

## TRADE PERFORMANCE AND STRUCTURE PROFILES<sup>1</sup>

### Morocco

---

<sup>1</sup> For additional information on the used data and the techniques of estimation, please contact Mr. Mohamed Chemingui, Chief of Regional Integration section at EDID, email: [cheminguim@un.org](mailto:cheminguim@un.org) and/or Mr. Mehmet Eris, Economic Affairs Officer at the Regional Integration section/EDID, email: [eris@un.org](mailto:eris@un.org).

**Note:** This document has been reproduced in the form in which it was received, without formal editing. The opinions expressed are those of the authors and do not necessarily reflect the views of ESCWA.

# TABLE OF CONTENTS

TRADE PERFORMANCE AND STRUCTURE PROFILES: MOROCCO _____	3
I. Trends in Trade and Investment _____	3
II. Merchandise trade structure and indicators performance _____	6
Exports _____	6
Imports _____	6
Exported Products _____	7
Imported Products _____	7
III. Trade Policy _____	15

# TABLE OF FIGURES

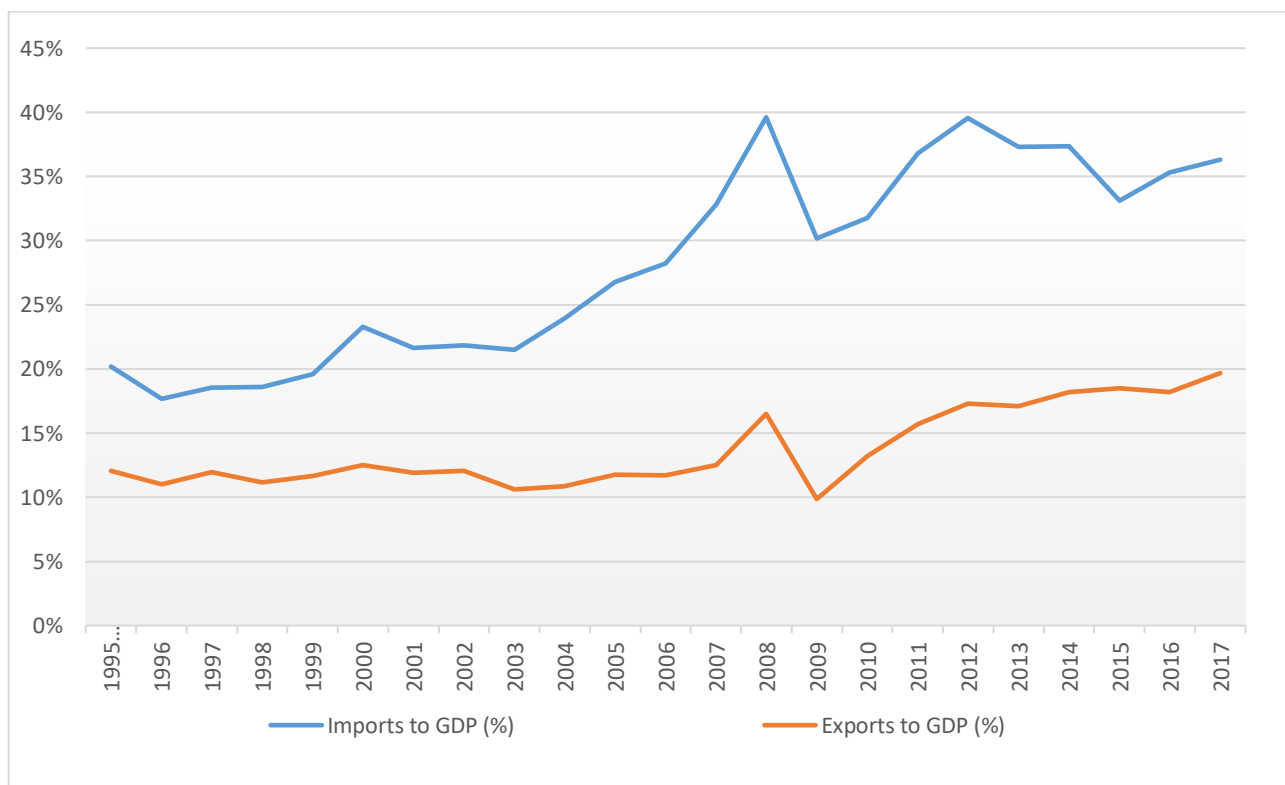
Figure 1: Merchandise Exports and Imports, as a share of GDP .....	3
Figure 2: Morocco's Share in World's Exports and Imports .....	4
Figure 3: Morocco's Services Trade, 1995-2017, as a share of GDP .....	5
Figure 4: FDI net inflows and outflows, 1996-2017, as a share of GDP.....	5
Figure 5: Top export destinations and import sources, as a share of total exports and imports, 2016.....	6
Figure 6: Top products exported and imported, 2016 (as a share of exports and imports) .	7
Figure 7: Trade Intensity Index .....	7
Figure 8: Trade Complementarity Index .....	8
Figure 9: Hirschman-Herfindahl Index (bilateral export portfolio diversification) .....	9
Figure 10: Export Diversification Index .....	9
Figure 11: Export Sophistication .....	10
Figure 12: Export Market Penetration Index .....	10
Figure 13: Export Similarity Index.....	11
Figure 14: Hummels-Klenow intensive and extensive margins (product) .....	11
Figure 15: Hummels-Klenow intensive and extensive margins (market) .....	12
Figure 16: Intra-industry Trade Index.....	13
Figure 17: The composition of the change in bilateral merchandise exports between 1999 and 2016 along intensive and extensive margins .....	14
Figure 18: MFN and applied tariff rates for all products, simple and weighted means .....	15
Figure 19: Services Trade Restrictiveness Index, 2010.....	15

# TRADE PERFORMANCE AND STRUCTURE PROFILES: MOROCCO

Morocco has shown strong performance in merchandise trade and attracting foreign direct investment since 2003, despite a brief interruption in the aftermath of the global financial crisis. Moroccan services trade, however, has exhibited a somewhat distinct pattern. It had surged until 2007, when the global financial crisis hit, and has recorded ups and downs since then. FDI flows, though sustained higher levels compared to pre-crisis levels, have been rather volatile. Traditional destinations for Morocco's exports have mainly been EU countries but sub-Saharan countries have been gaining ground and have become important trade partners, much more so than their share in world trade suggests. Turkey and EU and countries hold relatively favorable prospects for Moroccan exports, which are increasingly diversified and sophisticated products.

