

Strategic Sectors | **Economy and Territory**

The Development of Commercial Relations between Morocco and Latin America

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Beyond political rapprochement with Latin American countries,² Morocco wishes to diversify its trade partners. Moroccan products have been on the markets of certain Latin American countries since the 18th century. Historically, leather, honey and candles were transported by Portuguese merchants to resell in the markets of the region under Portuguese colonisation. In any case, it was not until the 20th century that trade agreements were signed between Morocco and countries in the region. It was with

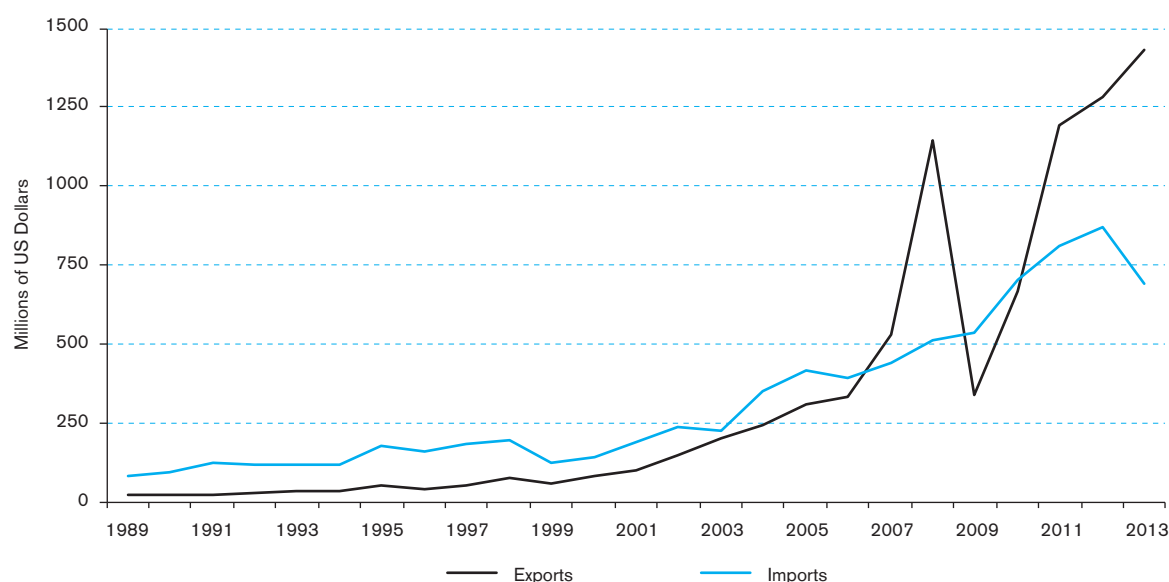
Cuba that the first agreement was signed in 1962 to supply the Moroccan market with sugar.

King Mohammed VI's state visit to six Latin American countries – Mexico, Brazil, Argentina, Chile, Peru and the Dominican Republic – gave a significant boost to commercial and economic relations with these countries, particularly since a delegation of business people had accompanied the sovereign on his tour.

Brazil: A Strategic Trade Partner for Morocco

First of all, trade between Morocco and Latin American countries is predominantly with Brazil, Morocco's

CHART 21 Evolution of Trade between Morocco and Brazil



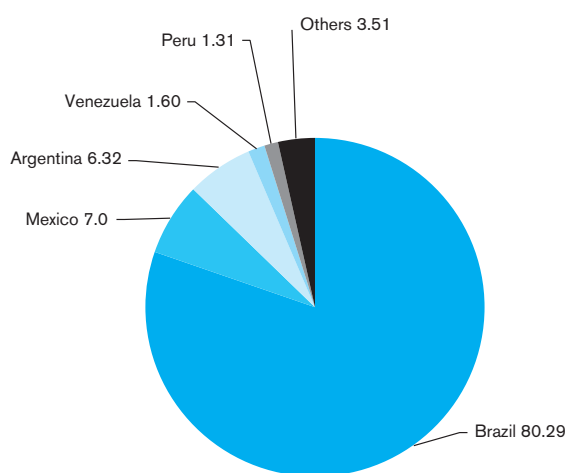
Source: Brazilian Ministry of Development, Industry and Foreign Trade.

¹ www.marsadamericalatina.com (in Arabic).

² The countries in this region can be grouped in different ways. In this article, we are referring to the following 20 Latin American countries: Mexico, Honduras, Costa Rica, El Salvador, Nicaragua, Guatemala, Panama, Colombia, Venezuela, Brazil, Argentina, Uruguay, Paraguay, Chile, Bolivia, Peru, Ecuador, Cuba, the Dominican Republic and Haiti.

main partner in the region and third on a global scale. Over the course of the past two decades, trade between Morocco and Brazil has experienced remarkable evolution (Chart 21). It went from 147 million US dollars in 1993 to over 2 billion in 2013, with a positive trade balance for Morocco since 2011. In 2012, exports to Brazil grew to 80% of total Moroccan exports to Latin America (Chart 22), as compared to 35% in 1993, whereas imports from Brazil have represented half of Morocco's imports from the region since the 1990s.

