

# Globalization: morocco's economic sectors



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Globalization, as a term, is very often used to refer to economic globalization that is integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and spread of technology.

Globalization trade, outsourcing, supply-chaining, and political forces have changed the world permanently for good and bad. The pace of Globalization is speeding up and will continue to have an impact on business.

Since World War II, barriers to international trade have been considerably lowered through international agreements – General Agreement on Tariffs and Trade (GATT). Particular initiatives carried out as a result of GATT and the World Trade Organisation (WTO), for which GATT is the foundation, has included:

### **Promotion of free trade:**

Reduction or elimination of tariffs; construction of free trade zones with small or no tariffs

Reduced transportation costs, especially from development of containerization for ocean shipping.

Reduction or elimination of capital controls

Reduction, elimination, or harmonization of subsidies for local businesses

### **Restriction of free trade:**

Harmonization of intellectual property laws across the majority of states, with more restrictions.

Supranational recognition of intellectual property restrictions (e. g. patents granted by China would be recognized in the United States)

Looking specifically at economic globalization, it can be measured in different ways.

These centre on the four main economic flows that characterize globalization:

Goods and services, e. g. exports plus imports as a proportion of national income or per capita of population

Labour / people, e. g. net migration rates; inward or outward migration flows, weighted by population

Capital, e. g. inward or outward direct investment as a proportion of national income or per head of population

Technology, e. g. international research & development flows; proportion of populations (and rates of change thereof) using particular inventions (especially ‘ factor-neutral’ technological advances such as the telephone, motorcar, broadband)

Globalization has various aspects which affect the world in several different ways such as:

Industrial (alias trans nationalization) – emergence of worldwide production markets and broader access to a range of foreign products for consumers and companies

Financial – emergence of worldwide financial markets and better access to external financing for corporate, national and sub national borrowers

Economic – realization of a global common market, based on the freedom of exchange of goods and capital.

Political – political globalization is the creation of a world government which regulates the relationships among nations and guarantees the rights arising from social and economic globalization.

Informational – increase in information flows between geographically remote locations

Cultural – growth of cross-cultural contacts; the desire to consume and enjoy foreign products and ideas, adopt new technology and practices, and participate in a “ world culture”

Ecological- the advent of global environmental challenges that can not be solved without international cooperation,

Social – the achievement of free circulation by people of all nations

Transportation –

International cultural exchange

Spreading of multiculturalism, and better individual access to cultural diversity

Greater international travel and tourism

Greater immigration

Spread of local consumer products (e. g. food) to other countries (often adapted to their culture)

Technical

Development of a global telecommunications infrastructure and greater trans-border data flow, using such technologies as the Internet, communication satellites, etc.

Increase in the number of standards applied globally; e. g. copyright laws, patents and world trade agreements.

Legal/Ethical

## **2. Globalization in Morocco: (Emergence Plan)**

### **2. 1: Emergence plan: the major sectors selected by the plan**

Morocco is nowadays faced with important economic challenges and in particular with a slowing national development and an imbalance growing from its enlarged trading balance. Within this context, authorities have conducted some studies (Emergence Plan, Azur Plan) in order to identify the key sectors that constitute the export growth and to articulate a targeted and voluntarist industrial politic, and thus, decide the good actions to undertake in order to improve the competitiveness of the whole existing industry.

In this report we will focus, on the emergence plan and its major sectors identified as below:

<https://assignbuster.com/globalization-moroccos-economic-sectors/>

- Offshoring
  
- Automobile
  
- Electronic
  
- Food industry
  
- Fish industry
  
- Arts and crafts industry

## **2. 2 The impact of globalization on emergence plan sectors:**

The Moroccan industry is composed of numerous small sectors dominated by 2 pioneering ones (food industry and textile) that represent more than 50% of industrial GDP, more than 70% of formal employment and more than 75% of exportations. Moreover, the automobile sector contributes up to 14% to exportations despite the limited contribution to GDP (5%). We have to notice that only the automobile, electronic and electric appliance have benefited of a superior growth to 5% in the last five years.

### **Textile Industry**

In 2005, because of the breaking up of Chinese textile products quotas, the Moroccan textile industry has known a serious crisis which has affected the textile entrepreneurs. The temporary come back of quotas decide by the EU and USA allowed, during 2006 and 2007, to this industry to re establish: 30 blns DHs exportations on 2006 and 31. 3 billions DHs en 2007 (1/3 of Moroccan exportation).

Since January 2008, with the leaving of Chinese quotas, the Moroccan industrial areas became optimistic about 2008 perspectives. They estimated that morocco has changed its positioning and he is no more on the same objective as the south East Asian countries. The Moroccan industry left the mass product in order to position on the luxury product with high value added.