## I. Trends in Trade and Investment

Figure 1: Merchandise Exports and Imports, as a share of GDP

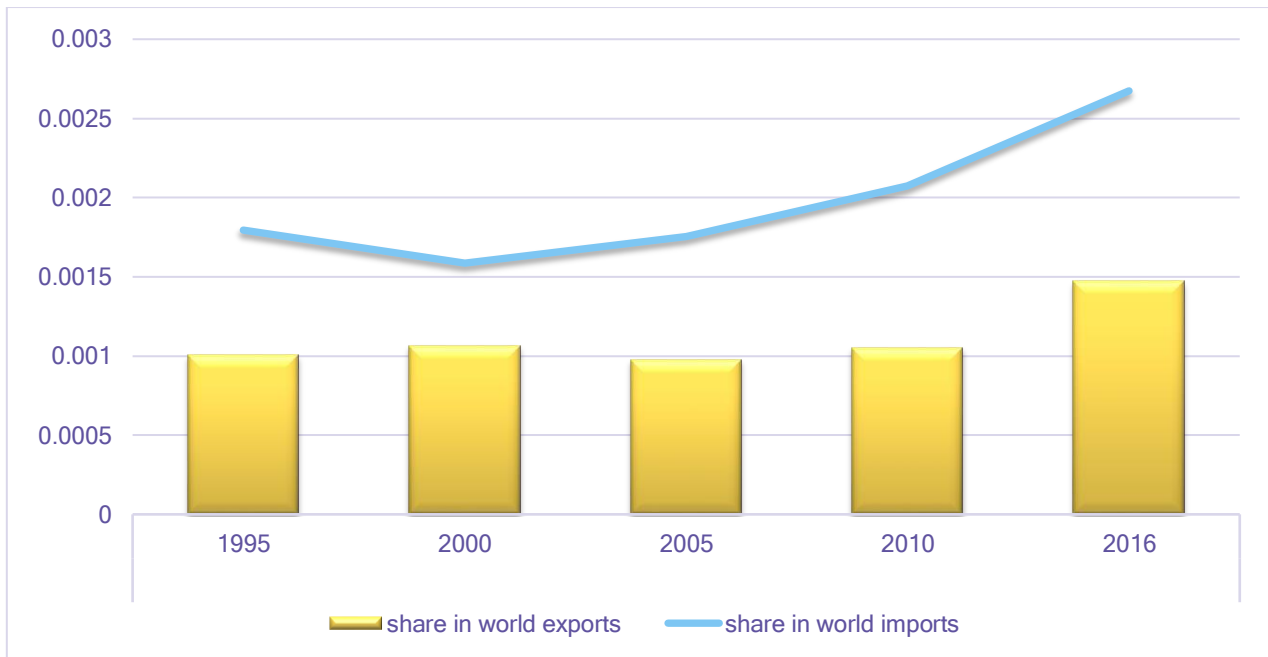


Source: ESCWA calculations using the World Development Indicators database (accessed October 2018).

Morocco's merchandise exports and imports as a share of GDP had been mostly stable until the early 2000s, when Moroccan merchandise imports started their surge that lasted until the outbreak of the global financial crisis of 2007/8.

*Moroccan merchandise imports have fluctuated since 2008 but still below the peak reached then. Merchandise exports on the other hand have increased steadily in the aftermath of the global financial crisis but, since then, the merchandise trade deficit has not narrowed appreciably.*

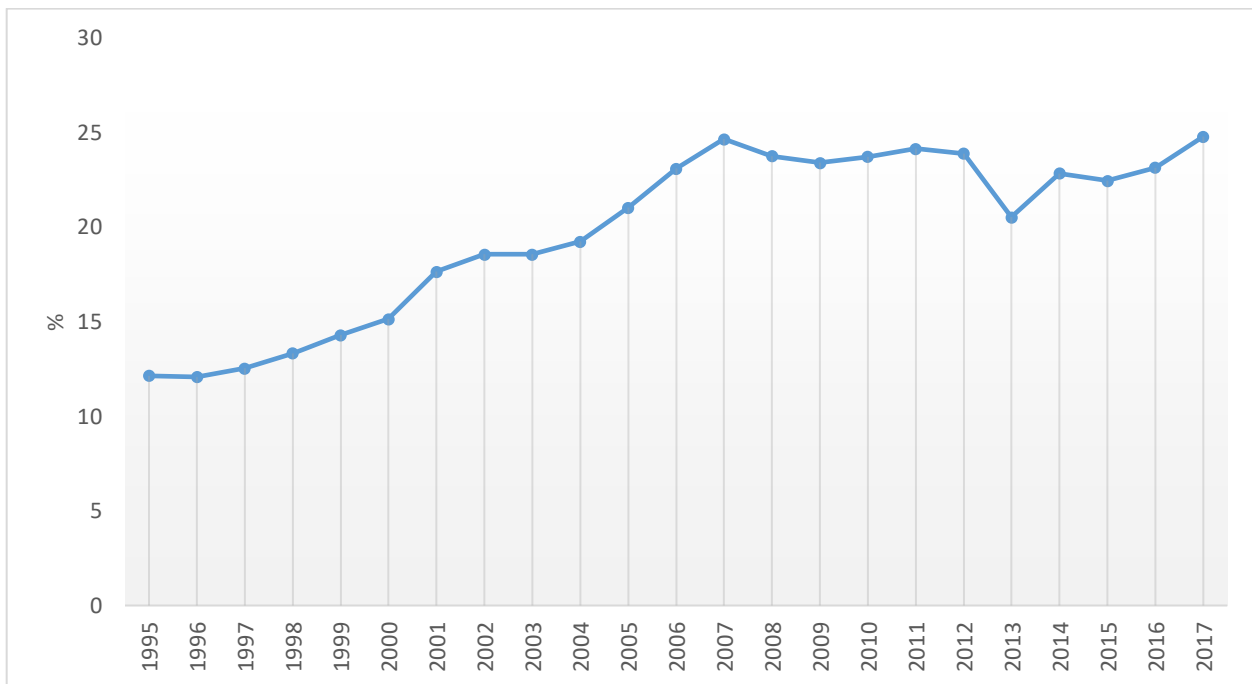
Figure 2: Morocco's Share in World's Exports and Imports



Source: ESCWA calculations using COMTRADE data (accessed October 2018).

Morocco's share in world export has been rather stagnant in the past two decades or so and has increased rather sharply in the first half of the 2010s. Morocco's import share, however, after moderating in the second half of the 1990s, have increased steadily since the beginning of the 2000s.

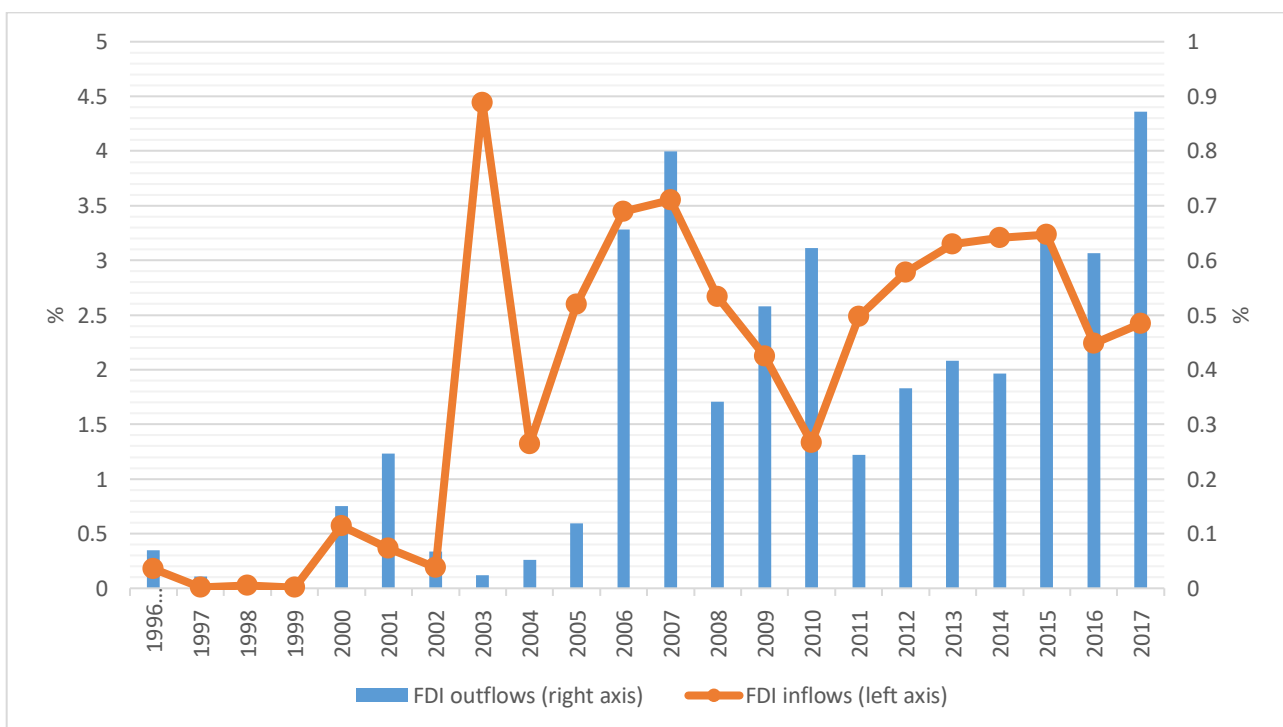
Figure 3: Morocco's Services Trade, 1995-2017, as a share of GDP



Source: ESCWA calculations using the World Development Indicators database (accessed October 2018).

