

Original Paper

Moroccan Companies in Africa: Performances and Strategies

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Abstract

Morocco places Africa at the heart of its strategic choices. It has never ceased to develop relations and partnerships with the countries of the continent. Which reflects its desire to become a major player in the development of Africa.

This has encouraged Moroccan companies wishing to internationalize their activities to focus their strategies on investments in Africa.

Therefore, the investments of Moroccan companies leaving to African countries are recording an increasing trend for several years.

The objective of this article is, first, to highlight the regulatory framework put in place to frame and scale the activities of Moroccan companies in Africa, second, to analyze the evolution of trade between Moroccan companies and their African partners and finally, to determine the offensive strategies used by these companies to consolidate their markets in Africa.

Keywords

Sub-Saharan Africa, strategies, internationalization, commercial exchanges, investments

1. Introduction

Since its independence, Morocco has placed Africa at the heart of its strategic choices. It has never ceased to develop relations and partnerships with the countries of the continent.

These diversified relations have taken on a new dimension since the beginning of the 2000s, in order to be part of a long-term vision oriented towards the development of Africa's human capital and the establishment and consolidation of balanced and above all equitable economic relations.

Moreover, Morocco's sincere and responsible commitment to Africa has resulted in multiple measures that embrace several areas including:

Political:

Several official visits were made to several African countries: The royal tour in Africa, which represented a determining lever in the south-south cooperation.

Regulatory:

Aware of the need to put in place an appropriate, regulatory framework to better frame its economic relations with Africa, Morocco has signed numerous cooperation agreements with African countries. These agreements are characterized by the involvement of the private sector in the various governmental decisions.

Initially, public companies were involved in the realization of projects aimed at the development of basic infrastructure, (construction of dams, electrification, irrigation, telecommunications, etc.).

Then, private companies, supported by a strong and dynamic diplomacy, were involved in key areas with high added value such as banking, vocational training, renewable energy, construction...

As a result, outgoing investments by Moroccan companies to African countries have been on the rise for several years.

This has encouraged Moroccan companies wishing to internationalize their activities to target their strategies towards investments in Africa.

Now, more than half of outward FDI stocks are destined for sub-Saharan countries, making Morocco the second largest African investor after South Africa.

This article helps answer the following questions:

- What are the various agreements signed between Morocco and African countries to frame and raise the activities of Moroccan companies in Africa?
- How is the evolution of commercial exchanges presented between Moroccan companies and their African partners?
- Has Morocco's return to the African Union been a lever for the development of Moroccan companies' activities in Africa?
- What are the offensive strategies used by these companies to consolidate their positions in African markets?

2. Regulatory Framework for Morocco's Relations with Sub-Saharan Africa

Until 2016, the agreements concluded by Morocco with its African partners can be defined into two categories:

a) Agreements of a bilateral nature that take the form of:

- Trade agreements such as traditional most-favored-nation agreements, preferential trade agreements or the Global System of Trade Preferences agreement.
- Investment Promotion and Protection Agreements (IPPAs): Several investment-related agreements have been signed between Morocco and certain African countries, such as the reciprocal investment promotion and protection agreements and the double non-taxation agreement.

b) Agreements of a regional nature:

In order to strengthen relations with sub-Saharan countries, Morocco has also focused on the conclusion of regional and global agreements that concern both trade and investment. The main agreements are:

- Agreement with WAEMU (West African Economic and Monetary Union);
- Agreement with CEN-SAD (Community of Sahelo-Saharan States);
- Agreement with ECOWAS (Economic Community of West African States);
- Agreement with CEMAC (Economic and Monetary Community of Central African States);

It is to be specified that these agreements aim among other things:

- The total exemption or reductions of customs duties and taxes for certain products;
- The establishment of an appropriate legal framework to raise the realization of cross investments and further develop economic and trade relations between the two parties;
- The gradual establishment of free trade zones,

3. Trade between Morocco and its African Partners: 10% Annual Growth (2008-2016)

The results of the various agreements following Morocco's policy of opening up to the African continent have been massively reflected in the increase of the volume of trade between Morocco and African countries.

Thus, Morocco's trade with Sub-Saharan Africa has recorded a clear annual increase of 9.1% over the period 2008-2016. This reflects the efforts made by Morocco to diversify, and strengthen its trade relations with its African partners.

These trade exchanges generate a positive balance in favor of Morocco of 11.9 billion DH in 2016 instead of 1.3 billion DH in 2008. That is more than 10 times.

Indeed, large groups that have reached critical size have become interested in continental expansion.

These groups of companies operate in all sectors of activity, such as:

- Telecommunications such as the historical operator: Maroc Telecom
- The banking sector: the large banks of the place have all succeeded in adhering the African market, in particular: Attijariwafa Bank, the Popular Bank and BOA.
- Real estate: Real estate operators are also interested in the African market (a market that remains vague and vast), including the Addoha group.

