French FDI (Foreign Direct Investment) in Morocco

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Abstract:

Since the 1980s, many developing countries have chosen to implement a wide variety of incentives and reforms to improve their chances of attracting foreign direct investment.
To this end, several countries have been liberalizing their economic programs to promote direct investment and attract foreign funds. This explains the large-scale structural reforms and attractive strategies implemented by these countries.
As FDI flows to North Africa have declined, Morocco has experienced "record" growth in FDI inflows in recent years.
With the lion's share of FDI destined for Morocco in France, we would like to explore the potential of that FDI and its prospects. this article discusses French FDI in Morocco. It first highlights a global overview of the FDI, as well as an analysis of these repercussions. The following section takes place around FDI in Morocco, of which we will begin to focus on the analysis of FDI attractiveness factors, opportunities potential for French FDI in Morocco are identified in the last section, and it ends with the presentation of the conclusions.

Keywords: foreign direct investment, French FDI, Morocco.

1. Introduction

The stagnation of the Chinese economy quickly affected the entire global economy, causing many investors to withdraw from all activities until trends in merger and frontier markets darkened. Because of China's outsized influence on commodity producers in Asia, the Middle East, and Africa, there is a great deal of uncertainty in countries dependent on Chinese imports about what will happen next. However, in recent rankings of key African and Middle Eastern countries, Morocco's continued positive performance serves as an antidote to investor pessimism about other markets in the region. In a study by IDE Intelligence titled "Average East and African Countries of the Future 2015/16" Morocco scores highly for rigorous planning, solid economic fundamentals, and investment in business-friendly policies and infrastructure.

Comparing Morocco to other African countries characterized by great economic diversity, Morocco's ranking is quite impressive. In the overall results of the IDE survey, Morocco ranks third in Africa, second in economic potential (after South Africa), second in connectivity, and fourth in business usability. Much of this success is due to moderate economic policies and Morocco's progressive and conservative approach to global financial markets. Equally important is the fact that Morocco' is linked to the EU and the United States as trading partners, which in part keeps the country from becoming overly dependent on emerging economic problems. According to a Bloomberg.com article, countries that are only marginally affected by trade and investment in China are currently doing much better than countries that are more closely linked to China. India, Morocco, and Poland top the ranking due to their overall stability and performance in recent years.

Morocco as a case study is interesting for two reasons. First, it is one of the preferred directions for FDI in the MENA (Middle East and North Africa) region, although the MENA region is not a popular destination for FDI. In 2002, for example, FDI accounted for only 0.34% of GDP, the lowest of any region in the developing world. Second, Morocco's experience is particularly useful for drawing conclusions about other, less developed countries, as Morocco is considered a good student by the World Bank and the IMF.
The question that arises at this level is whether French FDI has a future in Morocco? Is there a favorable outlook for French FDI in Morocco in the years to come? Can Morocco attract more French FDI?

2. Foreign Direct Investment

Initially, there was a lot of discussion about the positive and negative effects of foreign direct investment with the host government, caught in a love-hate relationship. On the one hand, the host country needs to appreciate the different contributions, including economic contributions that can provide foreign direct investment. On the other hand, allowing foreign investment create fears of domination, interference and dependence.

2.1 General presentation of the FDI concept

The concept of FDI is highly evaluative. It is defined differently based on the nature of the source which assesses it. According to the OECD "Called international direct investment (IDI), defined by international movements of capital carried out with a view to creating, developing or maintaining a foreign subsidiary and/or to exercise control (or significant influence) over the management of a foreign company.

As defined by the OECD, the notion of FDI often accounts for flows foreign capital reflecting the purpose of an entity with an interest sustainable for a company located in another economy. They can take the form a business creation, the takeover of an existing business, or even a simple participation in the capital of a company, provided that this allows to obtain effective decision-making power in management. This latter, as we have said, is often described as a stable and long-term flow of capital from cross-border trade that increases productive capacity, helps to fill.

balance of payments deficit, transfer of technology and management skills, and linking domestic companies to global markets. However, none of them constitutes an inherent quality of FDI.