Morocco's trade in services had shown a remarkable increase prior to 2007, with its share in GDP almost doubling. Since the share reaching its peak in 2007, it has fluctuated and attained the peak again only in 2017.

Figure 4: FDI net inflows and outflows, 1996-2017, as a share of GDP



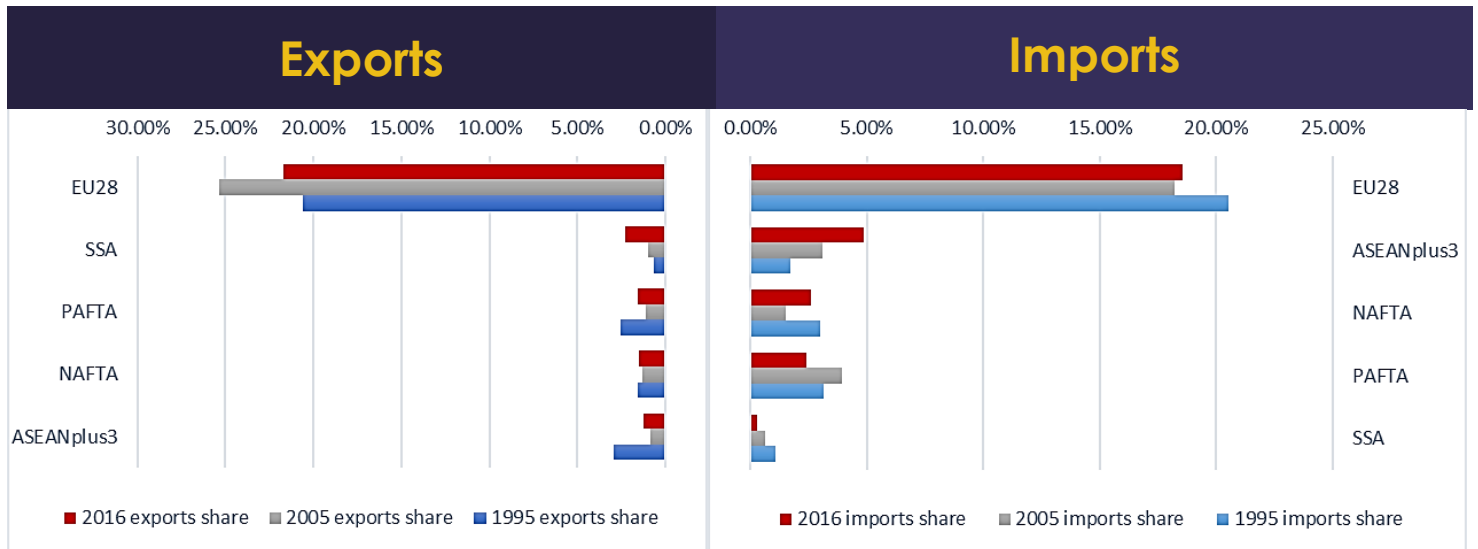
Source: ESCWA calculations using the World Development Indicators database (accessed October 2018).

FDI inflows into Morocco rose sharply in 2003 and, though volatile, the level of FDI inflows have remained relatively high since. FDI outflows have been relatively high since 2006.

## II. Merchandise trade structure and indicators performance

This section assesses the trade performance and structure of Morocco, employing a range of indicators and indices created using highly disaggregated product-level data (HS6 level).

Figure 5: Top export destinations and import sources, as a share of total exports and imports, 2016

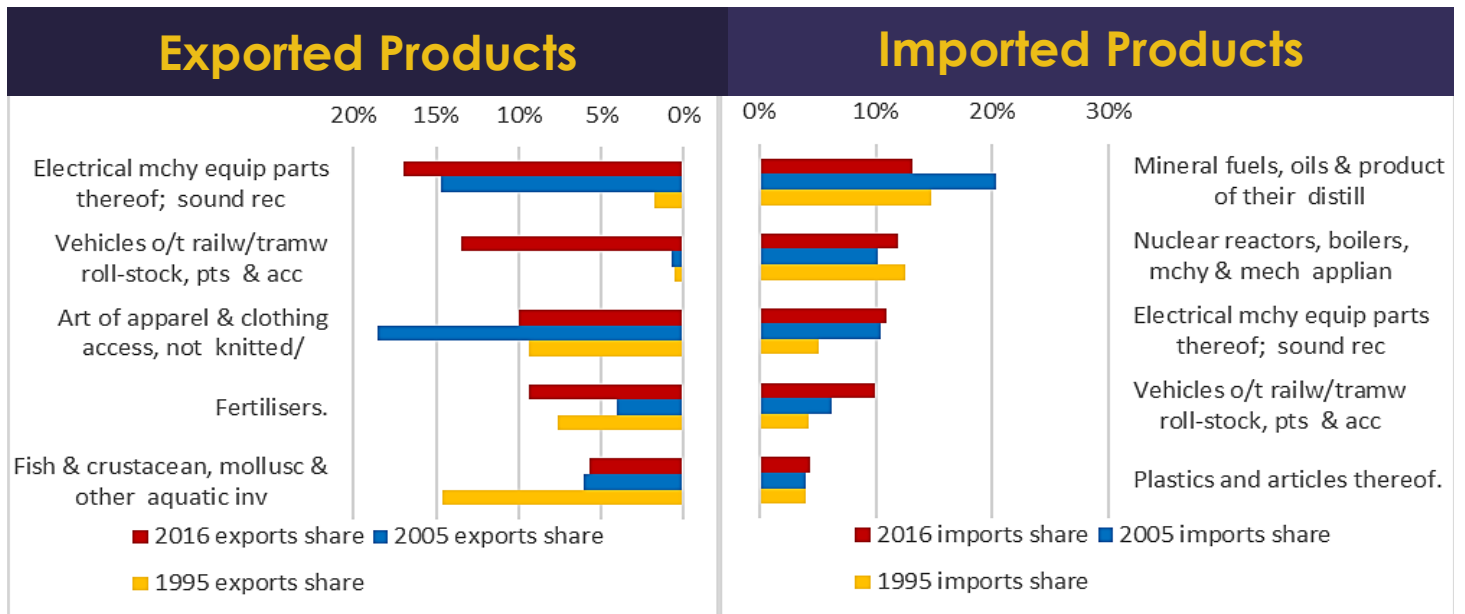


Source: ESCWA calculations using COMTRADE data (accessed October 2018).

The EU has been the dominant trade partner for Morocco. The share of EU in Moroccan merchandise exports has moderated somewhat since 2005 but merchandise imports have held up.

*While the EU remains by far the top partner for Morocco, the emergence of sub-Saharan Africa as a destination for exports and ASEAN+++ countries as a source of imports are notable. These blocs have overtaken PAFTA and NAFTA over the past two decades.*