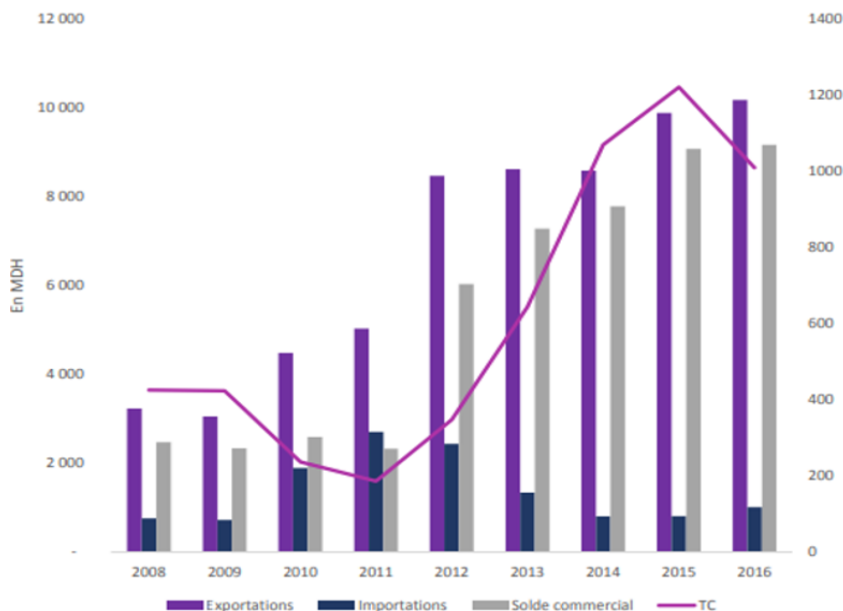


Figure 1. Morocco-West Africa Trade Developments

Source: exchange office

Morocco’s exports to the African continent recorded a clear progression between 2008 and 2016, increasing by 15% on average per year over the period under review, to reach 17.3 billion Dirham’s in 2014, representing 8.6% of Morocco’s total exports against 4.7% in 2004. They are mainly composed of food, beverages and tobacco (30% in 2014), semi-finished products (28%), finished consumer goods (17%), finished industrial equipment (17%) and energy and lubricants (5%).

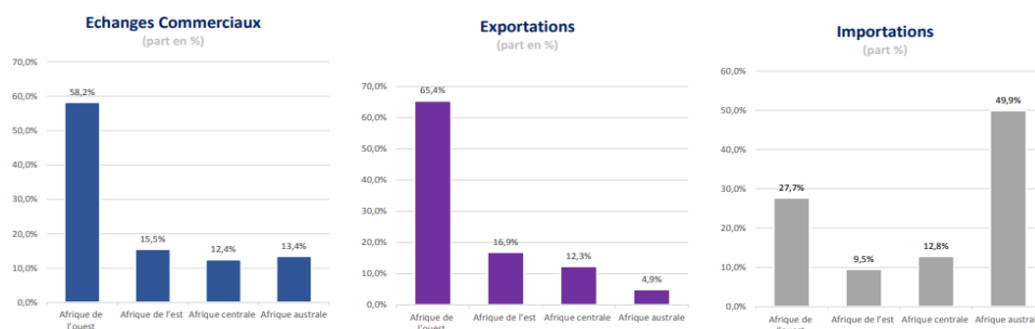


Figure 2. Geographical Distribution of the Moroccan-African Trade

Source: exchange office

The analysis of the geographical breakdown of this trade shows the following notable findings:

- West Africa is Morocco’s leading trade operator with a share of 58.2% in 2016
- The average annual growth rate of trade with West Africa is 13.8% between 2008 and 2016
- With this country, Moroccan exports have tripled since 2008. They were established at 10.2 MDH in 2016 against 3.2MDH in 2008

- These exports are more and more diversified: (food products, chemical industry products, non-metallic mineral products, food industry,...)
- Southern Africa is the first partner for Morocco in terms of imports with a share of 49.9% in 2016
- These imports rose from 2.4 million dirhams in 2008 to 1.8 million dirhams in 2016
- South Africa represents for Morocco the main customer and supplier in the region

These imports are mainly concentrated on coal, lignite and peat extraction products.

4. Morocco's Reintegration into the African Union, a Crucial Lever to Increase the Volume of Trade and Investment of Moroccan Companies in Africa (2017-2019)

After leaving the African union in 1984, Morocco became aware of the importance of reintegrating it to find its natural place and broke with the empty chair policy.

This return was preceded by a great diplomatic work founded by Morocco throughout Africa.

In this diplomacy, Morocco had used an arsenal of measures in this case: royal visits, promise of mega-contracts, new south-south cooperation, strengthening ties with partner countries, development of key sectors, influence of Moroccan operators installed in Africa, contracts signed with African companies.

This reintegration is a great diplomatic success for Morocco, which allows it to play its role in Africa and especially strengthen its presence on the plans (economic, political and cultural).

It allows Moroccan companies to:

- Access new markets such as agriculture and renewable energies; business support, skills development...
- Take advantage of the free trade agreements signed between Morocco and African countries
- Take advantage of the new corporate and investment agreements signed
- Increase the volume of Moroccan direct outward investment in Africa (see below)

5. Offensive Strategies of Moroccan Companies in Africa

Morocco is committed to strengthening its relations with Africa based on proactive and dynamic strategies.

