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European Policies in the Industry Sector in Morocco: A Bottom-Up Assessment

Jean-Yves Moisseron and **Khaled Guesmi**

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Jean-Yves Moisseron and Khaled Guesmi[1]

Abstract

This report focuses on the industry sector in Morocco as part of the MEDRESET project financed by the European Union. Through interviews with relevant stakeholders, it examines the Euro-Mediterranean politics that promote industry in Morocco. The methodology is briefly described at the beginning of this report; however, further details are stated in the MEDRESET Methodology and Concept Paper on industry and energy. The principal results can be summarised as follows: European policies in the industry sector in Morocco are not directly focused on industry but rather on support to implement free trade agreements and business development. Nevertheless, these policies affect the industry sector owing to the impact of association agreements. This is true of free trade agreements and European aid alike, as well as the upgrading policies or aid programmes and the growth and competitiveness support programme. Morocco has also demonstrated a willingness to develop its industrial sector, particularly through the implementation of successive plans. These plans have facilitated the emergence of sectors such as automobiles. With regard to the challenges, local needs and general wellbeing of the population, the interviewed stakeholders generally favour steering towards world trade liberalization in the case of Morocco. Some wish to place it within a local industrial policy, particularly intervening in matters of economic environment quality, while supporting the emergence of national industrial groups. Concerns are largely related to the implementation of the Deep and Comprehensive Free Trade Agreement (DCFTA), which may apply greater competitive pressure on Moroccan industry. Furthermore, even if the issue of gender is relevant to the analysis of this sector, it did not appear to be a matter of concern for the stakeholders.

Introduction

The MEDRESET programme aims to conduct a bottom-up assessment of European policy in a number of sectors through conducting interviews with relevant stakeholders, especially those whose voices are not conventionally heard. This report particularly focuses on the industry sector, as well as the European policies that affect this sector in Morocco. The methodology is based on the MEDRESET programme and is restated in Section 1. In order to better understand the context and relevance of EU intervention in Morocco, Section 2 briefly presents the Moroccan industrial sector and more specifically its ties with Europe. Section 3 focuses on the industrial priorities and strategies implemented in Morocco. Section 4 presents European policy in the industry sector and especially the various industrial plans that were successively

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implemented following the launching of the Barcelona Process. Section 5 presents an analysis of the documents provided by the stakeholders and reviews literature that accords with the stakeholders' perspectives. Section 6 accounts for the interviews conducted during the fieldwork. The final part provides a summary of the results and the policy recommendations shared by local stakeholders. However, in spite of our specific questions regarding this issue, the interviewees offered very little information about the place of gender in the context of the industry sector and European policies.

1. Methodology

WP6 "Industry" aims to examine Euro-Mediterranean policy regarding the industry sector in order to deconstruct the theory and practice and to facilitate the development of a new approach, or to consolidate work that has already been completed. In particular, this research seeks to understand whether EU policies in the industrial sector in Morocco ensure the wellbeing of people and meet local economic needs (e.g. employment, industrial diversification and multinationals' impacts on local companies). The methodology used in this report is identical to the proposed methodology in the MEDRESET Methodology and Concept Paper on industry and energy (Moisseron et al. 2017b).

This study is based on several sources. First, it includes the available documents regarding the industry sector in Morocco, such as academic articles, grey literature and pamphlets. Documentary analysis was thus conducted, especially with the aim of underscoring the most critical or specific concerns. A second significant source is the corpus of interviews conducted with the stakeholders. To this end, a cartography of stakeholders was made. We paid particular attention to ensuring a heterogeneous sample, including stakeholders excluded by EU interventions as part of the Euro-Mediterranean dialogue, as well as those with specific demands.

In total, we conducted 20 interviews (6 women and 14 men). We undertook an initial series of 19 face-to-face interviews in October–November 2017 (Annex 1). A second series of phone interviews with one of the international stakeholders and four organizations in February 2018 enabled us to clarify certain issues.

The vision of EU activities regarding the industry sector was not very clear and only a few interviewees were able to identify EU projects. We have succeeded in obtaining a balanced sample of stakeholders, divided into five categories: public stakeholders (administration and public institutions) (3 interviews), private sector (companies and professional organizations) (7 interviews), non-governmental organizations (NGOs) (including gender-focused organizations) (4 interviews), think tanks (4 interviews), and an international organization (1 interview) (Annex 1). We attempted to obtain answers to the main project questions and more precisely to the "Guide for the Interviews" questions, while following the recommended methodology. The questions aimed to measure and understand stakeholders' appreciation of European policies in Morocco that promote the industry sector (Annex 2).

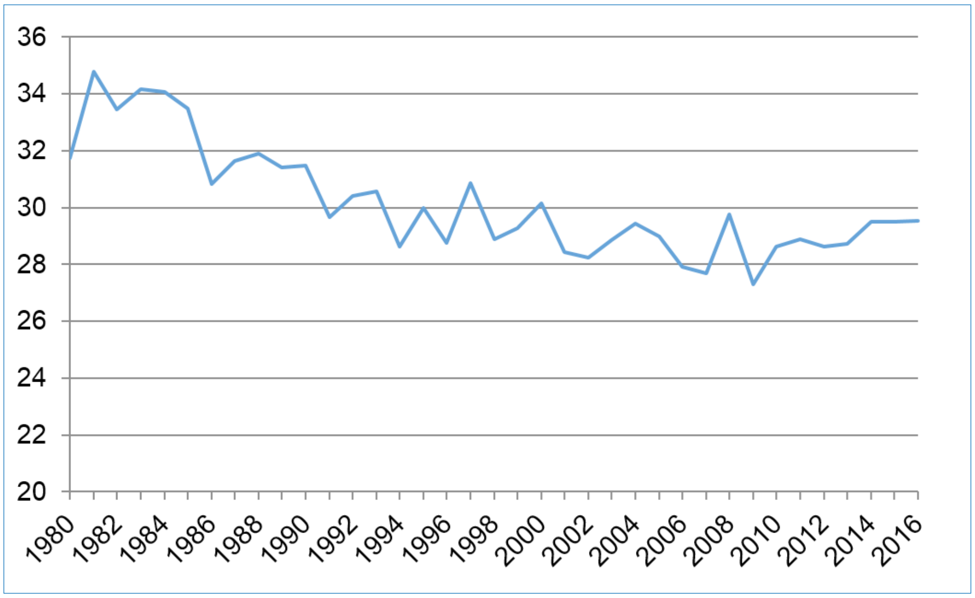
2. Industry Sector Overview and Analysis in Morocco

2.1 Industry Is a Pivotal Economic Sector in Morocco

Morocco remains an overwhelmingly rural and largely unindustrialized country. The industrial sector provides 23 per cent of employment (HCP 2018a) of which 11.1 per cent is in construction and public works. This percentage is far lower than employment in agriculture (33.8 per cent) and services (43.3 per cent) (HCP 2018a). Agriculture long constituted the primary provider of employment, although this sector has slowly come to lose its dominant position to services. The industry sector share of employment has been rather stable over time, and represents nearly half of the employment provided by the agricultural sector. The textile industry holds 40 per cent of overall industrial employment, corresponding to approximately 200,000 jobs, but provides only 9 per cent of its added value. This indicates that the sector is strategic in terms of its ability to absorb manpower and limit unemployment, but its share of national income is relatively modest (see below).

The relatively small share of the industry sector in the Moroccan economy is also apparent in its contribution to national wealth. The industry sector represented nearly one quarter of the gross domestic product (GDP) in 2016, as well as comprising important processing industries, excluding the oil and construction industries. According to the World Bank, this share declined during the 2000s before stabilizing at approximately 29 per cent of GDP in 2016 (Figure 1).

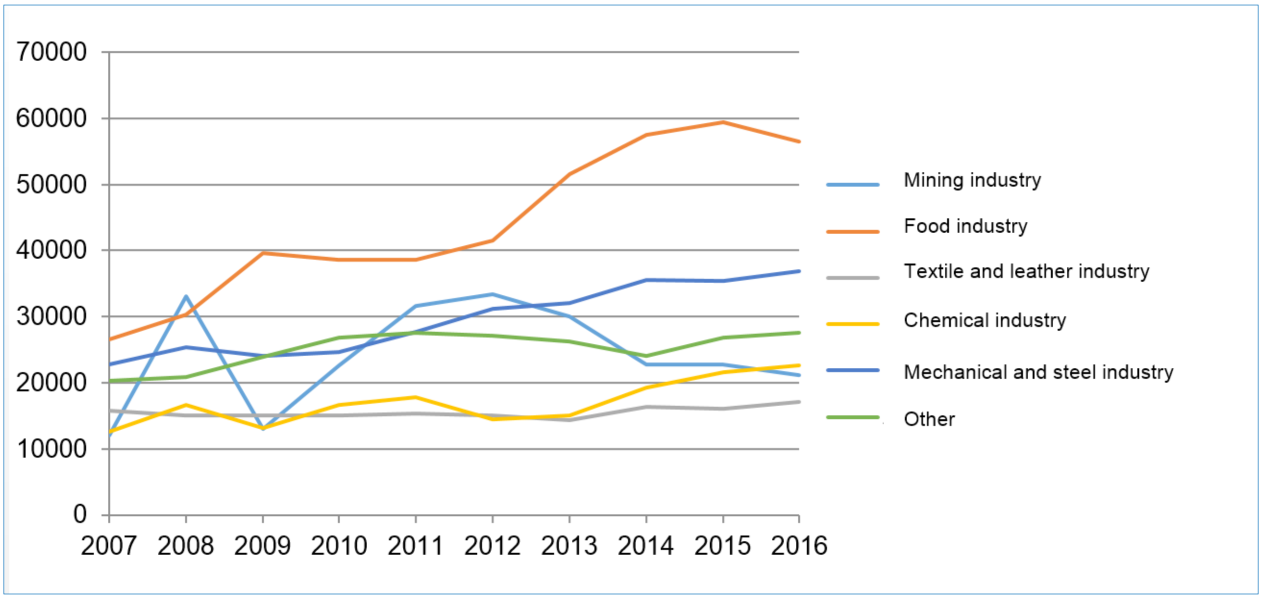
Figure 1 | Industry (including construction), value added (% of GDP), 1980–2016



Source: World Bank data, https://data.worldbank.org/indicator/NV.IND.TOTL.ZS?locations=MA.