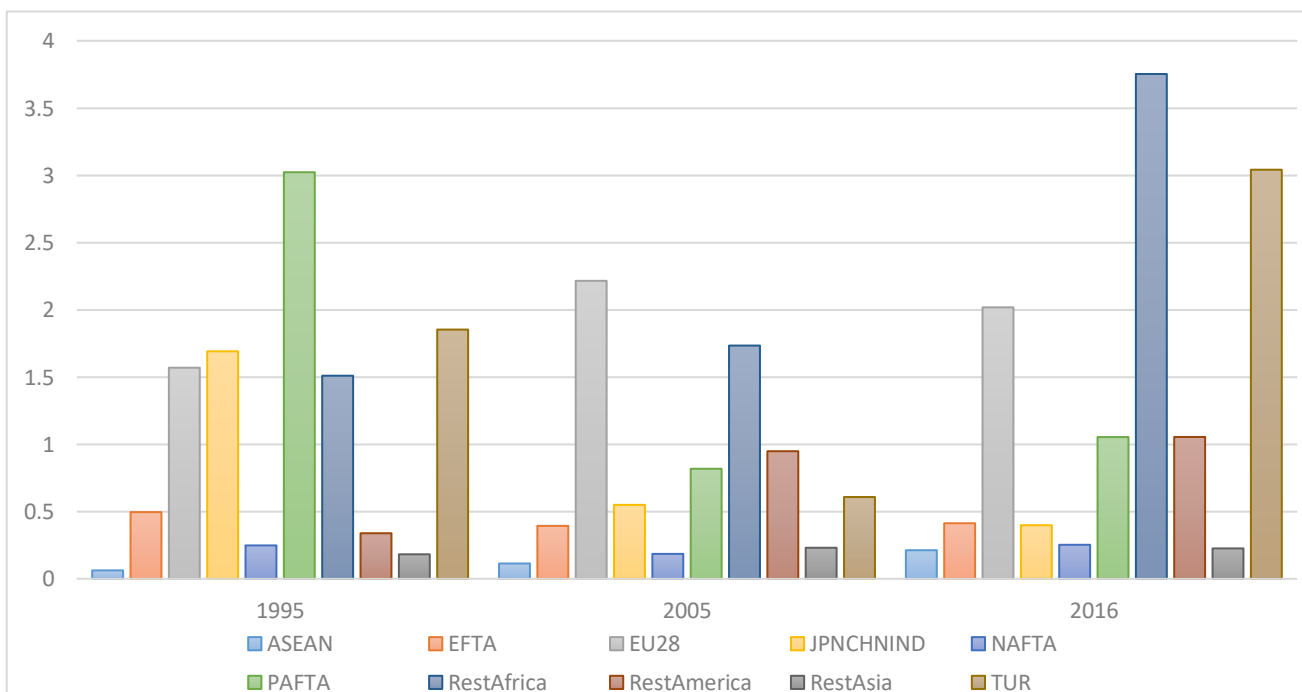
Figure 6: Top products exported and imported, 2016 (as a share of exports and imports)



Source: ESCWA calculations using COMTRADE data (accessed October 2018).

The shift in the merchandise exports Morocco's exports is rather striking. The move from the dominance of the exports of textiles and seafood products in 1995 to a point in which the exports of vehicles, electrical machinery and equipment are central reflects the extent of transformation of the Moroccan economy has undergone. The fact that electrical machinery and equipment also figures prominently in merchandise imports suggests Morocco's engagement in value chains.

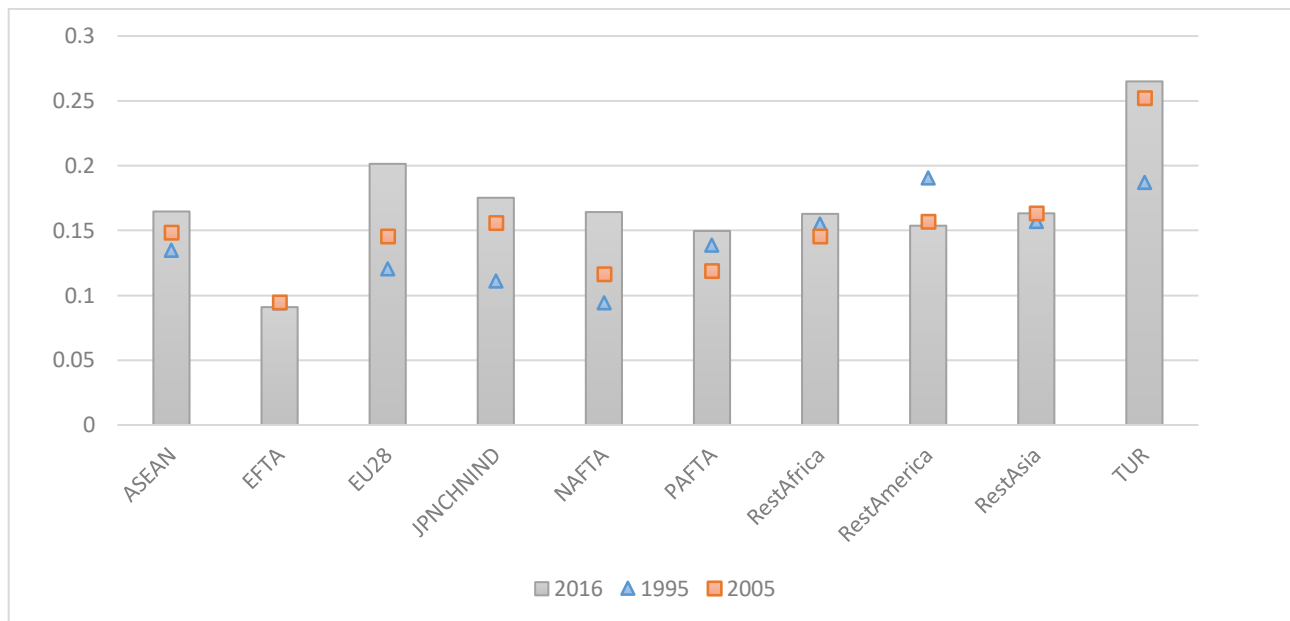
Figure 7: Trade Intensity Index



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

The trade intensity index captures whether the value of trade between a reporter and partner is greater or smaller than would be expected on the basis of their importance in world trade. Morocco traditionally traded more intensively with the EU, sub-Saharan African countries and earlier with PAFTA, Turkey, Japan, China and India. The EU, sub-Saharan African countries and Turkey are still important trade partners of Morocco than their world trade share implies.

**Figure 8: Trade Complementarity Index**



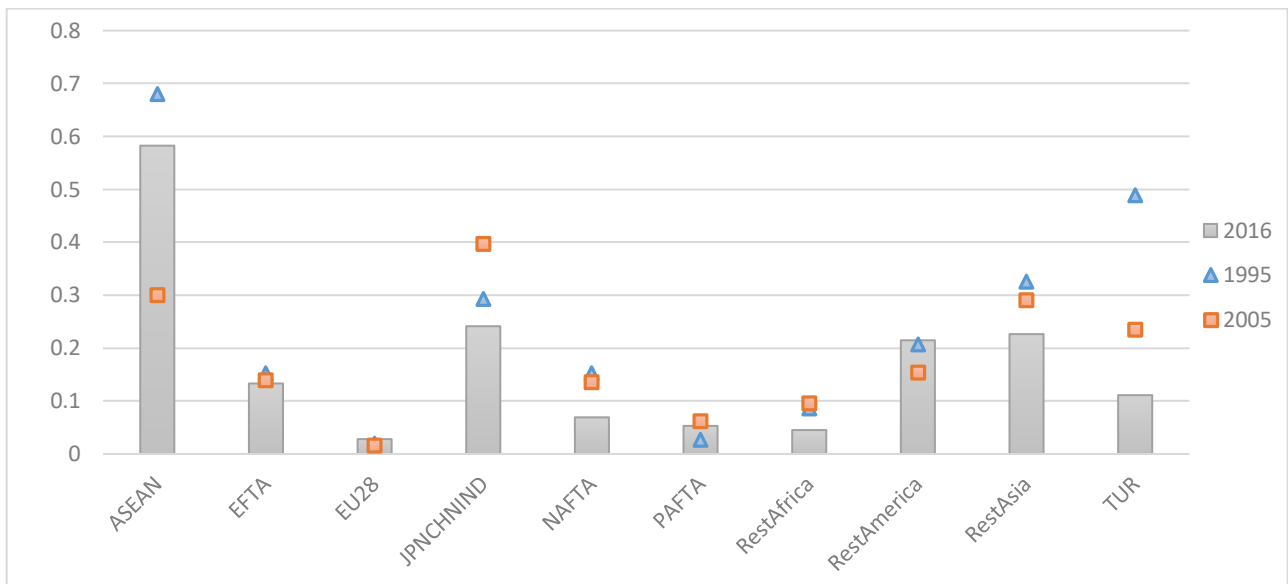
*Source: ESCWA calculations based on COMTRADE data (accessed October 2018).*

The trade complementarity index captures how well the structures of a country's exports and its partner's imports match, showing the extent of prospects for further exchange. The index takes on the value zero when no goods are exported by one country or imported by the other and 1 when the export and import shares exactly match.