In the other side, Egypt and Turkey constitute a threat for Moroccan textile industry. For example; Egypt become a big delocalisation area for Europeans because of the low costs of labour and energy, 4 times less than in Morocco and on the other hand because of the availability of the entrance.

To face this competition environment, the emergence plan expects development on these areas:

Targeted Integration for certain branches (like hosiery)

Reactivity and Service quality for exportations areas with a performing logistics

A competitive offer with finished products with a higher value added

Aggressive promotion and diversification of markets.

The impact estimated of these potentials is about 3 Blns DH of additional GDP, Blns DH for the economic trading balance and will expressed by the creation of about 32. 000 new employment (source- emergence plan 2005)

## **Offshoring**

The development for the offshoring industry is structuring for The Moroccan economy of tomorrow. In 2003, the offshoring contributed in the global GDP by 1 Bln DH, 7. 000 employments and 1. 7 Bln DH of economic trade balance.

In a context of globalization, morocco must take advantage from the potential based on the explosive growth in the offshoring demand from countries of Continental Europe especially with the favourable advantages of Morocco: a combination between languages (French, Spanish) and cost factors.

According to the emergence plan, Morocco can be positioned in the global BPO (Business Process Offshoring) market on the areas of IT by creating a competitive IT Solution Delivery area for the IT world champions companies.

To position itself in this sector, with high competitiveness, mainly from India, and became an attractive country for foreign investment, the authorities have to make efforts on the following areas:

Infrastructure and basic telecom: availability and reliability of the infrastructure telecom, real estate, and transport,

Human competence: languages and fields of IT development

Local Partners: developing local partners

Regulatory environment and policy: tax incentives, efficiency of the administration.



**The impact estimated is about 15 Blns DH of additional GDP, 15, 2 Blns DH for the economic trading balance et will be expressed by the creation of about 91. 000 new direct employments by 2013**

### **Food industry (out of transformation of sea products)**

The food industry sector represent 12, 5% of industrial GDP and 3, 7% of global GDP. A part of the industry is integrated with a partial supply in local entrants. In particular, Morocco has an average rate of food self-conceit of 55%.

The development of this historic sector is nowadays handicapped by the insufficient availability of competitive raw materials. Despite this situation, this sector contains considerable development potentials (in particular concerning the valorization of products), but fragmented, could be developed at the same level of actual production.

The main potentials identified concern especially 2 sub branches: fruits, vegetables and fat. An added important potential linked to “ south-south” exportations has been identified for the whole sub branches of the sector.

### **Food industry is a strategic sector for national economy and country social balance**

Concerning the consumption of food industry products by inhabitant, Morocco is still late comparing to the world average and comparing to some comparable countries.

## **Annual Consumption per capita of agricultural products**

### **Product**

#### **Morocco**

#### **Tunisia**

#### **World**

### **Sugar**

36

16

40

### **Milk products**

33

97

78

### **Vegetable oil**

15

19

11

### **Beer**

2, 9

10

26

In order to face positively globalization through the food industry that assume an important strategy for a country with an agriculture vocation like Morocco, an optimal functioning of food industry will permit:

Last the agricultural upstream through the creation of regular prospects for some cultures. This will add value to lands and fix in it population through regular and significant revenues.

Improve the added value of agricultural exportations and decrease the commercialisation of gross foodstuffs.

Decrease the leaving cost for poor households whose expenditures are related at most to food products. In particular, productivity gains allow a decrease of necessary raw materials prices.

To develop the ' bio-concept', that allows to generate an important value added.

The impact estimated to those potentials is about 2-3 Blns DH of additional GDP, 4-5 Blns DH for the economic trading balance et will be expressed by the creation of more than 6. 000 new employments.

### **Automobile industry**

The automobile industry in Morocco is composed of: 100 companies, 30. 000 employees, a production of 13 Blns DH, and 6. 2 Blns DH export (figures for 2006).

Today, more than ever, the automobile industry will take advantage and reap the benefits of globalization.

Already a first project, announced in 2004, provides for the establishment of a production unit of Nissan-Renault.

In Tangier Med's area, this project, with an investment of 600 thousand euros, provides a capacity of Production of 200. 000 cars per year by 2010. These vehicles will go to 90% in the export market.

The Moroccan costs of producing are 88% of the European cost which is higher than costs in India (70% of European cost). But, the advantage of morocco is the proximity. " If a car takes 45 days to go from Tokyo to New York, it will arrive in the American city in 5 or 6 days from Tangier" underline the chairman of AMICA. (Moroccan Association for Industry and Automobile Trade).