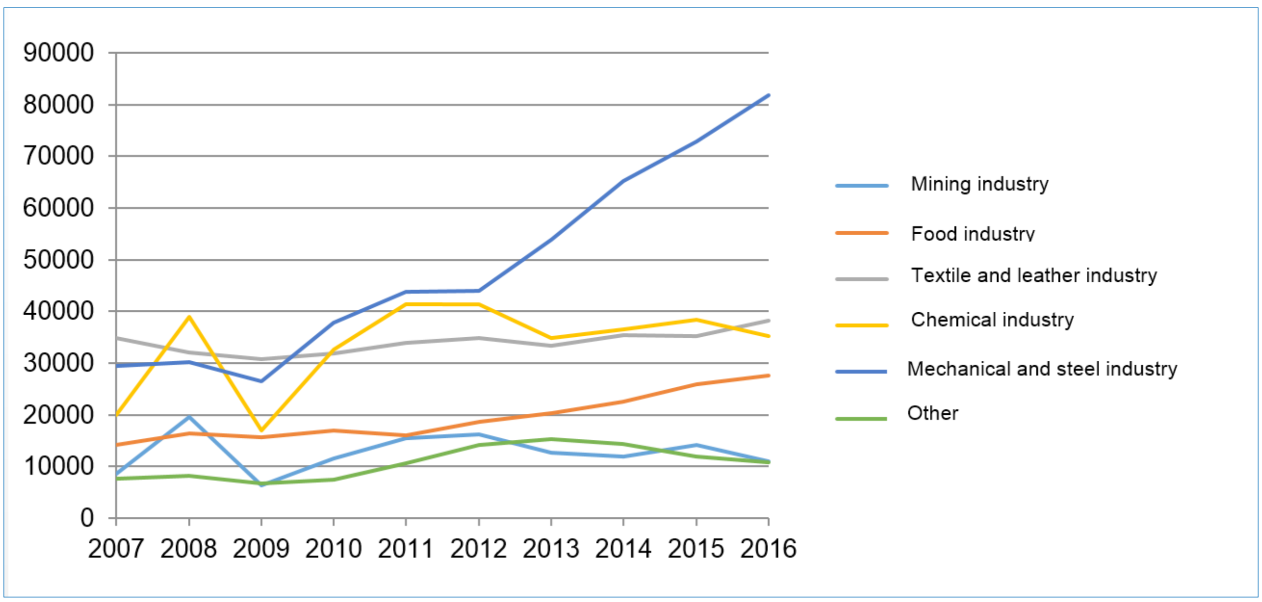
Distribution according to industrial sectors provides interesting indications. The major industrial sectors in Morocco, measured based on their added value, comprise the food and agriculture industry, and the mechanical and steel industries. These are followed by the mining, textile and leather industries (see Figure 2). The mining industry exhibits an erratic pattern, being in decline since 2012, even though Morocco has two thirds of the world's reserves of phosphate and is its largest exporter. Morocco additionally has mines of coal, lead, silver, gold, zinc, copper, cobalt, manganese, iron and other minerals. It is also interesting to mention the slow but constant progress of mechanical industries (see Figure 2).

Figure 2 | Value added by industrial sectors at current prices (million dirhams), 2007–2016



Sources: HCP, national records 2012, 2015, 2016.

Figure 3 | Exports at current prices (million dirhams), 2007–2016



Sources: HCP, national records 2012, 2015, 2016.

Industrial sectors have enjoyed various successes in terms of exports (Figure 3). The mechanical sector's exports performance since 2011 has been particularly noteworthy. The sector is shifting away from traditional sectors, providing evidence of dynamism and an ability to win market shares abroad. These positive results reflect the recent surge of the aeronautic (Bombardier) and automobile sectors. Morocco signed agreements with Boeing in 2016 and hopes to produce 40,000 planes in the next 20 years. The arrival of Renault in 2012 has also stimulated a significant surge in the automobile sector. The number of sub-contractors and manufacturers increased from 35 to 150 in 2015. The factory in Tangier produced more than 200,000 vehicles per year in 2014 and more than 800,000 in 2017;[2] it employs 90,000 people and represents 4 per cent of the GDP. This sector is therefore booming and Peugeot will also move to Morocco in 2019. Indeed, the automobile sector has even surpassed the textile sector in terms of exports.

Studies conducted by the Higher Commission for Planning (2018b) have also revealed indications regarding the informal sector, although the latest data are from 2014. 16.2 per cent of informal production units are in the industry sector, compared to 24.5 per cent in the services sector, 50,6 per cent in the trade sector and 8.8 per cent in the construction sector (HCP 2018b: 36). These figures are consistent in all regions of Morocco (HCP 2018b: 35). The industry represented 20.1 per cent of informal employment in 2014 (HCP 2018b: 49) and generated an added value at approximately the same share as the services sector and half of the trade sector in informal settings (HCP 2018b: 60). The informal sector as a whole represented 12.2 per cent of GDP in 2013 and 10.9 per cent in 2007 (HCP 2018b: 30).

In terms of employment and gender, the HCP provides some data (see Table 1). The construction industry constitutes 23 per cent of total employment, divided between the craft trade sector and the construction industry.

As for gender, both sectors constitute 25.9 per cent of men's employment but only 12.8 per cent of women's. The biggest difference is in the construction sector, from which women are nearly entirely absent. It is unfortunate that this table does not provide disaggregated data for industry and craft trade. It is likely that women are much better represented in the craft trade sector, albeit much less so in industry.

Table 1 | Share of men and women's employment by economic sector (%), 2017

Sector	Men	Women	Total
Agriculture, forestry, fishing	28.7	51.2	33.8
Industry and craft trade	11.7	12.4	11.8
Construction	14.2	0.4	11.1
Transport, warehousing, communication	6.6	1	5.3
Trade	17.5	6.2	15
Administration	9.2	13.6	10.2
Other	12.1	15.2	12.8
Total	100	100	100

Source: HCP (2018a: 30).

2 "Production automobile : Renault atteint le million de véhicules à Tanger", in *Infomédiaire*, 6 June, https://www.infomediaire.net/?p=3021.

The proportion of women in a sector was contingent on the sector in question. It is worth mentioning that this proportion declined between 2005 and 2016, even though an increase may have been expected to reflect the growing participation of women in the labour market. This reduction was primarily seen in the industry sector, which witnessed a significant decrease in the proportion of women from 33.8 per cent in 2005 to 24.9 per cent in 2016 (Table 2). Thus, differences between genders are most easily distinguished in the industry sector, especially in terms of the remuneration of men and women (Moisseron et al. 2017a).

Table 2 | Share of women's employment by economic sector (%): national level (2005, 2016)

Sector	2005	2016
Agriculture, forestry, fishing	37.9	40.9
Industry and craft trade	33.8	24.9
Construction	0.8	1.2
Services	17.3	18.2
Total	27.5	25.9

Source : HCP (2018c: 77).

2.2 Moroccan Industry Sector Weaknesses

In spite of its well-developed industrial sector, it is difficult to identify a true industrial setting in Morocco. Indeed, in reality it consists of a group of poorly connected sectors. Nevertheless, we were able to notice at least three distortions in the Moroccan industrial sector.

First, uneven development in the various activity sectors can be identified. The developed sectors mainly pertain to the production of consumer goods and the processing of basic resources: mining and agriculture. The current scheme relies on the export of barely processed raw materials. Processing sectors are more significantly involved in the (nevertheless fairly negligible) processing of minerals, as is true of phosphate processing into phosphoric acid. Consumer goods such as refrigerators and radios are also subjected to limited processing. This structure results in a weak vertical integration of activities and a lack of intra-industrial exchange. Moroccan industrial sectors are insufficiently interconnected and all rely on the import of processed material. This problem is not new (Jaidi 1992).

Another weakness of the industrial sector is its dual character in terms of size and the types of companies involved. On the one hand, very large corporations provide the majority of production and added value. On the other, a significant number of small and medium-sized enterprises (SMEs) and informal enterprises employ the majority of the labour force, but lack the necessary size to modernize, equip and export. Indeed, "the industrial sector is constituted in its majority of more than 95 per cent of small and medium enterprises which produce only 10 to 20 per cent of industrial production and of which 5 to 10 per cent only are involved in export activities" (Marzak 2014: 35).

This distortion has resulted in a large gap between exporting enterprises and domestic counterparts. Therefore, a lack of medium-sized enterprises in the intermediary processing sectors with the ability to create a real industrial setting can be noted. Hence, this ecosystem does not facilitate innovation, a limitation that discourages foreign direct investment (FDI) (Bouoiyour 2007).

Moroccan industry also does not sufficiently promote job creation. Large corporations of primary processing (such as cement, sugar and phosphate) as well as more elaborate counterparts (such as the automobile sector) are, with the exception of copper and textile, capital-intensive. They do not help reduce unemployment rates, especially when the textile industry is also suffering. Indeed, the latter lost 32,000 jobs between 2015 and 2016, the vast majority of the 37,000 jobs lost in the whole industrial sector during this period, according to HCP data. Two causes explain this situation: the opening of local and international markets to Chinese and Turkish competition, and the decline of Morocco's competitive advantage, namely its lower labour costs due to salary increases without profits in terms of productivity. The emergence of the automobile sector has created distortions in the job market along with a glaring absence of skilled labour or medium-sized enterprises.

Finally, the industrial sector suffers from a deficit in "the rule of law for business", posing issues of insecurity, and especially legal issues for investors (Catusse 2000). Thus, the "relocation of subsidiaries was reinforced by the lack of respect for competition rules, the preference for 'conducting family businesses' and by the lack of trust in the Moroccan legal system from foreign investors" (Marzak 2014: 18). According to a World Bank survey, corruption seems to represent the first obstacle (World Bank 2015). In conclusion, the industrial sector in Morocco benefits from positive elements such as the quality of academic skills, industrial plans, and infrastructure, but it also suffers from weak governance, a general lack of appreciation for the importance of research and a largely absent innovation culture (Ministry of Higher Education 2009).