**The index for Morocco attains relatively higher values with Turkey and the EU.**



**Figure 9: Hirschman-Herfindahl Index (bilateral export portfolio diversification)**

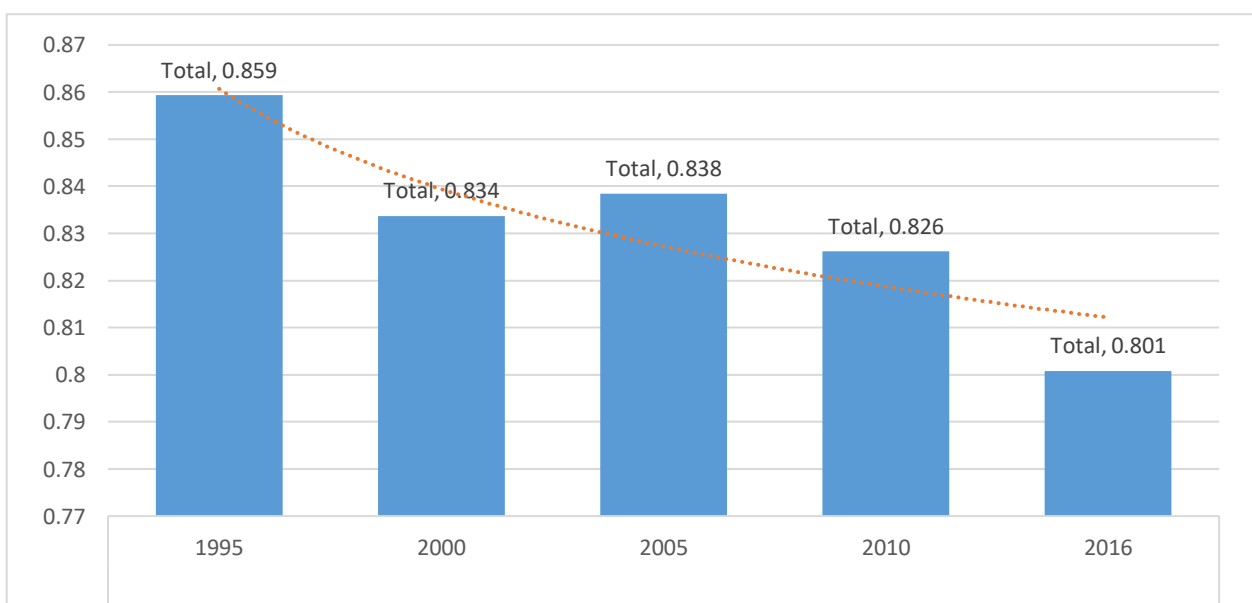


Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

Morocco appears to have diversified export portfolios vis-à-vis most of its partners, with the notable exception of ASEAN countries, as measured by the Hirschman-Herfindahl Index. The diversification of export portfolio to Turkey is rather conspicuous. The Hirschman-Herfindahl Index captures how diversified a bilateral export portfolio is.

A country with a perfectly diversified export portfolio will have an index close to zero, whereas a country which exports only one product would attain the value of unity (least diversified).

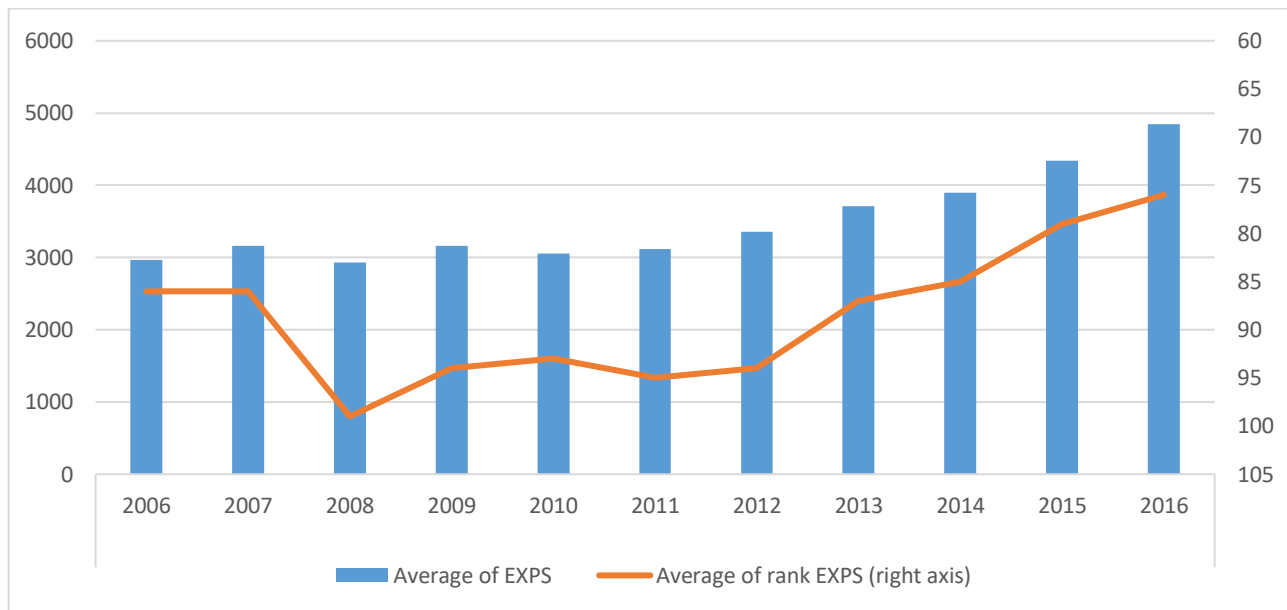
**Figure 10: Export Diversification Index**



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

Export diversification index measures whether a country is highly dependent on relatively few products or its export portfolio is diversified. The lower the index, the less concentrated are a country's exports. As measured by this index, Morocco has managed to diversify its export portfolio, particularly since the beginning of the 2000s.

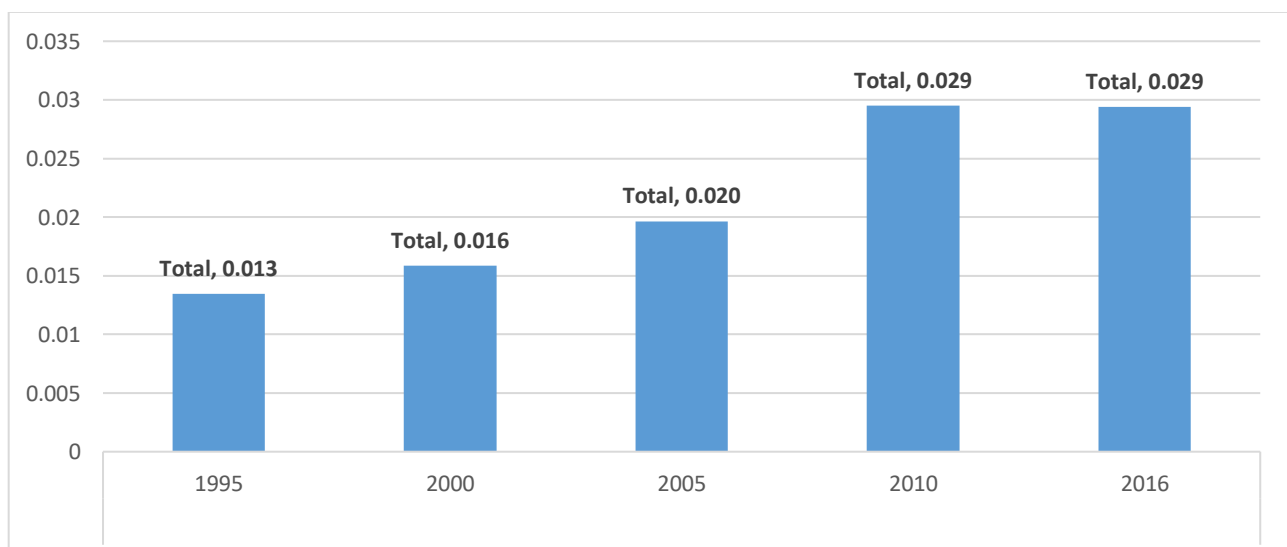
**Figure 11: Export Sophistication**



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

Morocco has recorded some improvement in specializing in more sophisticated products over the past decade and but climbed only few spots in global rankings.