This advantage is based on the presence of several major assembly sites in France, Spain and Portugal accessible in less than 3 days of trucking from Tangier. These sites produce each year nearly 7 million vehicles and absorb more than 100 billion euro of raw materials and equipment. Morocco, with its combination of favorable cost of production factors and proximity logistics, is relatively well positioned to benefit from the current projects of expanding the reach of sourcing incurred by manufacturers and builders.

## **How to prepare The Moroccan car industry to make profit of this advantage?**

Development of aggressive équipementierie for Europe around a concept of workshop, and drastic improvement of competitive factors (tax exemption, subsidy for the purchase of the land, reduction of infrastructure costs)

## **Electronic (concept zones of industrial subcontracting oriented to export)**

Concerning the electronic sector, the principal potential consist on the development of electronic of specialization / integrated on delocalization niches of the small and medium series (defense, medical, electronic, etc.)

The number of targeted actors is growing to more than 5000 for an accessible market in Morocco estimated to more than 6 Blns €.

The impact estimated of these potentials is about 4-5 Blns DH of additional GDP, 4-5 Blns DH for the economic trading balance and will expressed by the creation of about 11. 000 new employment.

## **Art & Craft industry:**

The studies of craft industry sector focused on the craft with high cultural contents (in contrast with consumption craft or utility use) that represent an important potential based principally on an accelerated growth of exportations on the horizon of 3-5 years. The potentials identified are based essentially into 2 principal markets of the sector:

Export market : development of export market on the whole branches (principally : decoration, furniture, jewellery-making and clothing /

accessories) and on the whole of distribution channels by the creation of scope actors and a dynamic network of SME (PME);

Local market (tourists and Moroccans): potential through tourist growth and the improvement of the distribution by targeted actions of modernizing the traditional circuits and development of new channels (ex “ hotel showrooms”).

**The impact estimated of those potentials is about 3-4 Blns DH of additional GDP, more than 2 Blns DH for the economic trading balance et will be expressed by the creation of 23. 000 new employments.**

### **Fish’s industry**

With strong growth for several years, the industry is now facing two Major challenges. On the one hand, the recovery of the resource caught and must be transformed Optimized at the industrial and commercial sectors. On the other hand, the need to develop A strategy of diversifying sources of supply to take advantage of Production capacity established and unused to this day. So it is on that basis that Potentials very important development have been identified, with knock Economic indirect, including the upstream sector.

These potential Focused mainly on 3 areas: (1) optimizing the exploitation of small Pelagic (consolidation of the position of leader of Morocco) by optimizing the mix Processing and increased volumes, (2) the development of Production of frozen prepared by the security of supply and rising Range in the products and (3) adding value to products up Range (fresh fish) by optimizing the marketing and Diversifying sources of access to the raw material. Moreover potential 2 Were analyzed as follows: the development of

niche dishes Meals and marinades, as well as the possible positioning of new players on the Niche nutraceuticals (food and pharmaceutical).

The estimated impact of these potential stood at more than 3 billion additional GDP DH; 3-4 Dh billion for the ECB and would result in the creation of over 35, 000 new jobs Direct (excluding multiplier effects) by the year 2013.

### **Recommendations:**

Taking into consideration all the elements related before, we are asking how Morocco could face globalization in order to take advantage from it??.

The steamroller of globalization in turning and our country is well advised to be opened to the foreign markets and avoid any isolationist politic. Our country should take the best, be adapted and contribute to the world culture.

As far as the economic plan is concerned, Morocco has to develop the sectors with comparative advantages (sectors discussed above). Outsourcing is another important area that Morocco has to develop like “ port complex of tangier Med” that allow our country to position in comparison to Mediterranean countries. Morocco has to liberalize its economy by reducing duty tariffs and improving the flexibility of labor market. He also has to reform its fiscal and exchange policies.

Concerning energy factors, Morocco has to double efforts for petroleum and gas researches, reinforce its water policy knowing that he’s one of the counties threatened by water shortage.

Another important point for Morocco which is Culture, the country has to be largely opened to foreign cultures with preserving its identity and specificities, some weaknesses have to be filled concerning theatre, cinema and audio-visual.

In the political side, Morocco has to continue progressing its democratization. Of, course, some substantial advances have been realized during the last decade, other efforts have to be made, especially for a good governance of government and parliament and a reinforcement of individual and collective freedom.

For the foreign countries and because of the world stakes by 2025, Morocco should strengthen his relation with Europe and United states. Despite the actual vicissitudes, Morocco has also to militate for the edification of Arab union because the future will reserve less and less positions to small states.

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