3. National Strategy for Industry Overview

The observed flaws are the result of Morocco's industrial history and so it will take a long time before they subside. Morocco became independent only to be faced with an economic sector dominated by embryonic mining and agriculture sectors that were largely focused on exporting raw material (Oved 1961). The challenge has thus been to create an endogenous national industry with the capacity to meet the country's needs. It was only in the 1970s when Morocco started to focus on industry and declared significant financial commitment, via state-dependent holdings (Industrial Development Office), the Deposit and Management Fund, and equity shares acquisition by the Office Chérifien des Phosphates. This period was characterized by a policy that aimed to substitute imports through imposing tariffs to protect emerging industries while simultaneously providing support for processing industries, thus targeting the internal market.

In the 1980s, Morocco began to amend its focus. Considering its growing debts, local market saturation, difficulties in exporting goods, and growing dependence on international funding, Morocco abandoned its import substitution policies. The new strategy aimed instead to promote development through exports, necessitating market liberalization and an amenability to international competition. Thus, the industrial context changed radically during the 1980s, especially after a structural adjustment programme (SAP) was implemented in 1983. Industrial policies shifted towards macro-economic stabilization and measures to attract international industries, especially through exchange rates, remittance and implementation regulations (Abouch 1992, Alouani 2008). The new strategy therefore aimed to establish an industrial growth model based on exports, following that of the four Asian Dragons (Marzak 2014: 16).

In the last 20 years, Morocco has adopted a free market approach with the aim of opening the country up to the global economy by lifting protective measures and supporting local stakeholders through incentives (Catusse 2008). The tools set in motion are therefore coherent with this vision. They are introduced gradually through successive strategies similar to programmes that were largely inspired by consulting international organizations (Belguendouz 2005). For instance, the consultancy firm MacKinsey played a significant role in setting successive industrial plans with the objective of altering Moroccan industrial policy. The latter "was thus transformed from a long term structural policy to a medium term competitive strategy based on a micro-economic approach of productive change, and reduced to corporate perspective" (Piveteau and Rougier 2011: 182).

The issue associated with such a strategy is that it was based on the assumption that a fairly strong industrial fabric or competitive chain would be able to withstand international competition in the internal market and compete against international corporations in foreign markets. Export possibilities promoted by intra-industry trade assumed that technological levels and a holistic ecosystem that favoured innovation would be in place, but this is not yet the case in Morocco.

Since 2005, we can identify the Emergence Plan (2005–2009), and the National Pact for Industrial Emergence (2009–2015). They were based on a diagnostic of each sector and a benchmarked evaluation (Piveteau and Rougier 2011). The most recent period has been governed by the Industrial Acceleration Plan (2014–2020).

3.1 The Emergence Plan (2005–2009) and the National Pact for Industrial Emergence (2009–2015)

In recent years, the industrial policy has been reflected in the development of the Emergence Plan (2005). The idea behind this plan was to revive Moroccan industry by attending to various sectors identified in other plans (such as offshoring, automobiles, electronics, aeronautics, textiles, copper and food). The National Pact for Industrial Emergence (NPIE) succeeded the Emergence Plan in 2009. This pact was developed by McKinsey Consultancy firm from 2005. It presented itself as a "pact" between the private sector and the Moroccan public sector under the authority of King Mohammed VI. It did not include any gender dimension (indeed, the terms "gender", "women" and "female" were not found in the 87-page document).

The NPIE aimed to create 220,000 jobs (Ministry of Industry 2009: 58). Employment was central to the industrial emergence plan:

> The contract-program aims to assign the following general objectives to the sector for the period of 2009 to 2015: (i) creating long term industrial jobs and reducing urban unemployment; (ii) increasing industrial GDP; (iii) reducing commercial deficit; (iv) supporting industrial investment, both national and foreign; (v) contributing to land development policy. (Ministry of Industry 2009: 14)

This very ambitious programme was presented as a series of integrated measures supplemented by funding and follow-up mechanisms.

The principles were based on three principal guidelines: (i) relying on industrial sectors for which Morocco already has competitive advantages to revive the industry; (ii) dealing with the whole industrial fabric without exception, through four "cross-cutting projects: strengthening SMEs' competitiveness, improving the business climate, training, development of new generation industrial parks called "P2I-Integrated Industrial Platforms"; (iii) establish an institutional organization that would facilitate the development of efficient and effective programmes (Ministry of Industry 2009: 14).

Target figures were determined for the programme for 2015: creating 220,000 jobs, increasing the industrial GDP by 50 billion dirhams, increasing exports by 95 billion dirhams, and raising 50 billion dirhams in investment. In order to implement this plan, the state provided 12.4 billion dirhams in funding (approximately 1.1 billion euro). The banking system (BMCE Bank, Attijariwafa Bank and Banque Populaire) have also pledged to provide 400 million euro.

The five main industrial sectors in which this plan was deployed were offshoring, automobiles, aeronautics, electronics, textiles, copper and food. The state provided support to each of these sectors in terms of investment, training and promotion. One of the most interesting aspects was related to the creation of the integrated industrial platforms for each of these sectors and in different regions. These platforms were supposed to provide investors with one-stop logistical facilities.

Morocco launched initiatives to develop the textile sector in 2015, particularly the domestic market through the emergence of an integrated production, distribution and export market development model (and especially the ready-made sector) by improving production responsiveness, access to new markets for denim, improving infrastructure and reducing customs on sector inputs.

It is difficult to evaluate the impact of NPIE, and few studies or evaluations have been conducted concerning the programme. The most important was conducted by IRES in 2014. First and foremost, the NPIE's ambitious objectives in terms of job creation, improved export and increased production were not achieved. The GDP increased by 28.4 million dirhams in 2014, instead of the expected 50 billion in 2015; jobs were created for 78,000 people instead of the expected 220,000; and exports by 24.3 billion instead of the expected 95 billion (Marzak 2014: 39). When reviewing the details pertaining to the different sectors, we also noticed that the objectives were not achieved even though significant progress was made in the automobile and offshoring sectors. Exports in the automobile and aeronautic sectors did increase by 84 per cent and 82 per cent respectively from 2004 to 2011 (Marzak 2014: 38). The undeniable success of the industrial strategy in the automobile sector should not be disregarded in spite of the fact that it was boosted by a limited number of industrial groups, especially Renault, whose arrival was not originally planned. As indicated by Piveteau and Rougier (2011: 188), "the restructuring of the automobile sector around a major manufacturer did not appear neither in the McKinsey report nor in the first Emergence programme".

For the IRES, the "Emergence Plan was not able to offset the Moroccan economy lack of productivity as of yet and did not yield a driving force in favour of development of new industrial products" (Marzak 2014: 39). The underlying reason comprised characteristics revealed by academic studies that remain relevant today:

> The Moroccan industrial policy has ended up becoming merely a strategy aiming to improve the competitiveness of existing activities or those appealing to foreign direct investments for a limited number of new subcontracting activities, geared towards the European market. Beyond the direct job creation, the Moroccan industrial emergence strategy has failed to produce a significant impact on the development of local firms. (Piveteau and Rougier 2011: 189)

It is also difficult to evaluate net job creation related to this pact and the evolution of employment. During this period, Morocco lost 15,000 jobs in the industrial sector. For example, it lost 9,000 jobs between 2016 and 2017 and created 7,000 jobs between 2015 and 2017 (HCP 2018d). Based on the results, the objectives did not seem to be achieved.

3.2 Industrial Acceleration Plan (2014–2020)

The new Industrial Acceleration Plan (IAP) is based on three pillars: stability, ability to attract, and efforts made towards developing infrastructure. It is part of a particular context of working to reduce unemployment. According to the Ministry of Industry, the aspiration is to create 500,000 jobs and increase the industry's contribution to Morocco's GDP from 14 to 23 per cent by 2020. However, given the progress made by the NPIE, these objectives are probably not very realistic (Ministry of Industry 2014).

The general approach of the IAP aims to create jobs in the most promising export sectors. The driving idea is to promote the emergence of an industrial ecosystem, unifying corporate group leaders who possess the required impetus to attract (particularly foreign) investors and professional associations. The state supports job creation by signing "contracts" that grant these associations advantages in terms of access to land, taxation and establishment.

The IAP seeks to address several challenges: (i) increase the ability to absorb newcomers. The objective is to create 500,000 jobs, half generated by FDI and half from the local industrial fabric; (ii) increase the contribution of industry to the GDP from 14 to 23 per cent by 2020; (iii) boost the export capacity both quantitatively and qualitatively; (iv) improve the ability to host investors; (v) develop productivity by providing targeted support to the industrial fabric.

Moreover, for the first time within the textile sector has been the emergence of a long-term vision, enshrined in the Textile Plan 2025 (2015–2020) (Alami 2015).

As with the NPIE, it is difficult to evaluate or estimate the success of this plan, especially because its implementation remains in progress. It would appear that the objectives in terms of the number of jobs created will struggle to meet the declared ambitions. It is also unclear whether these plans will prove sufficient to rectify the different distortions in the Moroccan industry even if industrial fabric fragmentation is taken into account. The media has expressed positive perspectives that can be difficult to document and that are based on the success of the automobile sector. Peugeot is relocating to Kenitra and should produce 90,000 vehicles per year from 2019. Boeing plans to relocate to Tangier in 2019 and create 8,500 jobs (Iraqi 2017: 66).

One might question the facts behind the target figures. For example, what does it mean to increase the contribution of the industry from 14 to 23 per cent of the GDP, knowing that when the construction sector is included, the GDP is already far above this share? If one looks strictly at industry without the construction sector, the objective seems unattainable. Similarly, the HCP indicates a loss of 7,000 jobs in the industry sector between the first quarter of 2017 and the first quarter of 2018 (HCP 2018d), and 89,884 jobs created in 2017 was the figure announced by the minister in charge of the plan.[3] For the authorities, at the halfway stage, 83 per cent of the IAP objectives had been achieved:

> 12 sectors were reorganized into 43 ecosystems, committing the private sector to generate 132 billion dirhams in revenues through export, and to create 427,000 jobs among which 160 thousand should be already given contracts as part of the investment contracts signed since the launch of IAP (PSA, Stelia, Thalès, Renault, Hexcel, Siemens…). (Elalamy 2017)

Nevertheless, these plans benefit the EU, which presents a framework for objectives and action priorities in an endogenous manner in terms of internal policy, enabling it to adjust its action and support for Morocco. Europe can therefore suggest support for Morocco to implement certain aspects of the NPIE, which has already been seen in the framework of the IAP for growth and competitiveness (PACC) (see below).