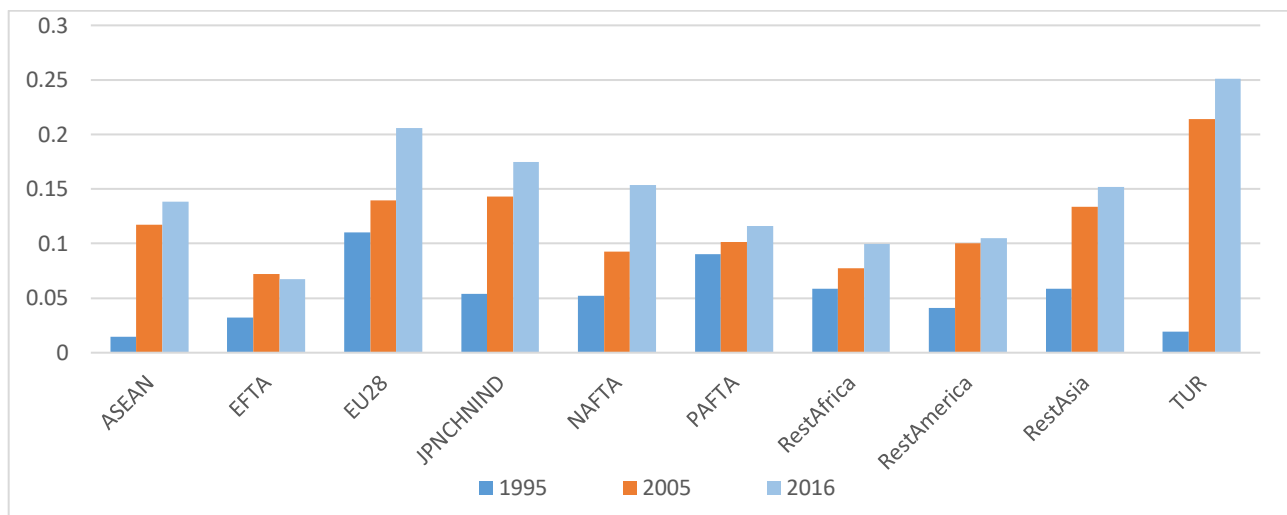
**Figure 12: Export Market Penetration Index**



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

Morocco's penetration into export markets improved steadily between 1995 and 2010 and has deteriorated since 2010, as measured by the Export Market Penetration index. The index is essentially the share of the actual number of export relationships (at the country-product level) forged by the country in question in the maximum possible number of export relationships it can form given its exports.

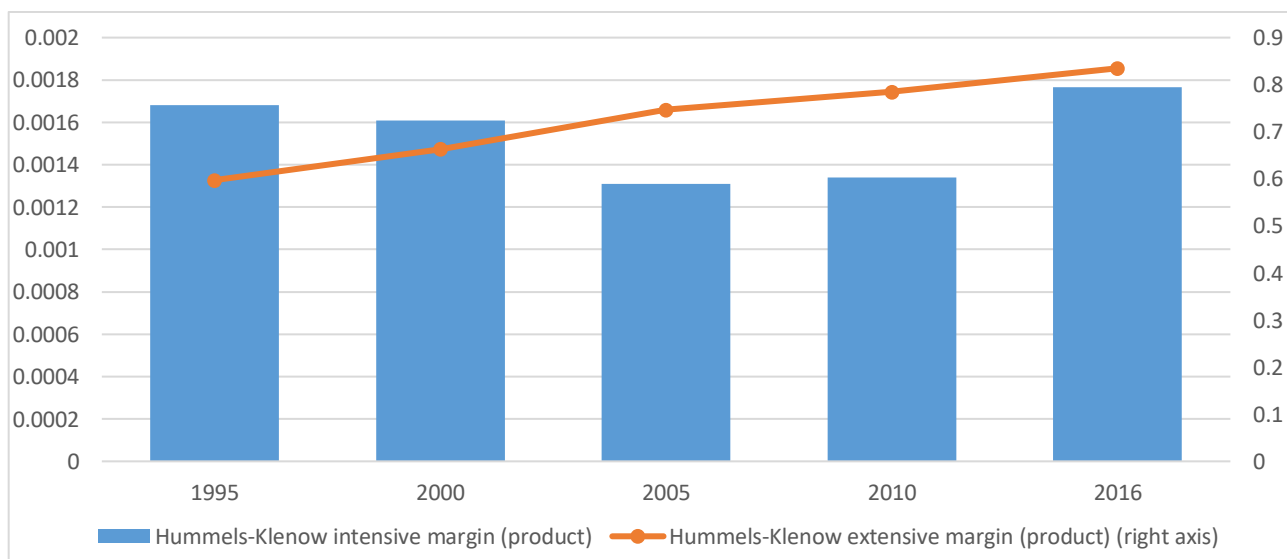
Figure 13: Export Similarity Index



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

The export similarity index captures the extent to which two entities in question are competitors in a common market. The index value of zero suggests that there is no competition between the two countries and of one that they are perfect competitors. Based on the export similarity index, Morocco's main competitors in world markets are Turkey and the EU.

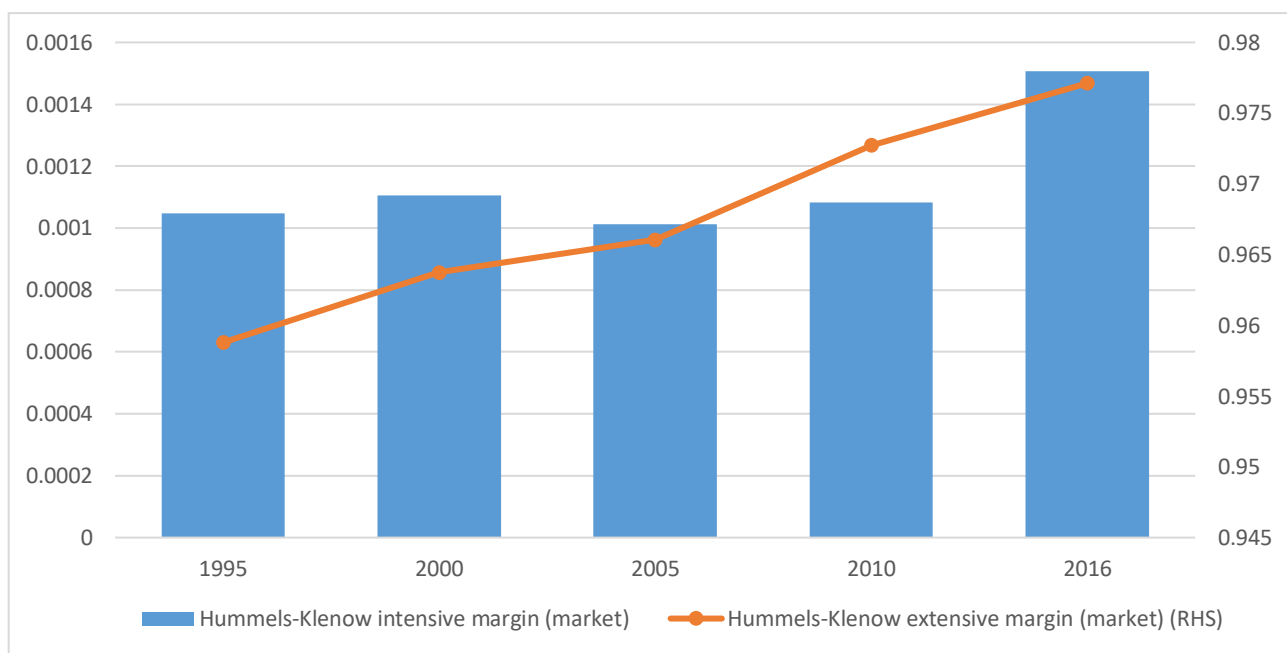
Figure 14: Hummels-Klenow intensive and extensive margins (product)



Source: ESCWA calculations based on COMTRADE data (accessed October 2018).