CHART 22 Moroccan Exports per Destination Country in 2012

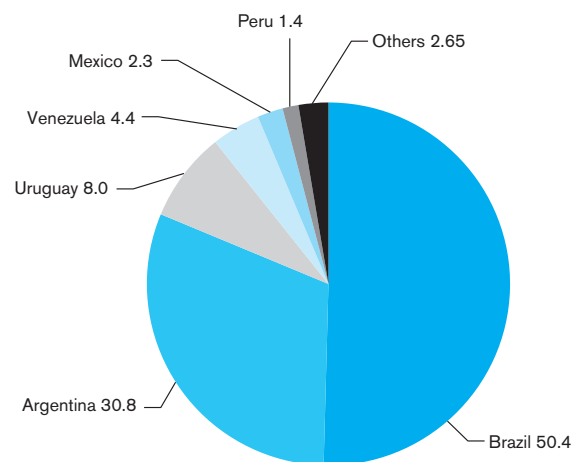


Source: 2012 Annual Report on Moroccan Foreign Trade, Morocco Exchange Office.

The evolution of commercial relations has encouraged the two countries to develop the various mechanisms necessary to consolidate this bilateral trade. Indeed, a Joint Morocco-Brazil Commission held its first session in Rabat in June 2008, and a Joint Morocco-Brazil Committee for the Promotion of Trade and Investment was instituted in January 2009. A Chamber of Commerce, Industry, Agriculture and Tourism was opened in Rio de Janeiro in early 2014. On the business level, this bilateral dynamic was accompanied by a Morocco-Brazil Forum that took place in Casablanca in December 2013. Apart from Brazil, trade with other countries in the region has remained below expectations, except with regard to Morocco's exports to Mexico and Argentina, which represent only 13% of its total exports to the region, but are displaying continuous growth: +23.7% and +21.2%, respectively, in 2012 as compared to 2011. Insofar as imports, Argentina, accounting for over 30% of the total imports from

the region, is second behind Brazil, as compared to only 2% from Mexico (Chart 23).

CHART 23 Moroccan Imports per Country of Origin in 2012



Source: 2012 Annual Report on Moroccan Foreign Trade, Morocco Exchange Office.

Chile has been seeking to enter a free trade agreement with Morocco for years. During the latest political consultations held in Rabat in May 2011, the two countries decided to initiate the studies to make this wish a reality and lend fresh impetus to trade, which at present does not surpass 4 million US dollars.

Primary Commodities Predominate in Bilateral Trade

In an analysis of exports per sector, cereals and phosphate take the lion's share of bilateral trade. To wit, Moroccan imports consist essentially of sugar, maize and soybean oil, which account for over 90% of total imports from Brazil. Exports, in their turn, primarily consist of phosphate and its derivatives, accounting for 85% of total Moroccan exports to Brazil in 2013.

The entire Latin America region displays a great interest in Moroccan fertilisers, essential for intensive agriculture. To meet the demands of its Brazilian clients, the Office Chérifien des Phosphates (OCP), a Moroccan group leading the world phosphates market, established a subsidiary in Sao Paulo in 2009, the OCP do Brasil Ltda. company, and is continually signing strategic agreements with the largest operators in Brazil in order to expand its storage and dis-

tribution capacity. With the establishment of an office in Buenos Aires, Argentina, in December 2011, the OCP strengthened its presence with a view to conquering other markets of the American subcontinent.

Perspectives for Multilateral South-South Trade

The Latin America region is considered the most dynamic geographical area insofar as regional economic integration. The Southern Common Market (Mercosur), which includes Brazil, Argentina, Venezuela, Uruguay and Paraguay, has constituted an important trading bloc since its creation in 1991, not only in the region but also on the international arena. In November 2004, during King Mohammed VI's visit to Brazil, Morocco signed a framework agreement for trade with Mercosur with a view to progressively establishing a free trade area. Thus, a commission was set up to exchange tariff, commercial, health and provenance information between both parties, and a negotiation mechanism was established. In any case, negotiations have been stalled since the first round at the expert level held in Rabat in April 2008.