4. European Policy for Industry in Morocco Overall Evaluation

4.1 Europe Is a Strategic Partner for Morocco

Europe is Morocco's main provider. It buys 64 per cent of Morocco's exported goods. In comparison, the United States of America buys only 4 per cent of Moroccan exported goods while Africa buys just 6 per cent. Among European countries, Spain is the main client with 23 per cent, followed by France with 21 per cent. These two countries represent 44 per cent of outlets, while the other countries represent marginal clients, with the exception of Italy (4.6 per cent).[4]

Europe is therefore Morocco's main trade partner, and with an especially significant share for France and Spain. However, in the past 15 years, the relative share of Europe has tended to decrease in favour of other partners, including across Africa (Fleury and Payet 2016: 19–20).

It has been noted that for the period, the Moroccan trade deficit towards Europe has almost doubled, increasing from 4.2 billion euro in 2007 to 7.3 billion in 2017. However, this deficit seems to have become more stable since 2012 (see Table 3).

3 "Plan d'accélération industrielle: près de 90.000 emplois créés en 2017", in *H24info*, 22 March 2018, https://www.h24info.ma/?p=151647.
4 See World Integrated Trade Solution (WITS) website: Morocco *2016 Export partner Share*, https://wits.worldbank.org/CountryProfile/en/Country/MAR/Year/LTST/TradeFlow/Export/Partner/by-country/Product/Total.

Table 3 | Morocco's exports and imports with the EU (million euro), 2007–2017

	Export	Import	Deficit
2007	8,115	12,381	-4,266
2008	8,498	14,453	-5,955
2009	6,585	12,038	-5,453
2010	7,775	13,787	-6,012
2011	8,876	15,407	-6,531
2012	9,327	16,943	-7,616
2013	10,046	17,287	-7,241
2014	11,053	18,211	-7,158
2015	12,456	18,142	-5,686
2016	13,789	20,965	-7,176
2017	15,092	22,416	-7,324

Source: European Commission (2018: 3).

The main exported goods of Morocco to the EU are clothing (17.7 per cent) of exported goods to the EU; machinery and equipment (40.4 per cent); agriculture and food (23 per cent); and chemical products (5 per cent). The main imported goods are machinery and equipment (20 per cent of imported goods to Morocco from Europe); chemical products (12 per cent); textiles (10 per cent), petrochemicals (7.4 per cent); motors (7.4 per cent); and metals, electronics and paper (5 per cent) (see Table 4).

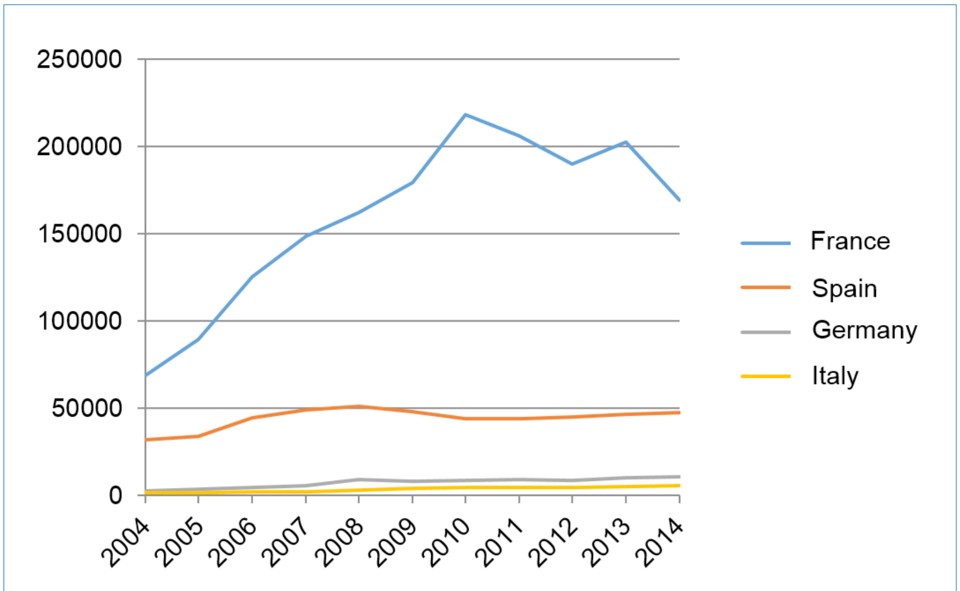
Table 4 | Morocco's exported goods by economic sector, 2017

Exported goods	Value (million euro)	Share (%)
Agriculture	3,494	23
Hydrocarbon mining	551	3.7
Manufactured products	10,853	71
Metal	28	0.2
Chemical	753	5
Other semi-manufactured products	306	2
Transport machinery and equipment	6,090	40.4
Textiles	254	1.7
Clothing	2,672	17.7
Others	195	1.3
Total	15,092	100

Source: European Commission (2018: 4).

Europe's significance to Morocco is also true in terms of FDI (Figure 4), although other actors like the Gulf countries have also started to intervene. Nevertheless, Europe's share (especially that of France) remains salient.

Figure 4 | FDI from the main European countries (million dirhams), 2004–2014



Source: Fleury and Payet (2016: 26).

4.2 Association Agreement EU–Morocco (1996)

In terms of industry, the most important action conducted by the EU was the signing of the free trade agreement with Morocco in 1996, which came into effect in 2000. The industrial component aimed to gradually establish a completely free trade zone between Morocco and the EU. Prior to this agreement, Moroccan industrial products had free access to EU territory. The agreement therefore aimed to open up Morocco to European industrial products, with a gradual reduction of customs depending on product categories. From 1 March 2000, the trade of equipment goods and some spare parts was liberalized. In March 2003, these were accompanied by raw materials and local non-manufactured inputs. According to Article 11 of the Association Agreement (AA), customs were to be reduced by 10 per cent per year starting in 2004 for goods manufactured in Morocco. The ninth reduction instalment was implemented in 2011, corresponding to 90 per cent of customs, in addition to a gradual elimination of customs for some automobile vehicles, with an approximate reduction of 90 per cent of customs in 2011.[5]

In exchange, Morocco became one of the first beneficiaries of EU aid with payments amounting to 1.6 billion euro over the period extending from 1996 to 2006 (Ministry of Economy and Finance 2007: 4).

Morocco also benefited from the creation of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) in October 2002. The objective of this programme was to facilitate access to long-term credit, the provision of risk capital, innovative financial products and

5 See the Ministry of Industry website: *Accord d'Association Maroc UE*, http://www.mcinet.gov.ma/ce/AccordsCommerciaux/UE.asp.

the provision of interest rate subsidies for environmental projects. Between 2002 and 2006, Morocco benefited from 1 billion euro in funding from the FEMIP (by way of comparison, the figures for Egypt and Tunisia were 2 billion euro and 1.1 billion euro, respectively). The EU–Morocco Association Agreement also provided temporary safeguard measures for emerging industries in the restructuration phase. Furthermore, both parties committed to protecting industrial property rights (Article 39). The agreement also identified fields of scientific, technical and technological cooperation, particularly for the industrial sectors (Box 1).

Box 1: Extract from the EU–Morocco Association Agreement

Article 49: Industrial cooperation

The aim of cooperation shall be to:
(a) encourage cooperation between the Parties' economic operators, including cooperation in the context of access for Morocco to Community business networks and decentralised cooperation networks;
(b) back the effort to modernise and restructure Morocco's public and private sector industry (including the agri-food industry);
(c) foster an environment which favours private initiative, with the aim of stimulating and diversifying output for the domestic and export markets;
(d) make the most of Morocco's human resources and industrial potential through better use of policy in the fields of innovation and research and technological development;
(e) facilitate access to credit to finance investment.

Source: EU and Morocco (2000).

4.3 Morocco–EU Industrial Upgrading Programme (1997)

When the Barcelona Declaration was signed in 1995, Europe committed to a Moroccan economy support programme in order to mitigate the free trade agreement's impact. The aim to both prepare for Morocco's introduction to the European market by improving the competitiveness of Moroccan businesses, and promoting the creation and development of SMEs.

The MEDA funds (165 million euro over the period 1996–1998) supported the Moroccan economy and facilitated an improved socioeconomic balance, while the Structural Adjustment Facility was supposed to compensate for the tax deficit caused by the tariff's dismantlement.

The Industrial Upgrading Programme was created from 1997. It had a clear liberal focus following the reforms and support of the King of Morocco:

> Accelerating the upgrading of our economy and swift transformation from a revenue-generating economy to market economy is done to help us overcome the challenge of free trade agreements with the EU, the United States, and the States south of the Mediterranean which are signatories of the Agadir Declaration and to reinforce

Morocco's role as exchange route between the three continents.[6]

The Industrial Upgrading Programme had been entrusted to the National Agency for the Promotion of SMEs. It was defined as a process aiming to permanently prepare and adapt businesses and their environment to market requirements and is conducted by: (i) improving business productivity; (ii) offering more cost-effective products/services; (iii) supporting the competitiveness of businesses; (iv) following up on the development of techniques and markets.

Contrary to the situation in Tunisia, Morocco adopted a liberal approach: "It is a matter of rectifying market imperfections which lead to low investments and weak business competiveness and not a matter of putting the State in the role of proactive player developing a national upgrading policy" (Bougault and Filipiak 2005: 13). The Upgrading Programme therefore essentially aims to improve SMEs access requirements to funding and reinforce loan offer requirements. The Moroccan state does not present itself as a state strategist responsible for determining industrial policy, but rather a market regulator whose role is to limit distortions. According to Moroccan logic, the tools are mainly the lines of credit aimed at reducing financial exclusion. There are also investment credit guarantee funds that support SMEs in obtaining guaranteeing loans.