It's more about transfer and control than it is about the movement of capital. Contrary to a broad perception, it does not always involve streams of financial capital (movement of funds via foreign exchange markets) or real capital (imports of machinery and equipment for the installation of production capacities)

2.3 The FDI In numbers

In the first half of 2017, global FDI flows decreased by 3% compared to the second half of 2016 to reach 788 billion USD, this figure still remains higher than those achieved in 2013 and 2014 , In the first quarter of 2017 , FDI flows increased by 3% to 416 billion USD, then decreased by 11% in the second quarter to settle at 327 billion USD, continuing the trend of the volatile quarters observed in the last years. The overall decline in global flows in the first half of 2017 is largely due to the decline in the second quarter, the declines were widespread, with declines recorded in more than 26 OECD economies during this quarter. At the same time, FDI inflows in the second half of 2016 were boosted by the acquisition of "SABMILLER" by "ANHEUSER-Busch inbev", which boosted FDI inflows to the UK United.

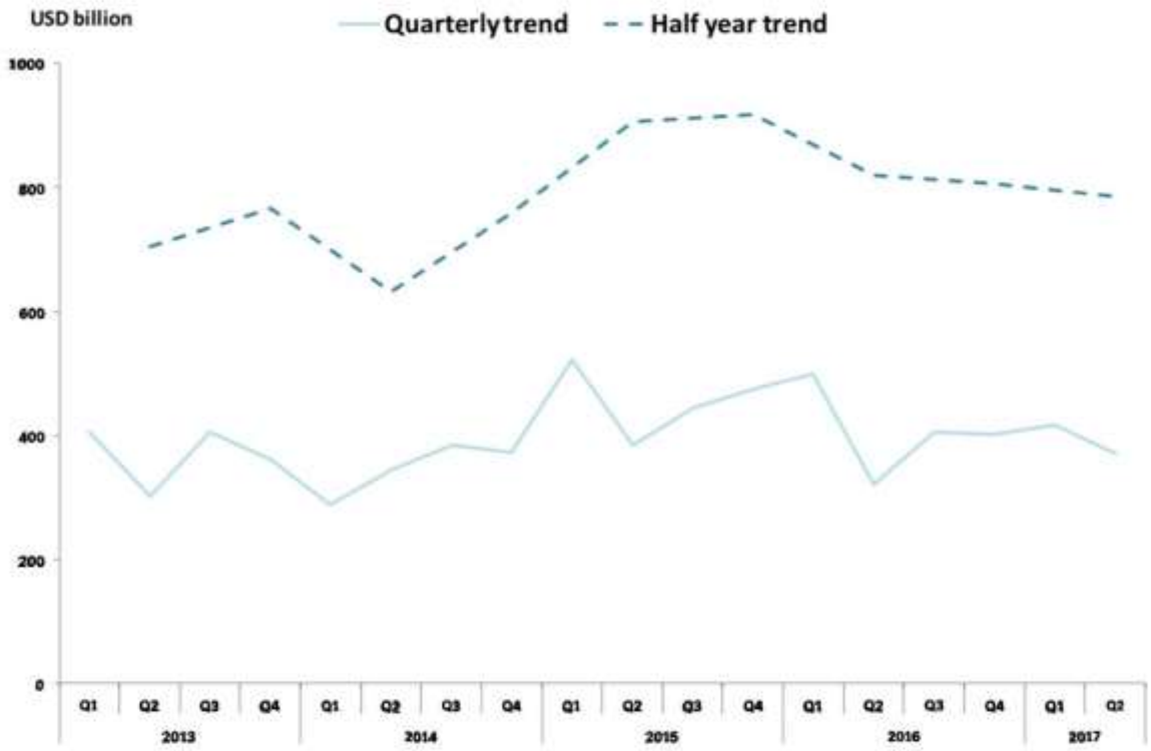

Figure 1 FDI Flows in the World 2013-2017

Figure 1 presents world FDI flows from the first quarter of 2013 to the second quarter of 2017, along with six-month trends. The decline in the first quarter of 2017 continues to slow down global FDI flows since the post-crisis peak reached in 2015 The quarterly analysis of global flows is complicated because of the high volatility of flows, the high levels of FDI flows observed in the last half of 2016 persisted in first quarter of 2017 (416 billion USD). In the second quarter of 2017, FDI flows fell to $372 billion, which is below the $394 billion average recorded at the level of the last 4 years, with regard to the half-yearly values, the FDI flows in the first half of 2017 were 3% lower than the second half of 2016, but remain above the half-yearly levels recorded in 2013-2014.

