country in Africa for infrastructure quality
WEF, 2018



1st Financial center in Africa
Global Financial Centres Index, 2018



3rd Place to invest in Africa
Rand Merchant Bank, 2018



17th Country worldwide in liner/ shipping connectivity
UNCTAD, 2018



2nd Best country for Doing Business in the MENA Region, 2019



3rd Top destination in the entire Arab World for FDI, FDI Intelligence, 2018



2nd Worldwide in The Climate Change Performance Index, 2019

MOROCCAN INVESTMENT AND EXPORT DEVELOPMENT AGENCY

Mahaj Ryad Center, Attine Avenue, Business Building N°5 & N°8

Hay Riad, Rabat, MOROCCO

Proudly lighting the way for all of Africa and the world

With a reputation for setting the benchmarks for other developing countries to follow, Morocco is underlining its status as a powerful magnet for FDI in a wide range of industries.

AMDIE'S drive and determination to develop Morocco as a world-class, streamlined platform for international trade and investment is certainly paying handsome dividends and creating regular headlines in global business media.

Such achievements have also not crept under the radar of leading financial institutions like the World Bank Group and the International Monetary Fund (IMF), which have both praised the kingdom's recent economic performance. In a similar vein, according to the 2019 World Investment Report by the United Nations Conference on Trade and Development (UNCTAD), FDI flows to Morocco jumped 36% year on year to \$3.6 billion.

"The country continues to benefit from relatively stable economic performance and a diversified economy, which is drawing foreign investment in finance, renewable energy, infrastructure and the automotive industry, among others," the high-profile report stated.

Given global investment fell 13% year-on-year according to UNCTAD, Morocco's strong showing was all the more remarkable, and testament to AMDIE's efforts to attract and retain investment in a broad range of economic sectors.

"Morocco has more than 50 FTAs around the world, which gives companies operating here access to 1.5 billion potential consumers in Europe, the Middle East, and the US," underlines Boudraa, "so there is really a huge market that Morocco can serve.

"Another very positive development is Morocco has also launched a \$7 billion infrastructure plan to consolidate a north-south economic corridor connecting West Africa's young labour force to Europe's ma-



Reflecting the years of hard work by AMDIE and the government, FDI in solar-powered technology is growing

ture consumer markets.

"Morocco's first private sector employer was a Japanese corporation that created 29,000 manufacturing jobs in nine plants across the country. There is absolutely no reason German companies can not achieve similar success here over the coming years."

German initiatives welcomed

Last year, German software company SAP and the German Federal Ministry for Economic Cooperation and Development (BMZ) announced plans to jointly create 450 jobs for highly qualified personnel in the IT sector in ten African countries, with Morocco one of the five launch nations.

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Morocco has a \$7 billion infrastructure plan for a north-south corridor.

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The positive news was welcomed by AMDIE as the partnership will give a major boost to the development of Morocco's rich talent pool in a fast-growing, competitive, and lucrative sector that will only become more prevalent in every day life over the coming years.

"Africa's young people need opportunities for the future — and

they urgently need jobs that are viable and that help close the digital divide and make headway on development," commented German Development Minister Gerd Müller during a special ceremony to mark the memorable occasion.

"To that end, we have to seize the great opportunities offered by digital technology. That will only be possible by working together with the private sector. We need more projects of this type in order to create lasting momentum for Africa's development, especially in the field of technology."

Minister Müller noted the joint programme emerged from the Strategic Partnership "Digital Africa", a network uniting German develop-

ment cooperation players and European companies. The BMZ supports the joint endeavour through its "develoPPP for jobs programme", which fosters sustainable private sector initiatives in selected countries in Africa as part of Germany's special initiative on training and job creation.

International support plentiful

At the start of 2019 the World Bank Group and the BMZ formed a deeper partnership for economic development in Morocco and several other African countries. BMZ will provide significant additional financial support through the partnership, which will harness World Bank Group expertise on the ground to catalyze investment, employment openings and sustainable economic growth. Such impressive support from leading international partners is welcomed by AMDIE and public and private sector players in Morocco, particularly as the Moroccan government is encouraging entrepreneurship, innovation, manufacturing, and the digital economy.

According to Boudraa, bilateral bonds between the two countries are stronger than ever before, with Germany the promoter of the G20 (Group of Twenty) "Compact with Africa" initiative and recently reinforcing Morocco's coveted status as a favoured trade partner.

"The benefits of our partnership will be experienced by both sides," he says. "Of course, Morocco will improve its business environment as we work on the tax systems, develop the digital economy and improve different technologies in order to have a better environment for investors. This will mean that Germany, or other members of the G20, can benefit from Africa with the minimum of difficulty."

Aerospace sector sets sky-high standards as the industry takes off

Having enticed the world's largest plane manufacturers, Morocco's aerospace industry is now the kingdom's key economic engine.

International observers often draw parallels between Morocco's economy and that of Germany, given the latter is a leading designer and manufacturer of machinery, engineering equipment and precision tools utilised by the former's rapidly expanding aerospace industry.

Home to several state-of-the-art plants — many in free trade zones (FTZs) — operated by industry giants Boeing, Airbus, and Bombardier, Morocco is an increasingly popular destination for international aircraft makers seeking cost-effective solutions for cutting-edge aerospace parts and operations.

After years of double-digit percentage growth, the industry now employs tens of thousands of people and generates more than \$1.5 billion per annum in exports, including parts such as wings and wiring, making it the largest sector in the kingdom's booming economy.

In addition, the biennial Marrakech Air Show attracts tens of thousands of industry leaders and participants, with AMDIE among the many private and public sector entities boasting a strong presence at the prestigious trade event.

As the Minister of Industry, Trade, and Green and Digital Economy, Moulay Hafid

Elalamy, notes: "In recent years, the Moroccan aeronautics sector has shown an outstanding dynamism and remarkable growth.

"The development of varied sectors, especially in wiring, mechanics, sheet metal work, composites and mechanical assembly, has made Morocco a preferred destination for subcontracting in aeronautics."

A clear illustration of the growth of the aeronautics industry in Morocco is the establishment of the giant Bombardier group that is now a force driving the development of the sector, thanks to the substantial economic benefits resulting from the development of Moroccan exports and local industry.

This upbeat view of the lucrative industry's prospects is echoed by Boudraa, who is eager to see German aerospace companies land in Morocco to explore the vast array of business openings and to help develop potential synergies in the high-tech sector.

"There are definitely more openings in Morocco for companies involved in the aerospace sector," he says. "German automotive manufacturers have expressed an interest in establishing operations here, and we see no reason why German firms involved in aerospace activities should not explore the opportunities on offer."



Leading international plane makers have established hi-tech operations in Morocco