Evaluations of the upgrading programmes have been ambivalent (Moisseron 2005). It seems that the Industrial Upgrading Programme had a positive impact on sales, employment and debt growth. The effects have however been more limited in terms of productivity, investments and export. The average payment of financial support given to each business has remained too low to positively influence performance, because the creation phase was long and hesitant. The upgrading policies did not have a significant impact on blocking Morocco's international specialization, and little to no impact on the level of investment, as waiver rates upon enrolment are high in Morocco. It is the businesses with foreign partners that have benefited most from the upgrading policies (Bennaceur et al. 2007). Furthermore, the elements that were not sufficiently considered have appeared decisive in rendering upgrading policies more efficient. These are aspects relevant to working conditions and professional relationships, improving the management of the working urban environment, reinforcing social dialogue mechanisms and developing trade unions and employers' ability to enjoy socially efficient dialogue (Belghazi 2005).

4.4 New Neighbourhood Policy (2004)

In 2004, the European Union launched its New Neighbourhood Policy (NPP) in order to address developments in the countries of Eastern Europe and their gradual integration into the union, as well as to reactivate the Barcelona process. It aimed to deepen cooperation based on the "anything but membership" principle, thus allowing each country to implement deeply rooted reforms and harmonize the institutions for more effective integration. The industry was directly affected by NNP and the action plan, which was signed by the EU and Morocco in 2005. Morocco seized the opportunity to further develop its cooperation with the EU, particularly by exceeding the commercial dimension defined by the Barcelona process.

6 Throne speech of King Mohammed VI on 30 July 2002, http://www.maroc.ma/fr/discours-royaux/discours-de-sm-le-roi-mohammed-vi-à-loccasion-du-troisième-anniversaire-de.

The action plan defines the support given by the EU in terms of technical assistance to the reforms of Moroccan administrations as well as of the private sector. The action plan includes an intervention in several sectors, but those related to industry are: (a) economic and social reform; (b) trade, the market, and regulatory reforms; and (c) transport, energy, information society, the environment, sciences and technology, and research and development (European Commission 2004).

As for economic and social reforms, the action plan aimed to ensure that economic modernization and upgrading would enable the Moroccan economy to be better prepared for free trade and reinforced its ability to absorb external shocks. For the signatories, this was possible through reinforcing macro-economic fundamentals, structural reforms intended for the transition towards a market economy, cooperation in terms of employment and social policy, regional and local development, and the promotion of sustainable development.

As for the part concerning "Trade, market, and regulatory reform", the aim of the plan was to liberalize exchange rates and investments and harmonize regulations. The action components concerned liberalizing the trade of goods (modernizing customs, normalization and technical regulation, and issues of sanitary and phyto-sanitary norms), rights of establishments, movement of capital, short payment flows, as well as other sectors (taxation, competition, government subsidies, protecting consumers, property rights, public markets, management and control of public finances, and the business environment).

The EU therefore intervenes in a large number of sectors that complement the free trade agreements, with a likely impact on industry in Morocco.

In order to provide financial support to the action plan, the National Indicative Programme (NIP) was created for Morocco and the EU. During the period 2007–2010, the budget allocation granted to Morocco amounted to 654 million euro. The NIP's tools were particularly related to sector adjustment facilities in the form of direct budget support as well as interest rate subsidies, especially in the sectors of energy, transport and the environment. If we consider the budgets' details, we can conclude that the bulk was dedicated to social aspects (National Initiative for Human Rights, literacy, education sector and healthcare), whereas other programmes (governance and human rights priority, institutional support priority, economic priority, and environmental priority) were all underfunded.

Thus, the budgets granted to economic priorities amounted to 25 million euro in 2007, 60 million in 2008, 90 million in 2009, and 65 million in 2010, which can be considered relatively limited (Ministry of Economy and Finance 2007: 8). However, it is very difficult to estimate the share given to industry as the programmes were not focused on this sector but rather more generally on the private sector or to support the creation of the association agreement (for more details about funding related to industry, see Ministry of Economy and Finance 2007).

4.5 Action Plan (2013–2017)

The Action Plan 2013–2017 discussed and presented in 2012 attempted to reflect in facts the advanced status obtained by Morocco in 2008. It represented a step in the context of deepening relations between the EU and Morocco, within the framework of the DCFTA. This plan was a detailed roadmap that would constitute the framework for Europe's aid policy in the period.

During this period, bilateral aid from Europe to Morocco was largely focused on three priority sectors: fair access to social services, democratic governance, rule of law and mobility, employment and sustainable and inclusive growth. Furthermore, additional support for capacity building and civil society were planned but were deemed beyond the scope of the priority sectors.

Box 2: Extract from the action plan regarding industrial cooperation

Make research capital more attractive
• Promote technology transfers and industrial partnership.
• Set up zones for business incubators and spin-off activities with R&D support in potential growth sectors for Morocco.
• Encourage twinning and partnerships with European clusters.
• Increase exchanges of experiences and best practices in research and development and industrial innovation, including aspects related to the establishment of clusters, technology platforms and technology parks on the lines of innovation zones.
• Develop partnership initiatives to support the emergence and development of industrial activities related to renewable energy a[s] part of the national energy strategy.

Continue dialogue on the future of the textile/clothing industry (*)
• Continue to step up exchanges of best practices among national authorities, industry associations, companies, research centres and other social partners involved in the Euro-Mediterranean region's textiles and clothing industry.
• Intensify discussions not only on the challenges facing the textiles and clothing sector but also on possible future options and concrete actions to modernise the industry and increase industrial competitiveness in textiles and clothing in the Euro-Mediterranean region.

Promote dialogue on industry
• Step up exchanges of good practices and discussions between national partners involved in industry, not only on the challenges faced by industry but also on possible future directions and concrete actions to modernise the national industrial fabric and increase Morocco's industrial competitiveness.
• Strengthen dialogue in several sectors and/or areas related to industrial policy such as SME policy, tourism, space, raw materials, standardisation and ACAA.

Promote the sustainable development of enterprises […]

Source: European Commission and EEAS (2013: 53–54).

(*) The Euro-Mediterranean dialogue regarding textiles and clothing was launched in 2004. It facilitates the sharing of experiences and initiatives to promote investment in the sector. Two conferences were held to celebrate the Dialogue, one on its 10th anniversary in 2014, and the other in April 2015.

The Morocco Action Plan (2013–2017) focused only marginally on industry. The majority of European support was dedicated to other sectors. With regards to industry, which axiomatically remained marginal, the EU was to comply with the Moroccan policy as defined in the NPIE, particularly regarding issues of environment, business and the creation of integrated industrial platforms (see European Commission and EEAS 2013). Other provisions or ambitions stated in Item 6.3 of the Action Plan included "[f]acilitat[ing] market access for industrial products" (European Commission and EEAS 2013: 39). The first chapter focused on the free movement of industrial products by following up on the harmonization of Moroccan legislation on industrial products with international and European regulations and practices. The second chapter concerned the elimination of restrictions, particularly non-tariff-related obstacles. Item 6.13 should also be mentioned as Morocco committed to implementing the Euro-Mediterranean Charter for Enterprise (European Commission and EEAS 2013: 52). In Item 6.14, the document mentions industrial cooperation (see Box 2).

As for the issue of employment, of particular interest to the MEDRESET project, the "Employment-SME-Spring" programme aimed to contribute support to the reforms undertaken by the government to reduce unemployment and promote employment, particularly in SMEs and VSBs. The planned budget support amounted to 40 million euro. The professional training programme extended over the period 2016–2021 provided budget support amounting to 60 million euro, and not unrelated to industry. It aimed to support the reforming of the professional training apparatus with its aspirations of reinforcing human capital to achieve sustainable, inclusive and participative growth, with particular attention to people excluded from training and skills.

4.6 The Case of the EU Support Programme to the Growth and Competitiveness of Morocco (2015–2016)

It is interesting to examine the details of this plan as they might help explain an important aspect cited by the stakeholders in interview: the relative invisibility of the EU with regards to aid policies.

The EU Support Programme to the Growth and Competitiveness (PACC) had a budget amounting to 100 million euro and allocated as follows: 90 million euro as budget aid and 10 million euro as complementary aid. The programme's objectives were to help improve SMEs' competitiveness by increasing the quality and diversity of production and market supply, improving access to marketing networks, increasing the attractiveness of Moroccan supply at the international level, supporting the sustainability of shared management, and facilitating the creation of niche markets related to the green economy.

The programme focused on three areas: (1) lifting constraints on competitiveness by reinforcing the implementation of Moroccan industrial policy as defined by the NPIE; (2) facilitating access to the European market for private sector operators by supporting the implementation of a Foreign Trade Development Plan within the perspective of the DCFTA; (3) promoting the transition to a low-carbon green economy by supporting the implementation of a sustainable development national strategy.

The project was piloted through a three-lined matrix: competitiveness, trade openness and green economy aiming to converge towards the community *acquis*. The complementary funding part is related to technical assistance in addition to joint identification for several intervention sectors. Finally, in addition to these grants, an additional sum of 30 million euro was dedicated to a Neighbourhood Investment Facility (South) (NIF) in preparation for DCFTA.

The institutions of member countries also address industrial issues in Morocco. In particular, the support of the French Development Agency (*Agence Française de Développement*, AFD) given to NPIE should be mentioned. AFD supports MEDZ, a subsidiary of the Deposit and Management Fund, in creating integrated industrial platforms. AFD provided financial support to MEDZ amounting to 150 million as a complement to a loan of 100 million from the European Investment Bank (EIB). This support consists of funding to a MEDZ investment programme of 50 million euro over the period 2011–2015 and a refinancing amounting to 100 million for loans already taken by offshore parks. Furthermore, AFD granted a subsidy of 500,000 euro for technical assistance in terms of operational reporting, financial monitoring and environmental management.