3. FDI in Morocco, as it is

French FDI in Morocco has only increased in recent decades, but political and diplomatic relations between the two countries date back centuries. Morocco is in the middle of economic reform and is opening its economy to French FDI and FDI from the rest of the world, with the remarkable changes of new investors in Morocco, such as legal, fiscal innovations and benefits of economic support and flexible financing. Thus, the French influence on Moroccan orientations (political, social, and economic, etc.) stimulated the extent of the prospects of French FDI in Morocco. In this respect, it has become a region of particular importance for France, but despite this, FDI is showing signs of neo-colonialism.

Before going any further, it might be worth reviewing the FDI series used in this paper. So, in Table 1, we present the mean value of the FDI inflows received by Morocco between 2014 and 2017. Similarly, the latter shows that FDI in Morocco increased by $941.2 million in June 2017, compared to an increase of $547.8 million in the prior quarter (Table 1).

Table 1 of FDI inflows received by Morocco

Last	Previous	Min	Max	Unit	Frequency	Range
941.2	547.8	243.4	1.3579	USD Mn	Quarterly	March 2014 - Jun 2017
juin-17	March 2017	sept-16	Dec 2014	-	-	Updated on October 2017

Figure 1 presents a summary of the dynamics of the main FDI indicators, with 2003 as a reference year to follow the variations of the indicators, it can be observed that all three indicators recorded a generalized increase almost all throughout the period, except for a few cases, which recorded an overall decline by compared to 2003. Surprisingly, in the midst of the global financial crisis of 2008, Morocco recorded its highest peak in terms of FDI capital investments, with a rate growth of 970% compared to 2003.

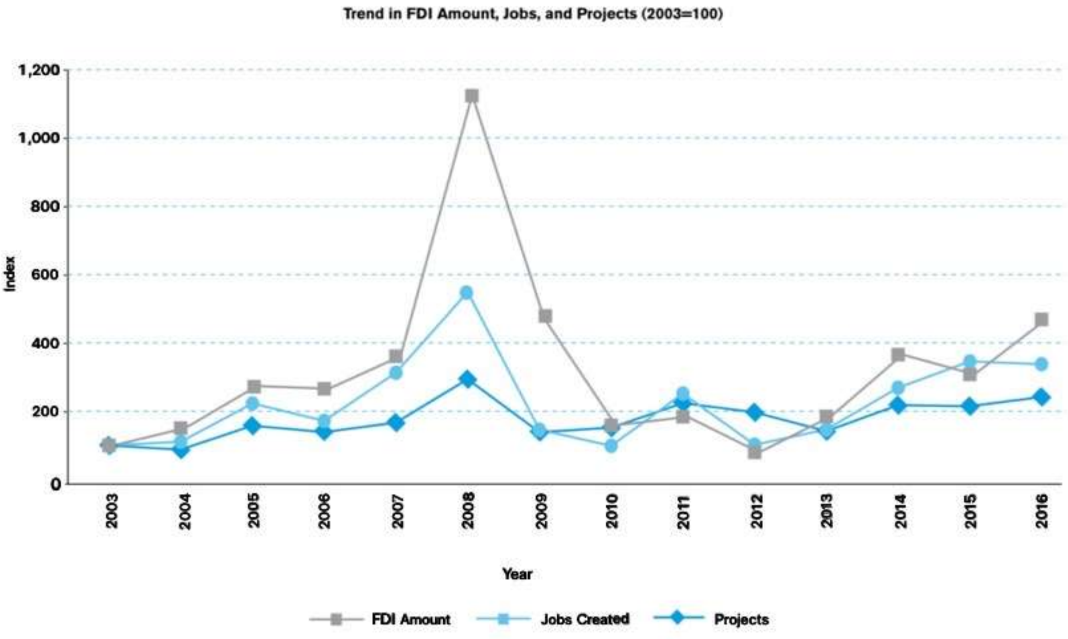

Figure 1: The dynamics of the main FDI indicators

The close economic relationship between Morocco and its Mediterranean neighbors is highlighted by the share of capital investments coming from the latter (Figure 2).