It is interesting to explore whether Morocco exports larger quantities or a greater variety of goods. To measure the first, the Hummels-Klenow intensive margin in products could be employed, which essentially captures the share of Morocco's exports in the world exports of products that Morocco exports. This index reached almost 0.18 per cent as of 2018, after offsetting a decline between 2000 and 2010. Morocco also experienced a steady and sizable increase in the share of the products Morocco exports in total world exports of all goods, also referred to as the Hummels-Klenow extensive margin in products and gives an indication of how comprehensive the set of goods a country exports is.

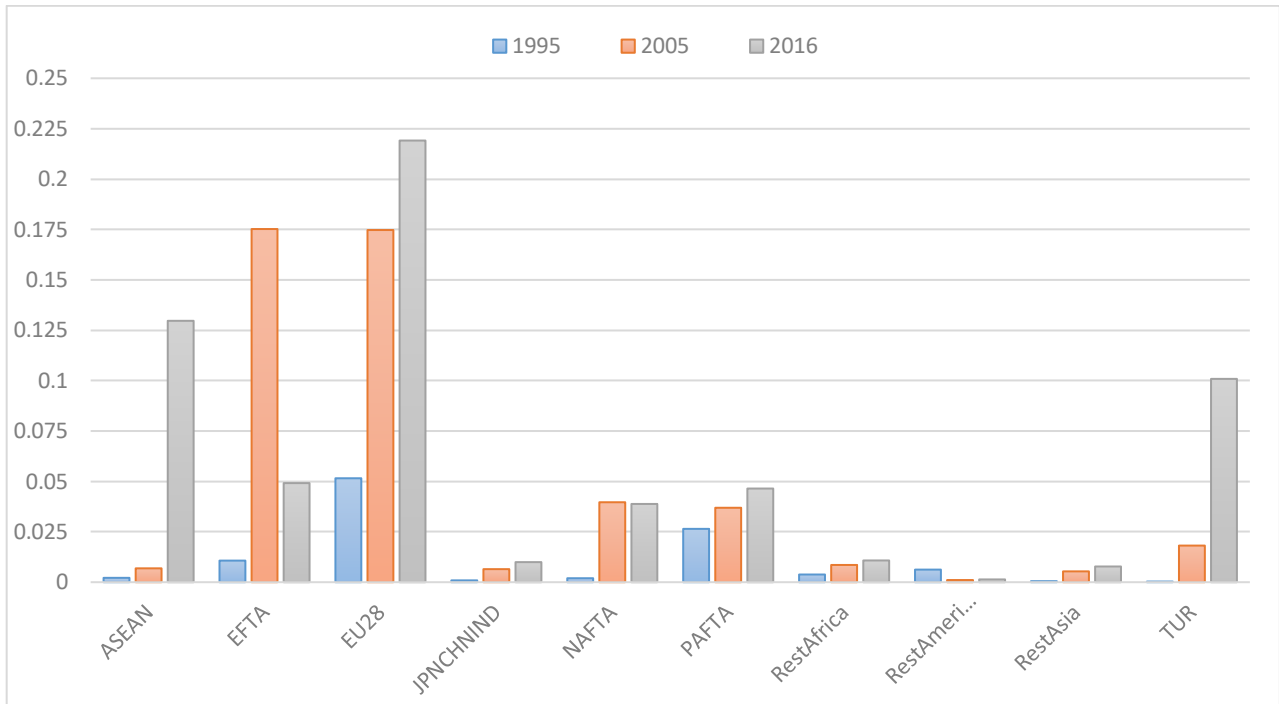
**Figure 15: Hummels-Klenow intensive and extensive margins (market)**



*Source: ESCWA calculations based on COMTRADE data (accessed October 2018).*

It is equally instructive to see as to whether Morocco exports larger amounts to its existing trade partners or expands into new markets. As a measure of the former, Morocco's share in the total world exports to only those countries that Morocco exports to, also referred to as the Hummels-Klenow intensive margin in markets, has gone up significantly since 2010, after having stayed nearly dormant until then. Morocco has also made gains in increasing its share in the world exports to only those countries that Morocco exports to in total world exports of all goods, referred to as the Hummels-Klenow extensive margin in markets and captures the extent of expansion into new export markets.

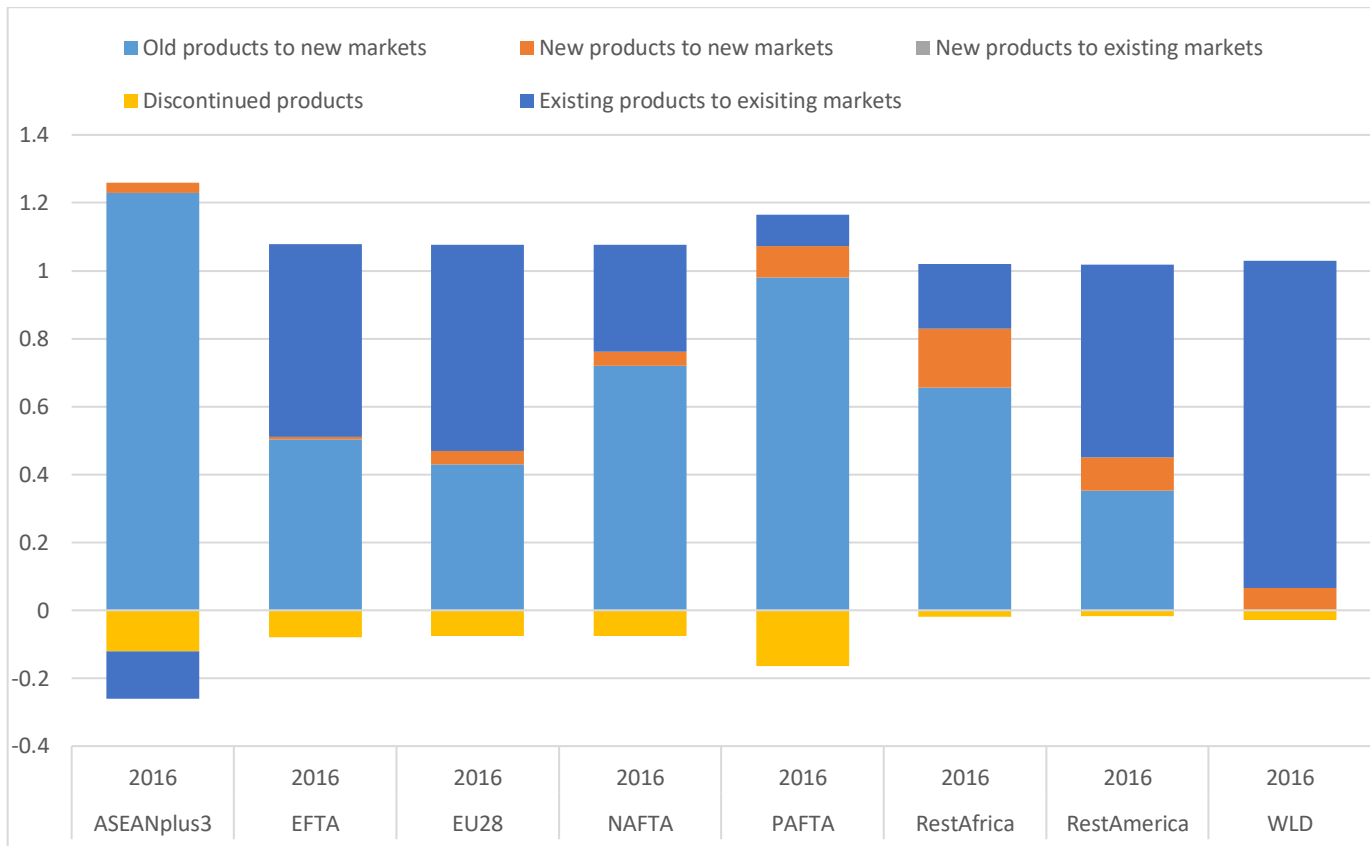
Figure 16: Intra-industry Trade Index



*Source: ESCWA calculations based on COMTRADE data (accessed October 2018).*

The intra-industry trade index measures the extent to which products that belong to the same industry were being traded between two countries, ranging between 0 and 1 and with values close to 1 corresponding to a high level of intra industry trade. Morocco has engaged in intra-industry trade with EU countries and Turkey, albeit to a more limited extent.