4.7 The DCFTA Project

One structural project that should affect industry in the future is the Deep and Comprehensive Free Trade Agreement (DCFTA) project. It is a "second generation" agreement that does not aim to liberalize the trade of goods and services and capital movements, but rather to harmonize regulations, procedures, norms and institutions in order to integrate countries' signatories of the agreement. The process is similar to the "renewal of the community *acquis*" that preceded the integration of Central and Eastern European countries into the EU. DCFTA therefore covers several fields, including services trade, protection of investments, competition policy, anti-dumping measures, sustainable development, public markets, sanitary measures and intellectual property. DCFTA is more than a simple trade agreement, as it is concerned with harmonizing norms and regulation approximation as well as reforming sanitary regulations. These subjects are much more complex and their effects are much more unpredictable than a simple reduction of customs within the framework of trade agreements.

DCFTA negotiations were suspended in 2014 following the fourth negotiation round, as Morocco stated its desire to catch up to resume negotiations, in order to limit the impact of the agreement on the internal situation, and to give itself time to modernize its foreign trade law. Morocco's concerns were related to the consequences of the agreement, which were likely to have profound social effects, particularly in the services and agriculture sectors.

In all cases, it is difficult to know whether political issues, especially those caused by the Polisario regarding the Agriculture Agreement of 2012, were salient. This perspective has been proffered by a number of researchers (Van der Loo 2016).

The DCFTA negotiation process is relatively long. The difficulties faced in forming a government in early 2017 have slowed down the process as the DCFTA negotiations were not the priority of the executive authorities.

4.8 Difficult Evaluation of EU Action in the Field of Industry

It is particularly difficult to isolate the impact of free trade agreements with the EU from the impact of other agreements. In fact, Morocco signed free trade agreements with more than 50 countries. Within the frame of the European Free Trade Association (2000), agreements were made with Norway and Switzerland. In 2006, Morocco also made agreements with Turkey and the USA. The Agadir agreements established free trade in the largest Arab zone with 18 countries from the Arab League. The country signed trade agreements with Africa as part of the preferential trade and investment agreement project with the West African Economic and Monetary Union (Burkina Faso, Benin, Guinea Bissau, Ivory Coast, Mali Niger, Senegal and Togo), initiated in 2008. Morocco is currently negotiating with the Economic Community of West African States (ECOWAS) in order to gradually establish free trade zones, as well as with Cameroon, Central African Republic, Congo, Gabon, Equatorial Guinea and Chad.

Furthermore, even though free trade agreements focus on industrial products, they affect all sectors. It is therefore impossible to isolate their impacts on the industrial sector. In the last ten years, Morocco, like other poorer Mediterranean countries, has been subjected to significant external shocks that had a profound impact on both the economy and industry.

In 2008, the crisis in Europe deeply affected Morocco's exports to the rest of the world, especially Europe. Moreover, in 2011 the Arab Spring affected all Arab countries, including Morocco.

It is also difficult to evaluate the impact of European tariff dismantlement and to isolate the overall reduction of customs while taking into consideration a number of significant free trade agreements signed with Morocco. A study conducted by the African Development Bank has revealed that the impact of dismantlement on Moroccan industry's competitiveness has been limited (Augier and Castel 2017: 37). The positive impact of customs has only been verified for 11 out of 60 sectors, including food and agro-food products, beverages, non-ferrous metals, automobiles and clothing. Tariff dismantlement played a positive role only for the category of "primary products and resource-based products". The positive effect primarily occurred in industries that were already well-established in international trade (Augier and Castel 2017: 37). A study conducted by the FEMISE also recorded negative results in terms of employment, and all other things being equal, "in all sectors where the job market witnessed a positive evolution in previous simulations", therefore in agriculture, fishing, tobacco industries, textiles, clothing and copper (Laaboudi 2010: 101). These results are less positive than those anticipated by the relevant literature. A prospective study conducted in 1997 indicated that free trade agreements would have negative effects on the salaries of less skilled workers even though improvements in employment had been expected. This author has additionally insisted on the importance of support measures (Boughzala 1997).

The difficulty in evaluating the impacts of European policies or even upgrading policies can be explained by the contradictory effects these reforms often have on different categories of workers within the same sector. This was demonstrated by a study of the clothing sector in Morocco. Economic upgrading can simultaneously be reflected in an improvement and degradation of working conditions, depending on the type of workers in question (Rossi 2013). According to a study funded by the EU, the effects of free trade agreements have minimal impact on industry, which can potentially be explained by the fact that only 32 per cent of trade is conducted under preferential conditions (Alcidi et al. 2017: 125).

Regarding the DCFTA, ECORYS, commissioned by the European Commission, conducted an evaluation study based on a general balance model and qualitative surveys. The results of the study were relatively reduced for Europe but revealed a positive impact on Morocco, especially on national revenue and trade flows. Significant positive effects are also expected in terms of salaries (for the highly skilled by 1.9 per cent and for less skilled workers by approximately 1.6 per cent) (ECORYS 2013: 13–14). The exported goods of all industrial sectors should increase significantly, but it is mainly the other machines and automobile vehicles sectors that will benefit most from free trade (ECORYS 2013).

This evaluation was subject to criticism in Morocco, largely owing to the lack of data needed for the model rather than the methodology (Jaidi 2014).

The DCFTA is likely to have an impact on industrial development in Morocco, especially for small businesses. However, it is difficult to anticipate the impacts, since the content of the agreement has not been established even today.

5. Analysis of Texts Produced by Stakeholders

The documents provided by the interviewees were mainly documents (such as flyers and presentations) describing the sectors, organization, successive industrial plans (e.g. emergence and industrial acceleration) but without any critical perspective. In order to obtain critical opinions or more consistent evaluations, one should talk to think tanks such as the IRES or the OCP Policy Center, or even NGOs like ATTAC (Aziki 2018).

ATTAC argues that the free trade agreements have contributed to the plundering of Morocco's resources. Part of the criticism is based on the degradation of the trade balance, and particularly the deficit with Europe, which holds the most significant share but does not directly address EU industrial policy. ATTAC is especially sensitive to the limitations of trade that affect agriculture or even industrial products:

> The exporting industrial countries benefit from the free trade agreements to open the borders and flood the local Moroccan market with subsidized products while benefiting from the poorly defined sanitary and environmental standards. At the same time, they succeed to maintain non-tariff obstacles to protect their domestic markets (Aziki 2018).

In 2014, IRES conducted one the most comprehensive evaluations of industrial policies in Morocco. In this 214-page document, the EU is mentioned 29 times, but never as a partner in industrial policy (Marzak 2014).

The two most significant conclusions of the report can be summarised as follows. The new industrial approaches

> have certainly triggered a dynamic that improved the attractiveness of the country and boosted professions in Morocco, particularly the automobile and aeronautic sectors; however, they have not induced the anticipated structural changes particularly in terms of substantial generation of added value and jobs. [...] Moreover, [...] the reason behind the lack of comparative competitiveness of Moroccan industry is first and foremost systemic (transversal and institutional constraints) rather than functional (clusters, subsidiaries...). (Marzak 2014: 6)

However, IRES indicates that Morocco has become less attractive to FDI because Europe has made several taxation agreements with other regions in addition to concessions in the textile sector for countries affected by the Indian Ocean tsunami in 2004 (Marzak 2014: 117).

This report presents 15 recommendations that are entirely relevant and would help boost industrial policy (Marzak 2014: 162–78). These recommendations aim to improve the business environment within the frame of the liberalization selected. It is interesting to note that the word "woman" only occurs once and the word "gender" not at all. For some, these recommendations repeat what has already been mentioned in the industrial plans, whereas others are more general, such as cooperation between businesses or exchange rate policy:

1. Accelerate the professionalization process of the educational and training systems;
2. Include an innovation and research & development policy;
3. Develop infrastructure and access to industrial land;
4. Develop a finance and exchange rate policy;
5. Address the weaknesses of related industries and the challenges facing cooperation between businesses;
6. Increase the effectiveness of transversal actions on the strategy of internationalization of businesses;
7. Renew the industrial policy;
8. Include the regional dimension in the conceptualization of the industrial policy;
9. Ensure coherence in sector strategies and relations between industrial policy and trade policy;
10. Further institutionalize private-public dialogue and optimize interaction between the main stakeholders of the industrial policy;
11. Adopt a proactive investment strategy and continue the modernization of regulations;
12. Improve the business environment;
13. Prioritize normalization;
14. Redirect the corporate tax structure and VAT towards supporting businesses' competitiveness;
15. Put taxation at the service of the internalization of the economy.

In his rather positive assessment of the Industrial Acceleration Plan, the author from OCP Policy Center insisted that it is necessary to limit the period of eligibility of private investors for incentives expected from the industrial policy, in the sense that subsidies should be gradually reduced over time (El Mokri 2016: 10). This represents a means of forcing businesses that benefit from the advantages to prove their efficiency and avoid repeating income-seeking behaviour that is not competitive.

This idea is shared by the author, who indicates that aid and financing facilities should be seen as two different things by separating pioneering businesses that are facing uncertainty from businesses that already benefit from a more stable environment. This would allow market flaws and the private sector's reluctance to take risks to be circumvented. For this author, although Moroccan industrial policy is heading in the right direction, the development of new revenues or monopolies should be avoided, ensuring that it maintains "entry costs" that are sufficiently low to welcome newcomers and thus promote competitiveness (El Mokri 2016: 11).

Other reports or studies issued by Moroccan public organizations have been more critical. The report of the Department of Economic Studies and Financial Forecast (Haggouch 2016) is particularly contrary to the openness policy:

> [It] has led to significant progress in terms of reinforcing exchanges, foreign direct investments attraction, and modernization of the national productive fabric; however, it has put a strain on our country's ability to reach an adequate level enabling it to confront global competition due to the persistence of several structural weaknesses. (Haggouch 2016: 4)

In a particularly critical paper, two authors (Hasnaoui and Malainine 2014) have underscored the contradictions between the liberalization of Morocco's trade policy (and especially the multiplication of free trade agreements with different regions) and the internal will to establish industrial policies (see Box 3).

Box 3: Contradictions and incoherence in the openness policy and reforms in Morocco

First of all, the reaction is triggered by the exterior. It is not the result of an internal dynamic. The structural adjustment programme which implementation launched the liberalization process of Moroccan economy was designed and directed by international institutions, namely the IMF and the World Bank. As for the free trade project and enshrining of liberalization, was thus designed and proposed by the EU to all Mediterranean countries including Morocco.