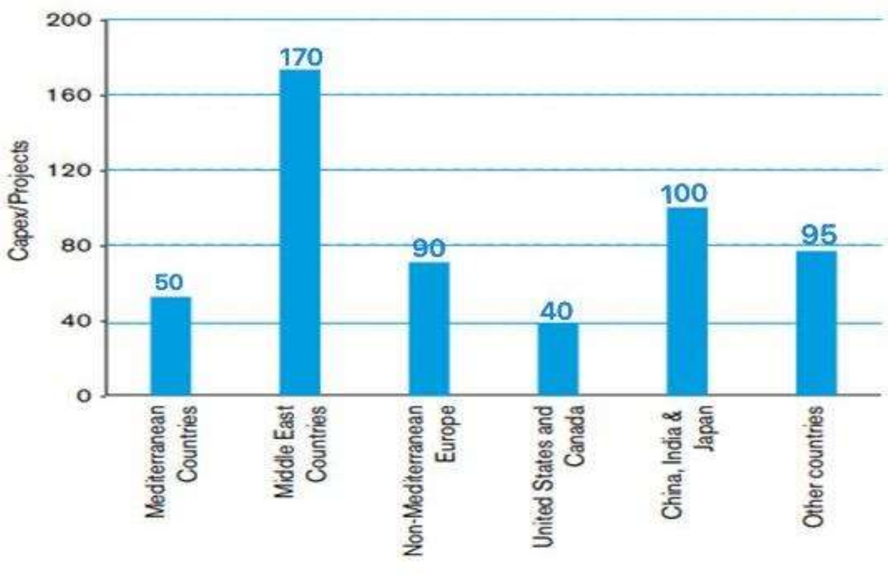

Figure 2: Investment Intensity

Moreover, the sector distribution of FDI(Table 2)shows that until recently (2017), that the attractiveness of certain sectors such as telecoms, real estate, banks and energy and mines for foreign investors has undergone a profound change over the of the last fifteen years. Indeed, the share of telecommunications went from 28.6% on average over the period 2000-2007 to 6.9% between 2008 and 2015. The sectors of real estate, banking and energy and mining increased their shares in total FDI, respectively from 12.6% to 25.4%, from 3.5% to 8.3% and from 2.4% to 6%. On the other hand, the share of the tourism sector in total FDI fell from 15.5% to 9.9% between the two periods. "Department of Studies and Financial Forecasts" With regard to the origin of FDI, it should also be noted that in the euro zone, the growth should slow to 1.4% in 2017 after 1.6% in 2016 and 1.7% in 2015, with a loss of steam in the recovery both in Germany (1.2% in 2017 after 1.6% in 2016 and 1.5% in 2015), in France (1.2% in 2017 after 1.5% in 2016 and 1.3% in 2015) and in Spain (2.1% in 2017 after 2.6% in 2016 and 3.2% in 2015). Growth remains, however, supported by the low levels of oil prices and interest rates, by improving the competitiveness of exports under the effect of the past depreciation of the euro, by a less restrictive fiscal policy and an expansionary monetary policy "Department of Studies and Financial Forecasts" Similarly, of the 817 projects in total, 407 - i.e. 49.82% come from the countries Mediterranean, Middle Eastern Countries - United Arab Emirates, Saudi Arabia and the Qatar comes next in terms of invested capital, although they represent around 8% of the total number of projects .

Table 2 of Composition of FDI by Business Activity

Business activity	No of projects	Jobs Created		Capital Investment		Capital/Employment Ratio
		Total	Average (€ m)	Total	Average (€ m)	
Manufacturing	235	119,196	507	17,017.6	72.4	0.14
Sales, Marketing & Support	169	6,159	36	2,157.5	12.8	0.35
Business Services	133	6,473	48	1,389	10.4	0.21
Construction	91	63,487	697	19,191	210.9	0.30
Logistics, Distribution & transportation	46	8,104	176	3,646.2	79.3	0.45
Customer Contact Centre	32	11,264	352	233.1	7.3	0.02
Design, Development & Testing	25	6,711	268	1,681.1	67.3	0.25
Education & training	19	996	52	196.7	10.3	0.20
Electricity	18	1,514	84	5,740.1	318.9	3.79
Headquarters	8	1,472	184	153	19.2	0.10
Other business activities	41	6,371	155	3,895.3	95	0.61
Total	**817**	**231,747**	**283**	**55,300.80**	**67.70**	

4. French FDI in Morocco

French FDI is expected to increase significantly in the future as France continues to grow and become more integrated into the global economy. French FDI are spreading in all parts of the world seeking opportunities in a wide range of sectors, but in particular in energy, raw materials and production eating. France has established a political, diplomatic and economic presence growing in Morocco, mainly thanks to development aid.