These strategies, based on a win-win approach, aim to strengthen its position as a regional power, improve economic exchanges, and develop investments with African countries.

These strategies, concrete and targeted, have been rewarded by the improvement of trade but also by the strong presence of Moroccan operators representing various fields in Africa and more specifically in sub-Saharan Africa. This presence was defined by the negotiation and conclusion of several agreements in various sectors.

The decision taken by Moroccan companies to develop in the African continent is not the result of a pointless ideology, it was due to several opportunities that have arisen, which Moroccan companies have not hesitated to seize despite the risks.

As a result, Moroccan companies have adopted well thought-out strategies to establish themselves step by step and in the most efficient way:

First step: Export of goods and services without local establishment:

Moroccan companies start by exporting goods and services to test African markets and to learn more about local demands.

This allows companies to save the use of human and financial resources necessary for a local establishment.

It should be noted that this policy is not always achievable in certain sectors, such as telecommunications and natural resource extraction

On the contrary, a direct establishment is necessary in certain cases:

- The volume of activities exceeds a certain limit foreseen by the company
- The cost of transport is high
- The customs duties are prohibitive
- ...

Second step: Alliance and partnership but without direct presence:

In order to facilitate and accelerate their development in Africa, several Moroccan companies choose to partner with local operators. These alliances allow the companies to:

- Benefit from the networks of local partners;
- Benefit from the partners' knowledge of the ecosystem;
- Take advantage of their mastery of local practices;
- Cover a larger territory;
- Share or transfer risks.
- ...

It should be noted that some Moroccan companies prefer to establish alliances with other Moroccan partners. This concerns particularly the operators who have already collaborated on the Moroccan market (e.g. banking/insurance).

Finally, the evolving status privileged by Moroccan operators in Africa encourages international companies to solicit them to enter the African market.

Third step: Direct investments:

Some companies establish themselves in Africa through direct investments in order to develop their activities.

Others are obliged to do so when it comes to:

- The only opportunity to adhere a market (reasons related to the nature of the activity, customs barriers...);
- Cost reduction ;
- the development of activities in neighboring countries;
- ...

It should be remembered that FDI could take one or both of the following forms:

Acquisitions: which allows: saving time, taking advantage of acquired experiences, reducing risks...

Greenfield: valid in the case of absence of appropriate local operator.

The following graph shows the evolution of the MDI of Moroccan companies during the period (2009-2019):

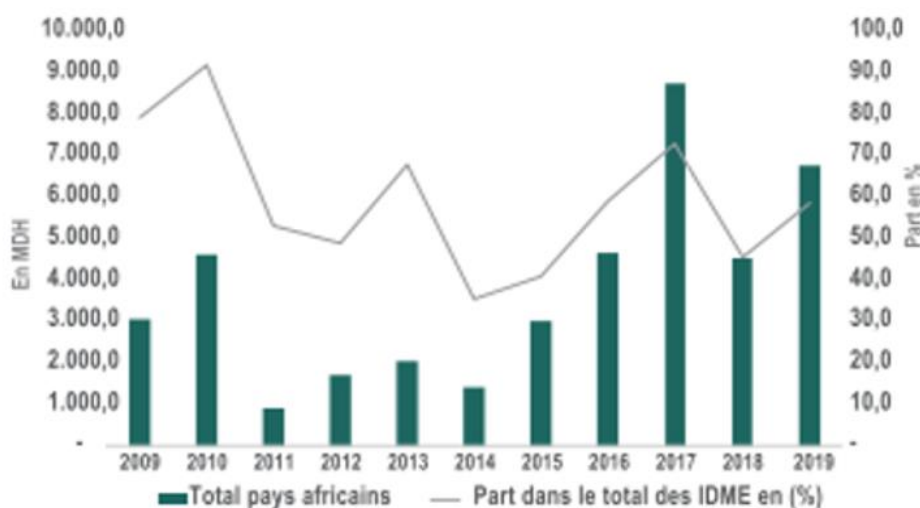


Figure 3. The Evolution of the MDI of Moroccan Companies during the Period (2009-2019)

Source: exchange office

During this period, MDIs in Africa recorded an average annual growth rate of 8.3%, rising from MAD 3 billion in 2009 to MAD 6.8 billion in 2019. The highest level was achieved in 2017.

As for 2019, IDMs in Africa were present in 9 countries in 2009 compared to 29 countries in 2019.

6. Conclusion

It is obvious that Moroccan companies participate actively in the development of Africa. They are present in more than 44 African countries. They operate in several sectors of activity.

Africa is the first destination of Moroccan investments abroad and Morocco is the first Arab investor in Africa.

Moroccan investments are so diversified that they affect several sectors of activity.

If Moroccan companies have distinguished themselves from the competition, it is because they have developed a great capacity to adapt to the African context and in some cases, they offer an advantageous quality-price ratio.

However, despite this strategy of support, these companies face many difficulties such as: the lack of financial and human resources, unfair competition, the risk of counterparty, political instability, insolvency of partners, protectionism...

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