**Figure 17: The composition of the change in bilateral merchandise exports between 1999 and 2016 along intensive and extensive margins**



*Source: ESCWA calculations using COMTRADE data.*

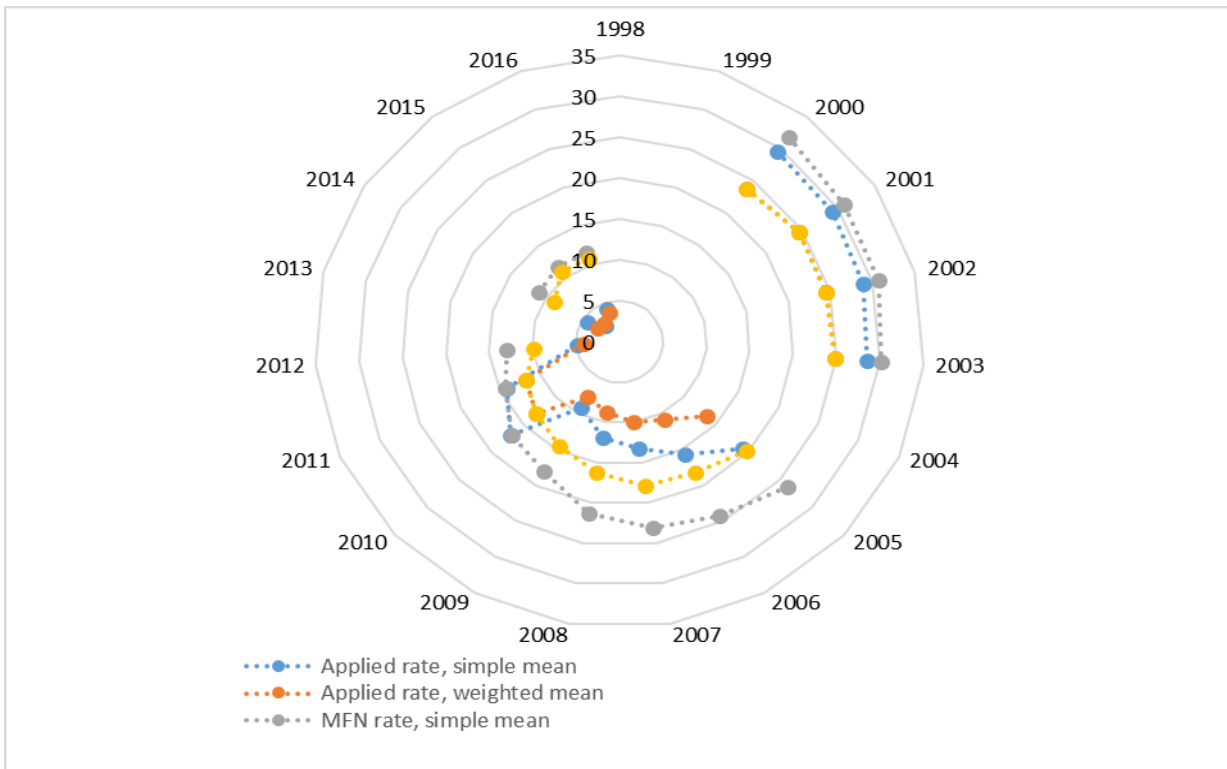
*Notes: The abbreviations and the list of the countries included in each group are as follows. The Association of Southeast Asian Nations (ASEAN) is created using Indonesia, Malaysia, Philippines, Thailand, and Vietnam, not including Brunei, Cambodia, Laos, Myanmar, and Singapore. [to be completed]*

Between 2000 and 2016, only very limited share of the change in the exports of Morocco has come from expanding into new products and/or markets. This share is around 60% for the United Arab Emirates and Bahrain, and 25% for Viet Nam. Across different destinations, sub-Saharan Africa stands out as the destination to which new products have a relatively high share in Moroccan exports. ASEAN+++ , PAFTA and African countries excluding PAFTA members have been dynamic markets for Moroccan exports, with high value shares of new products or markets.

***The EU and American countries excluding NAFTA members are relatively stagnant export markets, with a relatively low value share of new products.***

### III. Trade Policy

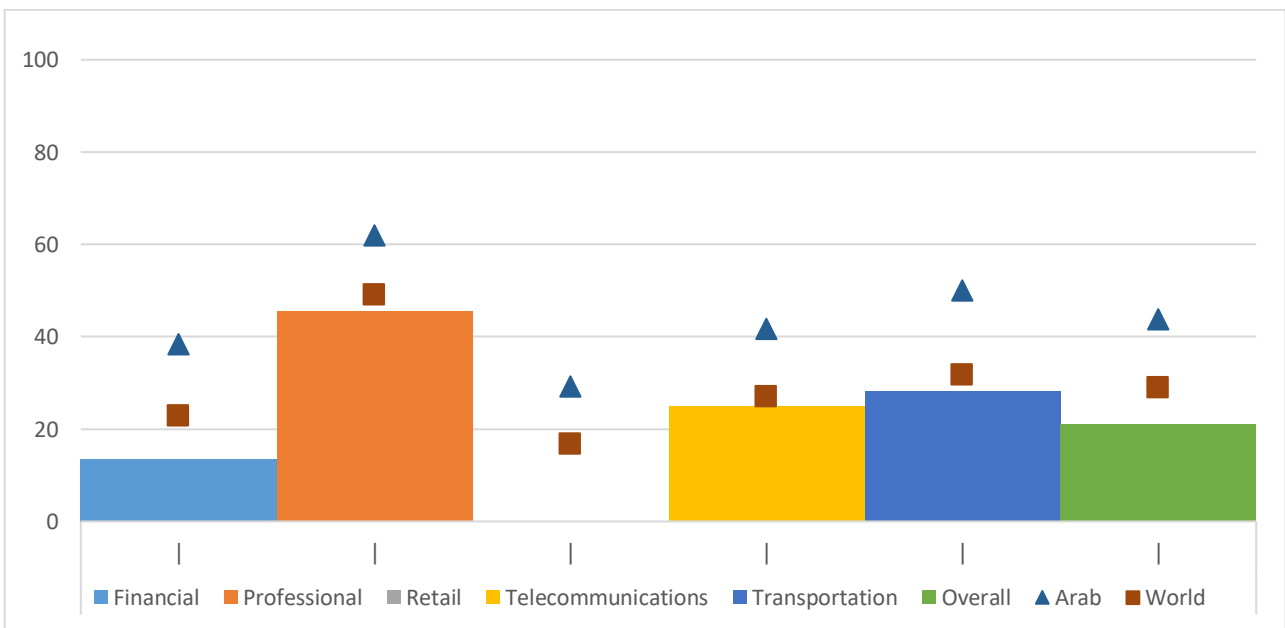
Figure 18: MFN and applied tariff rates for all products, simple and weighted means



Source: ESCWA calculations using the World Development Indicators database (accessed October 2018).

Morocco has significantly lifted tariff protection. Over the past two decades, both applied and MFN tariff rates have come down markedly and applied rates appear particularly low.

Figure 19: Services Trade Restrictiveness Index, 2010



Source: Borchert, Gootiz and Mattoo (2014).

Policies and regulations on Morocco's services trade are fairly liberal, less stringent than the world and Arab averages. Morocco appears to have relatively more restrictive policies and regulations in professional services, especially compared to fully liberal retail trade and rather liberal financial services.

## **END NOTE**

Morocco's has managed to sustain strong performance in merchandise trade and foreign direct investment since the early 2000s, interrupted by a short-lived weakness brought about by the global financial crisis. Another remarkable aspect of Morocco's performance is the clear signs of structural changes Morocco's economy have undergone in the past two decades. Morocco appears to have been increasingly engaging in international production networks. If Morocco able to capitalize on value chain engagement and could move up the value ladder, the prospects for Moroccan economy could improve even further.