4.1 The History of France in Morocco, Overview

The history of relations between the two countries has always been one of continuous power play. Between the expansionist inspirations of France (aiming to maintain its former territories occupied in its area of influence) and Morocco's desire to show itself as a country independent and strong by recovering part of its glorious past. Morocco's history continues to impact its culture, trading partners and its IDE contributors and is therefore important to understand. The main Morocco's contributors to FDI are the countries with which it shares a common history, such as France, Spain, and the many Arab nations. France given the holder of the lion's share, maintains close and dynamic relations with Morocco.

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The intensity of political relations and the volume of economic and commercial exchanges. The strength of cultural, scientific, and technical cooperation in many fields qualifies this relationship as exceptional. Before talking about the Franco-Moroccan relationship, let's take a historical look Franco-Moroccan relations go as far back as the 8th century, when the commander Moroccan Tarik Ibn Zyad invaded the southern French coasts. Then ups and downs followed, mainly with cultural exchanges in the 10th century, when a French monk possibly studied at the University of Al-Qarawiyyin in Fez. Later, France was the first country European to establish a consul in Morocco, as early as 1577. Then came the first Franco- Moroccan in 1844, following the alliance of Morocco with Algeria Abd-El-Kader against France. A second crisis gave the Treaty of Fez (signed on March 30, 1912), The year 1912 was a detailed event, as it recounts the entry of France into a protectorate which extends its control over Morocco, While the pre-colonial economy of Morocco had been a traditional, non-consumable economy, which had not aspired to accumulation, It was natural that the protective state works on the country treatment of the necessary infrastructure to exploit the resources of the country of ports, roads, railways and city building From a strictly legal point of view, the treaty did not deprive Morocco of its statehood sovereign. But in reality, Moroccans (King and People) suffered for more than 40 years to stop the exploitation of their nation until their independence in 1956. It took Morocco 35 years to build its industry, and it took another 35 years to build the services meaning the protection state was the industry state then that the state of independence was a state of service. It is known that the industry has priority over the services because they are the backbone of the economy.

Protection state was only investing in economy, It was Exploitative, Interested in this who comes to profit, This is the secret of the French protection policy in Morocco, investing or exploiting one's wealth for one's own interests.

After its independence, Morocco experienced a number of difficulties and challenges encountered in his search for ways of independence and development of his economy and has adopted a set of policies and procedures which are reflected in: structural adjustment policy, Especially the stability of macro-indicators economic, Privatization and liberalization of the market, Opening to markets international markets through the launch of free trade agreements and the modernization of markets Morocco has the lion's share compared to other countries on the African continent, investment French in Morocco having exceeded that of neighboring countries, which makes the Kingdom a France's favorite destination. Paris is the first commercial partner and the first foreign investor in Morocco, first public creditor of Morocco and first donor to official development assistance.

We also note that the dynamics of French investment in Morocco highlights the multiple areas of intervention of French companies and the diversity of the size of companies both large companies or small and medium-sized companies.

The development of the stability structure of French companies in Morocco confirms the integration of investment logics between the local market at the service of all French vitality and efficiency in many sectors (Agrifood, pharmaceuticals, banking, insurance, energy, environment, telecommunications, building materials, construction). And the presence of industrial units for purposes of export (fruits and vegetables, electrical and electronic equipment, the handling sector in the automotive and aviation field and the construction industry (textiles and clothing)

This export sector is invited to witness a promising qualitative development in the seen stimulating public policies of international investment and signed agreements by Morocco with several other countries (free trade agreements with the United States and with Turkey), In addition to the good practice of the French language in Morocco and the quality and value Moroccan executives and entrepreneurs and the efforts made to promote the competitiveness of the Moroccan economy. All the advantages make Morocco a real base and distinct for French entrepreneurs.

This approach, based on the logic of mutual profit, aims to create industrial jobs in both countries, an approach based on the desire to support businesses in both countries in order to obtain distinguished positions in emerging markets Particularly in the South Sahara African markets.

4.2 Flows of French FDI in Morocco

French foreign direct investment (FDI) flows represented on average more than 40% of total FDI flows received by Morocco over the decade 2003-2012, according to the latest note from the Regional Economic Service of the French Embassy in Morocco.