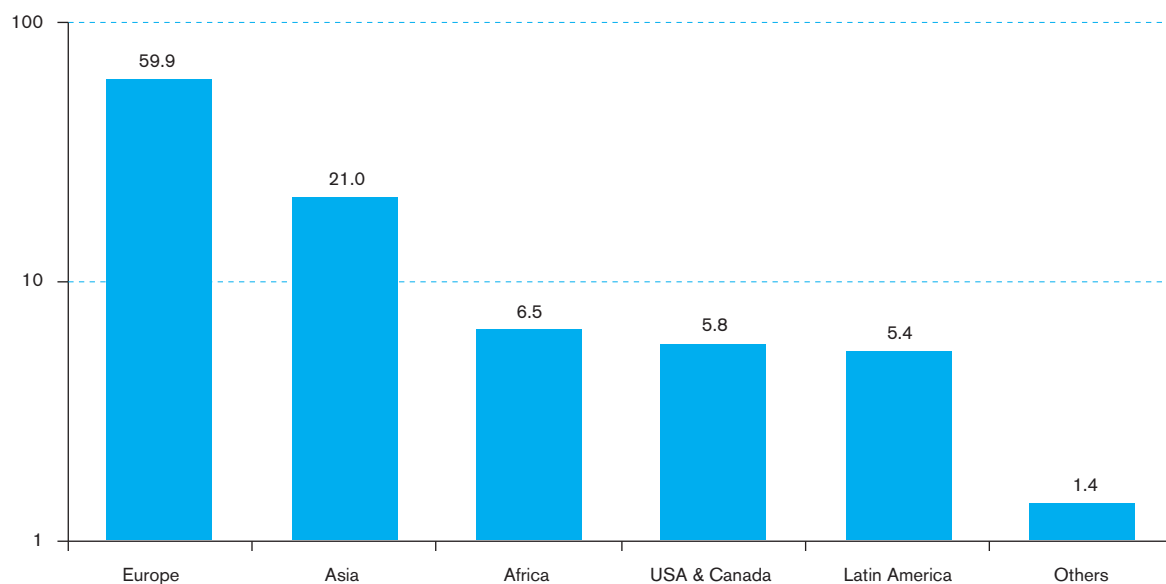
Concluding a Morocco-Mercosur free trade agreement could be highly advantageous, considering that Morocco's trade with the countries in this bloc

represents over 90% of the country's total transactions with Latin America. This initiative could also expand on the long term and become a South-South cooperation agreement between two regional blocs, namely Mercosur and the Arab Maghreb Union (AMU), which includes Algeria, Tunisia, Libya, Mauritania and Morocco, which would benefit from the existence of the Brazil-Maghreb Chamber of Commerce and Industry created in 1991.

Another economic bloc in Latin America has asserted its interest in developing trade relations with Morocco. The Pacific Alliance (PA), recently instituted (2012), granted Morocco observer member status at the 8th Summit held in Cartagena in February 2014. The Pacific Alliance member states – Mexico, Colombia, Peru and Chile – plan to open their first trade office in Africa in Casablanca, in order to promote trade and investment opportunities with Morocco. This could boost Morocco's trade with a market that has 210 million inhabitants but that currently only represents 7% of its overall trade with the countries of the region.

South-South cooperation initiatives such as the Summit of South American and Arab Countries (ASPA) and the Africa-South America Summit (ASA), of which Morocco is an active member, could also constitute forums for cooperation and contribute to consolidating bilateral trade relations with Latin American countries.

CHART 24 Geographical Distribution of Moroccan Trade in 2012



Source: 2012 Annual Report on Moroccan Foreign Trade, Morocco Exchange Office.

The Limits of Trade

Trade between Morocco and Latin American countries remains below its real potential. In fact, according to statistics from 2012, it represents only 5.4% of Morocco's foreign trade (Chart 24).

Moreover, the strong concentration of trade with Brazil and the predominance of phosphate and fertilisers as Morocco's export products indicate a major dependence of trade with regard to the region.

The legal cooperation framework is likewise very limited. Besides Brazil, Morocco has only concluded six bilateral trade agreements with Argentina, Peru, Colombia, Paraguay, El Salvador and Uruguay, although these agreements do not represent serious trade opportunities.

Insofar as joint commissions, apart from Brazil, there are only four joint commissions between Morocco and Latin American countries, namely Argentina, Mexico, Chile and Colombia. The most active among them, the Morocco-Argentina Joint Commission, has held six meetings, the last one in Buenos Aires in April 2006, whereas the joint commissions with Colombia and Mexico are to hold their second meeting in Rabat after the sessions taking place in 2006 in Bogota and Mexico City.

Insofar as actors in the private sector, although their contributions are negligible, there is nonetheless a progressively growing awareness of the goal of improving trade and economic relations. The recent launching of the new direct Casablanca-Sao Paulo flight by the Moroccan airline, Royal Air Maroc (RAM), adds to the favourable climate for the growth of trade between the two countries. Additional flight routes with countries in the region are conceivable.

Conclusion

In comparison with other countries of the Arab world, Morocco has a number of advantages placing it at the forefront of trade relations with Latin American

countries. Its political stability, geographic location, hub ports and historic cultural ties distinguish Morocco within the Arab region. Moreover, Morocco has consolidated its presence in numerous regional American organisations. Indeed, it is an observer member of the Organisation of American States (OAS), the Ibero-American Summit, the Association of Caribbean States and the Pacific Alliance. It has recently applied for observer status with the Andean Community of Nations and the Central American Integration System as well.

In 2012, Morocco expanded its diplomatic missions, opening an embassy in Guatemala. Today Morocco has eight diplomatic missions in Latin America covering a great many countries in the region.

The evolution of political relations between Morocco and the majority of countries of the American subcontinent over the past few years encourages the two parties to undertake a new stage of deep cooperation that could expand to new countries in the region. Nonetheless, Morocco is likely to keep in mind the need to diversify its trade and overcome the effects of dependence on Latin American countries.

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