Second of all, a contradiction in the Moroccan economic policy: on the one hand, the private sector is officially declared as the main actor in the economic growth and on the other, public authority deprive this sector of the natural prerequisite for its development which is the local market, by committing to the Euro-Mediterranean free trade zone which forces the sector to face an unfair competition in its own local market.

The third contradiction stems from the attitude in which were conducted all of the reforms and measures such as the liberalization of foreign trade, the privatizations, the banking and financial liberalization, the reform of the legal framework pertaining to business activities and the establishment of off-shore zones. In fact, as the nature of these measures demonstrates, the intended aim is to attract foreign investments. Since, as long as true structural reforms remain excluded, for instance a deep institutional overhaul and the establishment of a public and private governance national system, resorting to these investments seems necessary to address the weak internal investments and to finance exterior deficit. The most significant other forms of incoherence are related to an insufficient transformation of local product in favour of export of raw materials and some agricultural products: phosphates, olives, argan trees, etc., whereas since the 1980s until today the rates of these raw materials keep dropping. Moreover, as they are constituted of micro, small and medium enterprises, the productive Moroccan fabric suffers from several constraints. It is hampered by underfunding, lack of training, weak monitoring and fast development of the informal sector (which remain concentrated in certain large cities: Greater Casablanca, the North, the East), which weaken its situation.

The commercial transactions conducted with Europe in the industrial field mainly favour

> the transfer of activities high on manpower and low added value. It is a trade that does not favour the emergence of activities providing highly skilled jobs, consistent with the aspirations of Moroccan youth who are increasingly ambitious and open to the world.
>
> Source: Hasnaoui and Malainine (2014: 1629–30).

Another type of criticism of Morocco concerns the significance of foreign actors in the process of defining its economic policy (Akesbi 2015). One of the indicators of Morocco's dependence on concepts and definitions proposed by Europe is the similarity between the association agreements or action plans of Morocco and of Tunisia. Europe has the skills, institutions and labour and pressure groups to enable it to negotiate the complexity imposed by such agreements. The literature also indicates that industrial acceleration plans are largely defined by multinational consultancy firms (Piveteau and Rougier 2011).

A group of French authors has also studied the industrial dynamics in Morocco by linking them to Moroccan institutions and territorial reasoning simultaneously (Piermay and Piveteau 2009). It is interesting to note that the reasoning behind industrial plans fails to consider its territorial dimensions:

> The flaw can be explained by the large influence of central power, i.e. the king, in the decision-making process. The large projects are royal and piloted by the king's advisors and agencies located in Rabat, not even by the walis (governors), though they are appointed by the king himself. The government has a limited role. [...] Poor mobilisation of local actors is a constant. Despite declarations and texts, very little progress has been made in terms of decentralization. Almost all regional advisors are evanescent. Community councils are generally a heterogeneous group of individual vested interests, mainly in real estate; the state considers them obstacles to modernization and excludes them from its large projects using exemption provisions. The "local authority" is the wali and not the elected one. (Piermay 2011: 205–6)

6. Analysis of Interviews

The analysis of the interviews yields two types of considerations. First, how do the stakeholders perceive and evaluate the EU policies, and what are the most commonly advertised ideas? The diversity of stakeholders leads to various responses. They express opinions regarding the policies that are supposed to be from the EU (in terms of industry).

6.1 What Are the Ideas Advertised by the Stakeholders Regarding Domestic Industry, and Do These Ideas Conflict, Oppose or Coincide with the EU Policy? How Do These Stakeholders Perceive and Evaluate European Policies?

The ideas defended by the stakeholders regardless of their type (e.g. public versus private) were not fundamentally critical of the major tendencies of Morocco's industrial policy. Criticism was not directed towards the general philosophy of economic liberalization, by which the state merely modifies the rules of the game, especially in terms of benefits or support but also when the modifications are private-sector driven. From this perspective, no opposition or divergence with EU policies is evident. The association agreements were not called into question even where concerns were expressed regarding some sectors (especially the textile sector) and where reservations existed regarding the implementation of future DCFTA.

With regards to the sector plan for industry, no particular contributions were presented regarding European policies. On the one hand, this was due to the EU's actions, which do not tackle specific sectors. However, this also owed to the fact that the EU intervenes in ways invisible to the stakeholders, including those who indirectly benefit from EU financing. For instance, a think tank member (Interviewee 8) indicated that the EU supports the development of auto-entrepreneurs and withdraws its aid directly from the Moroccan budget depending on the progress of sector development indicators. However, it is likely that almost no new Moroccan auto-entrepreneur is aware of the aid given by the EU at the source.

The diversity of European programmes or member countries renders it difficult to distinguish EU actions. Private sector stakeholders (Interviewees 14, 19) stated that the tools used by the Moroccan Industrial Upgrading Plan are not specific to the upgrading process relevant to the European agreement; rather, they are relevant to all enterprises and types of investment. They represent classic financing tools established by the Moroccan government. The Industrial Upgrading Programme gathered tools that are not directly related to the upgrading process: Hassan 2 Fund, New Businesses Loans and Guarantees Fund. Finally, each EU member has established its own upgrading tools: for example, the Morocco–Germany ANPME Cooperation Programme, the French Guarantee Fund for Morocco, and the AWEX–Belgium Financing Fund for the reinforcement of internal funds. There are also Italian, Portuguese, French and German lines of bank credit for the upgrading process. The FOMAN Fund, established in 2003, is the only fund constituting an upgrading tool funded by the EU and Morocco by an amount of 40 million euro. It is supposed to finance technical assistance.

As for respondents from the private sector, the diversity of sources and the fact that European financing is channelled through Moroccan institutions renders the EU's actions invisible (Interviewees 13, 14).

A trade association member (Interviewee 2) mentioned the complexity of the eligibility criteria resulting from the diversity of sources. It is very expensive for businesses to elaborate funding requests files, especially those that lack the necessary internal resources. Private sector stakeholders (Interviewees 14, 19) complained that the procedures are cumbersome and that it is difficult to understand the provision terms that are relevant to internal aid.

Europe must support Morocco's new geostrategic vision. A prominent industrial policy official in Morocco claimed that a large gap exists between the European vision and its tools and practices and the current development of the world (Interviewee 10). Europe offers the impression that it does not consider events at the global level. The issue here is whether the tripolar world that is currently emerging (i.e. Europe, the Arab world and Africa) would have the means to adjudicate on important decision-making or whether it would remain a scene of confrontation between China and the USA (Interviewee 10). We stand at a major turning point. The relationship between the EU and Morocco should be considered, but also those between the EU and the Arab world with a greater European–African scope. Three strategic paths may be identified: a) Europe (France–Spain) with Morocco and East Africa; b) Europe

(Italy) with Tunisia and Central Africa; and c) Europe with Egypt and East Africa. These paths would facilitate the development of both continents and limit African migration, which will otherwise continue to increase in the next 30 years. However, Europe remains to be convinced of shifting progress in its relationship with Morocco (Interviewee 17).

Lack of coordination between stakeholders in Morocco. The EU has expressed its decision to limit its number of contacts within the Ministry of Industry and Trade. This stance was defended by public officials (Interviewee 11). However, this decision was often criticized by members of think tanks and trade associations (Interviewees 4, 18). Morocco suffers from particular governance issues and excessive administrative sectionalism that prevents different stakeholders from coordinating their efforts (Interviewee 18). This is true at all levels of administration. On another note, the main stakeholders, including the most influential trade associations (Interviewee 4), often stated that their voices are rarely heard in negotiations between the EU and Morocco. The majority of programmes, projects and financing are decided bilaterally by the Ministry of Industry and the EU. Other stakeholders have often stated that they are thus not sufficiently involved in these decisions (Interviewees 6, 14).

For one of the NGOs (Interviewee 5) and a business executive (Interviewee 12), the lower level stakeholders are not properly consulted. They are not informed and even less involved, even in sectors with which they are directly related. Information, directions and tools are piloted from the top and little feedback is taken from the base stakeholders. The EU should be developing coordination actions involving the private sector and sharing its know-how in terms of inclusive governance (Interviewee14).

Europe's stance about the issue of Western Sahara is ambiguous. Although we did not expect such remarks, several people from the public sector (Interviewees 10, 11) and from the NGO sector (Interviewee 16) highlighted the ambiguous position of the EU regarding Western Sahara. Europe should have a clear stance about the issue as it directly affects trade agreements. According to the interviewees (Interviewees 10, 18), the EU bears an ambivalent attitude towards Morocco. This attitude was manifested in the termination of the agricultural agreement in 2012 following a complaint filed by the Polisario Front. The termination of the agreement by the EU Tribunal and the appeal of this verdict by the European Court of Justice did not prove satisfactory, as it might undermine all other agreements signed between the EU and Morocco. This constitutes a quandary within the EU, leading to defiance. It would be more unfortunate than absurd to exclude southern territories and security cooperation efforts between the EU in the field of countering terrorism (Interviewee 10).

Lack of appropriation of European tools by stakeholders. European financing within the frame of the Industrial Upgrading Plan are poorly appropriated by the stakeholders (Interviewee 14). For example, the EME Euro Morocco Enterprise programme was created in 1998. However, the usage of available funds was very slow between 1997 and 2003. An extremely low participation rate of Moroccan business was observed. Fewer than 300 business enrolments were recorded in such a crucial sector due to the lack of information dissemination and lack of attractiveness of aid, in addition to the difficulties faced while filing financing requests (Interviewees 4, 14).

One of the main findings (Interviewees 2, 14, 15) is the poor level of appropriation by the authorities and public structures responsible for the blueprints of the Industrial Upgrading Plan developed by the EU. A further criticism expressed by the private sector is that only the largest businesses have the prerequisite resources to obtain financing and support (Interviewee 14). This is not only the case for European financing, but Europe should take these constraints into consideration to avoid reproducing the segmented structure of Moroccan businesses: a smaller number of large businesses and many very small businesses.