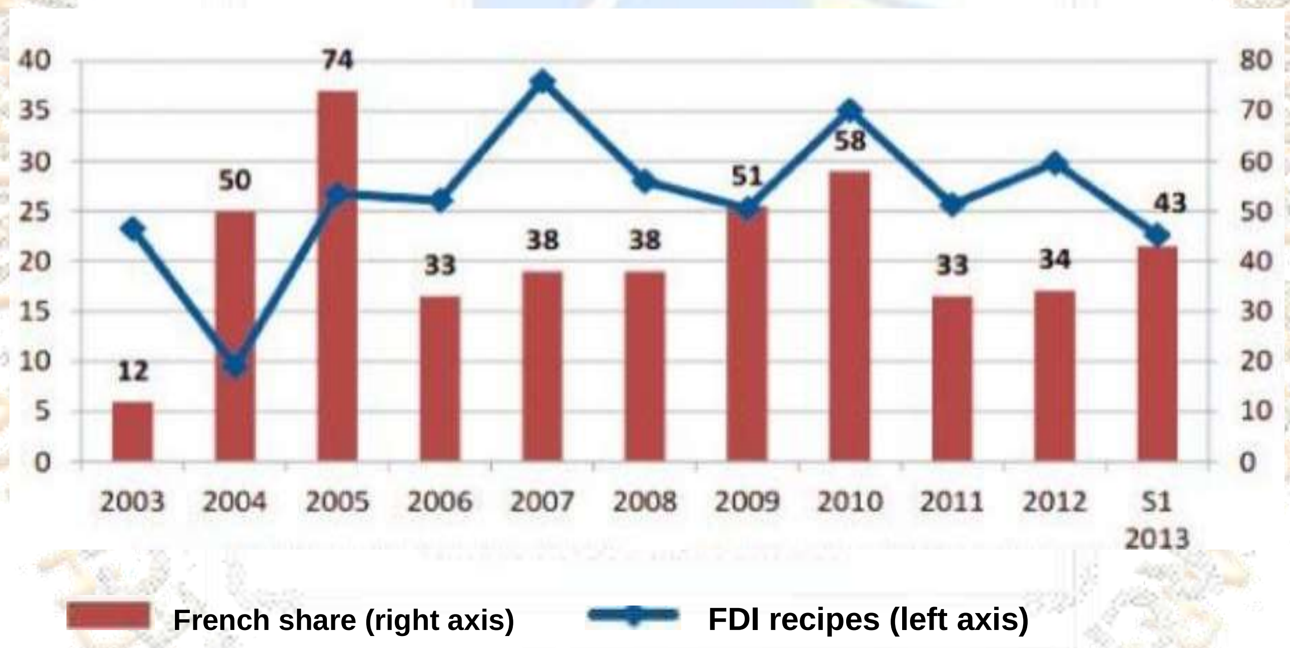

Figure 3: French FDI flow

For 2012 alone, French FDI in the Kingdom amounted to 919 million Euros, up 20.9% compared to 2011. They thus represented 34.2% of the total flow drained by the country that year. “Traditionally, our most important ones are in banking and telecommunications. However, in 2012, the industrial sector has taken first place by far, representing almost half French investments”, the note from the Economic Department specifies.

For the first half of 2013, the flow of French direct investment to the Kingdom reached 874 million Euros, representing 43% of FDI received by Morocco in the period. “Recent performances are particularly symbolized by the Renault factory of Tangier and by significant investments in the agri-food industry", continues the same source.

As a reminder, one of the most important operations during the first quarter of 2013 is the reinforcement of the Danone Group in the round of financing of Centrale Laitière hold 73.25%. In the Maghreb region, Morocco remains the first destination for FDI French.

Indeed, the stock of French FDI there reached, at the end of 2012, some 8.5 billion Euros. That is more than four times the stock of French FDI in Algeria (1.9 billion Euros) and nearly twelve times that of Tunisia (731 million Euros).

4.3 Prospects for French FDI in Morocco

This graph(Figure 4) shows that the stock of French direct investment abroad increased by 6.7% between the end of 2013 and the end of 2014, from 961 billion euros to 1,026 billion. This increase is primarily the result of French direct investment flows to the stranger. The latter reached 36 billion in 2014, a clear recovery compared to 2013 which was a historical low point (15.3 billion only) This increase emphasizes the policy practiced by France in terms of promotion of French FDI abroad.

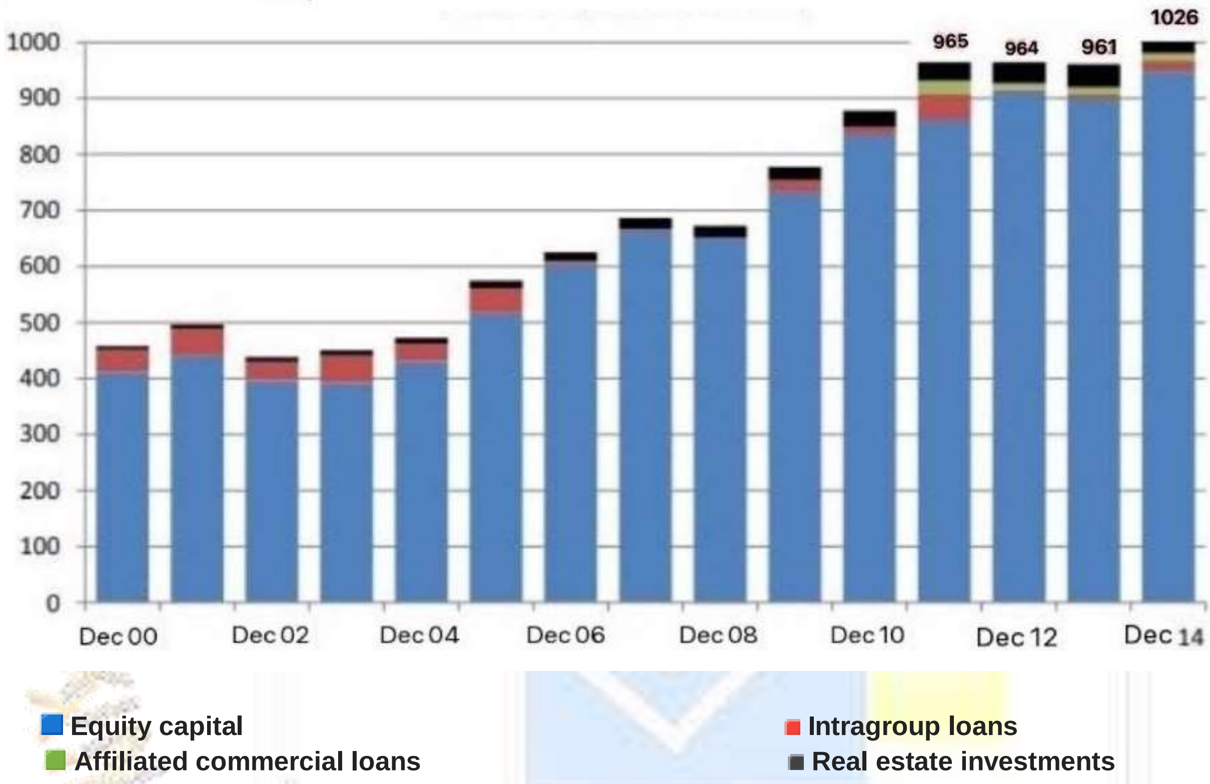

Figure 4: French direct investment stocks abroad – mixed value (in billions of Euros)

5. Conclusions:

French FDI is expected to rise substantially in the future as France continues to grow and integrate more fully into the global economy. French FDI covers all regions of the world seeking opportunities in a wide range of sectors, especially in the energy, raw materials, and food production sectors. France has established a growing political, diplomatic, and economic presence in Morocco, mainly through development aid.

The analysis of the prospects of French FDI in Morocco revealed conclusions and issues relevant to developing countries in general. The potential increase in French FDI clearly exists and is growing with the encouragement of the political leadership. The impulses of French FDI are emerging at the level of companies and the overall policy of strengthening engagement in the global economy, which does not direct all aspects, but seeks to nudge FDI in the general direction of state priorities.

Morocco offers a range of investment opportunities and a framework policy which, although it can be made more investor-friendly, seeks generally to induce FDI. The favorable disposition and interest of both sides are supportive of French IDE, but there is an inevitable learning process that takes place on both sides.

Among the considerations that will determine the quantity, distribution sector and the pace of French FDI are internal factors in France and Morocco and those who dominate in the global economy. The global context impinges on the possibility which increases French FDI in Morocco, because most of the existing opportunities are not unique to the region. Consequently, Morocco must continue to compete with other countries, especially other developing countries, in terms of French and Global FDI.

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