EU aid-steering tools are generally neither sufficiently transparent nor evaluated. The interviewed researchers or experts (Interviewees 7, 8) suggested that European policies and the projects created by Europe are poorly evaluated. Moreover, when evaluations are made, they are not sufficiently disseminated. According to one of the experts working for a think tank, EU financing should not be limited to announcements and confusion between grants and funds, expected budgets and those actually obtained should be clarified" (Interviewee 8).

This interviewee believed that a lack of information or transparency was counterproductive for Europe, as these grants and technical assistance constitute compensation for sacrifices or advantages proposed by Morocco to the EU, for example regarding the opening of the national market. Therefore, Europe has a vested interest in demonstrating that its action is not unilateral but rather part of a global action in which all sides participate equally. Finally, the continuity and sequence of the different actions must be ensured. The issue of the actions' sustainability is as important as the actions themselves (Interviewee 9).

The EU is scarcely involved in Morocco compared to Eastern Europe. Several respondents from the public sector (Interviewee 10) and think tanks (Interviewees 17, 18) highlighted the persistent imbalance between EU priorities relevant to Eastern European countries and countries south of the Mediterranean. MEDA funds were insufficient considering the requirements of Moroccan economy: the first tier amounted to a few euro per capita and were 10 times inferior to the financing granted by the EU to Eastern Europe during the pre-enrolment phase (Interviewee 10). Indeed, the funds allocated by Europe to compensate for the tax deficit of Morocco only amounted to half of the deficit in 1996 (Interviewee 18).

This was corroborated by an estimation made by the Ministry of Trade and Industry: the finances needed to adjust the Moroccan economy amount to 900 million euro over the period of 1996–2001, while funds granted by the EU in the same period for industrial upgrading merely covered 18 per cent of that required (Eddiouri 2009: 219).

According to a think tank member (Interviewee 18), the European Neighbourhood and Partnership Instrument (ENPI) did not truly facilitating a financing balance between South and East. Nevertheless, Morocco represents one of the first beneficiaries of the aid provided by this instrument during the period of 2007–2013. Finally, the risk of dilution of the Mediterranean dimension in the neighbourhood policy is clear. From the perspective of the South Mediterranean, there is a feeling that a gap exists between the strategic importance of the zone (and especially Morocco) and the importance of funds (Interviewee 10).

The need for coherence between internal reforms and EU policies. Private sector stakeholders (Interviewees 4, 14) occasionally expressed reservations or concerns regarding the risks of additional competition stimulated by the DCFTA. From their perspective, it is important to harmonize DCFTA negotiations with internal reform dynamics in Morocco, ensuring that both processes are mutually reinforced and do not pose any contradictions. Morocco committed to modernizing its trade policy, including the simplification of procedures and improved focus on the private sector. The DCFTA will modify regulatory norms, particularly in terms of construction and demolition, which would lead to reduced competitiveness in the field of export in non-EU markets (Interviewee 4). There is also an informalization risk for some sectors or some businesses that are not going to implement the new regulations. However, this is in contradiction with the Emergence Plan objectives, which aim to reduce the informal sector (Interviewee 4).

6.2 What Should the European Policy in the Field of Industry Be?

The need for better communication regarding EU action. The European aid terms (and the fact that the main bulk of grants are directly given in the form of budget support in particular) do not help make the EU visible to the stakeholders, including those directly benefiting from it. In fact, European financing was merged with national public policies and is thus no longer visible (Interviewee 17). The businesses benefiting from the support for competitiveness or training go to Moroccan institutions without realizing that the parties (including the EU) support these institutions by providing funds, procedures and specific policies. Thus, one of the stakeholders from the industrial sector (Interviewee 14), previously supported by the EU, admitted to being unaware of EU support from which his sector benefited.

It is not right to advance in the integration process with Europe and the DCFTA without addressing the issue of people's movement. According to an NGO member (Interviewee 16) and a trade association member (Interviewee 4), a recurring issue is the persistence of obstacles that prevent people's movement. This has more impact on the service sector than on the industry sector. However, even in the case of the latter, operators' access to Europe is crucial in all stages of production or trade (for instance, access to trade fairs, opening bank accounts, business trips and market prospection). As long as professionals face obstacles of all types (including difficulties and delays in obtaining visas), they will struggle to take advantage of free trade's potential.

In spite of efforts exerted by different funders, there is a lack of coordination between funders. According to a public sector official (Interviewee 10), funders tend to focus on the same themes and share a unique diagnostic. Their number is fairly high, comprising the African Development Bank, European Bank for Reconstruction and Development (EBRD), World Bank, United Nations, AFD, KfW, GIZ, bilateral actors, USA, Belgium, South Korea, and so forth. There is a risk that sources will multiply and funders will end up competing against each other, which might lead to reduced efficiency. Leverage effects may be more significant in the case of coordination between funders. This level of coordination remains poor in the case of Morocco.

The DCFTA should be considered an occasion to reinforce the industrial sector. According to private (Interviewees 2, 4) and public sector stakeholders (Interviewee 13), the DCFTA should reinforce the industrial sector. This would require expanding the fields of intervention to include renewable energy, transport and the environment. It would also necessitate promoting the creation of integrated industrial subsidiaries, thus facilitating the transfer of technology from Europe to Morocco (Interviewee 10). It is not enough to identify a lack of competitiveness or a low return on employment. A detailed analysis of the industry sector should be conducted to identify the main sectors, particularly the processing industries, which can mitigate the sector's fragmentation. In short, an industrial strategy should be introduced to the action plans (Interviewee 10). Furthermore, the DCFTA should go further in terms of agreements on investments in order to complete what was achieved with regards to trade.

Conclusion

This study has gathered the perspectives of stakeholders and provided insights regarding the questions posed in the frame of the MEDRESET project in terms of Moroccan industry. In contrast to other sectors, including agriculture, energy and human rights, the European Union does not directly stress the industrial sector in the case of Morocco. However, this does not mean that the EU has little effect here. In fact, free trade agreements probably had and continue to have a significant and decisive impact on the evolution of Moroccan industry. Even if Morocco signs several free trade agreements, the agreement signed with Europe is the most significant.

Aside from these elements, the EU policy and its interventions in the industrial sector are reflected in the upgrading programmes, training or employment support, and in the growth and competitiveness support programme. These policies do not specifically target the industry field even if they affect industrial businesses.

Beyond these policies, Morocco has an industrial policy and a plan and a vision for the industry sector. This is reflected in its successive industrial plans. These plans appear somehow to have been efficient, as the automobile and aeronautic sectors have become highly influential in just a few years. However, they remain dominated by foreign stakeholders in terms of design and conception (being assigned to the multinational consultancy firm McKinsey) as well as their implementation with foreign stakeholders (as true of Renault in the automobile sector). The internal criticism targeting these plans has been expressed both in Morocco and worldwide, as these industrial plans have not permitted sufficient critical size even though they have contributed to limiting the erosion of vulnerable sectors such as the textile sector.

The tools used by the EU, including subsidies and financing facilities, go through public stakeholders (and particularly the Moroccan government) and are part of the structures and programmes developed locally. The ultimate recipients of the programmes are not always aware that they are benefiting from European aid, and so they remain largely unknown and invisible. The stakeholders interviewed often demanded that aid processes and programmes ensure their own greater involvement in order to improve these programmes' relevance, efficiency and sustainability. The stakeholders also expressed reservations regarding fairness and raised concerns about the implementation of the DCFTA, which would appear to be an opportunity to strengthen Morocco's integration in the European economic space. Finally, even if the issue of gender is relevant to the analysis of the industry sector in general due to the feminization of employment in the textile industry, it does not seem to be an issue of concern for the stakeholders, national policies and the EU.

The stakeholders proposed the following recommendations:

- The DCFTA should be considered an opportunity to reinforce the industrial sector;
- The funders should coordinate more effectively;
- The people's movement issue should be addressed because the difficulty in obtaining visas limits the potential opportunities derived from the agreements;
- There should be better communication regarding EU action;
- EU action should be more balanced towards the South. Indeed, the imbalance in favour of Eastern Europe raises questions about the importance given by Europe to the South;
- The EU should collaborate with Morocco to develop an industrial policy to avoid specialization effects on lower bracket productive segments.

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Annex 1: List of interviewed stakeholders

First Round of Interviews (face-to-face, Rabat, by Jean-Yves Moisseron)

Interview 1. International organization, female representative, 10 July 2017

Interview 2. Private sector, male representative, 30 October 2017

Interview 3. NGO, female representative, 30 October 2017

Interview 4. Private sector, male representative, 30 October 2017

Interview 5. NGO, male representative, 30 October 2017

Interview 6. Private sector, female representative, 31 October 2017

Interview 7. Think tank, male representative, 31 October 2017

Interview 8. Think tank, male representative, 31 October 2017

Interview 9. NGO, female representative, 1 November 2017

Interview 10. Public sector, male representative, 1 November 2017

Interview 11. Public sector, female representative, 1 November 2017

Interview 12. Private sector, male representative, 1 November 2017

Interview 13. Public sector, male representative, 2 November 2017

Interview 14. Private sector, male representative, 2 November 2017

Interview 15. Private sector, male representative, 2 November 2017

Interview 16. NGO, female representative, 3 November 2017

Interview 17. Think-tank, male representative, 3 November 2017

Interview 18. Think-tank, male representative, 3 November 2017

Interview 19. Private sector, male representative, 3 November 2017

Second Round of interviews (phone, by Jean-Yves Moisseron)

Interview 1. International organization, female representative, 19 December 2017

Interview 16. NGO, female representative, 19 December 2017

Interview 5. NGO, male representative, 20 December 2017

Interview 9. NGO, female representative, 21 December 2017

Interview 3. NGO, female representative, 21 December 2017

Annex 2: Questionnaire

1) In your opinion, what are the main policy issues and priorities in the Mediterranean space?

2) In your opinion, what are the main causes, factors and stakeholders affecting these policy issues?

3) What is your evaluation of existing policy solutions to these issues and do you propose any alternative policy solutions?

4) In your opinion, which policies, initiatives, tools and practices are the most relevant to the EU and/or EU member countries in terms of industry have you previously identified?

5) What is your evaluation of these policies?

6) Do they affect men and women differently?

7) Which suggestions would you propose to the EU to reformulate or modify its policies?

MED RESET

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