

February 2014

## **Interview on Economic Integration with Simon Gray, World Bank Country Director for Morocco**

### **1 / What do you see as the challenges of Maghreb integration in economic and social levels in the current context?**

The Maghreb integration and integration in world trade more generally, should be considered by each country as a means to generate growth and jobs and to boost and diversify their economies. Remember that all the Maghreb countries face significant challenges in terms of creating jobs for millions of young people, in particular by promoting the development of a more dynamic and entrepreneurial private sector.

Regional integration would allow the private sector and innovative entrepreneurs to seize more business opportunities.

More specifically, it would allow companies to have access to a wider range of approximately 100 million people in the highest income per capita income sometimes Morocco market, and thus the ability to consume and buy eg Moroccan products. This will enhance the productivity of companies that could achieve economies of scale to produce more efficiently, create more jobs and diversify.

Greater regional integration would also allow consumers to have access to a wider choice of products and services, often at more competitive prices and better quality. It also favored the emergence of a larger middle class through higher wages and new, more rewarding occupations.

Economic interdependence also strengthen political cooperation and the ability to resolve disputes when they arise. Finally, the issue of integration, it is also able to strengthen the capacity of the Maghreb countries to negotiate together as one piece with the rest of the world, particularly in commercial matters and economic integration. I think particularly of ALECA negotiations, agreements thorough and comprehensive free trade proposed by the European Union and which have the potential to support the structural transformation of countries in the region.

### **2 / What will be the impact of the Maghreb economic integration increased trade between the five countries and the rest of the world?**

First recall that in a world of increasingly globalized and interconnected, the Maghreb is among the least integrated regions of the world off oil, the Maghreb countries have the lowest percentage of intra-regional trade in goods (the order of 3 to 5% of their total trade), and this percentage has increased slightly since 2000. Thus, while the share of developing and emerging countries in world trade has steadily increased over the past two decades, the share of each of the Maghreb countries remained stagnant not only small hands. Morocco's share in total world

exports has declined by 0.15% in 1999 to 0.1% in 2012. And this result is not a question of size as the entire MENA region, with over 300 million inhabitants, exports as well as Switzerland (excluding oil).

We therefore believe that the Maghreb integration would boost the level of intra-regional trade with major partners in Europe and other emerging countries. According to a recent study, we believe that the shortfall of the "non-Maghreb" amounted to around U.S. \$ [ ] million or [ ]% of regional GDP (David Laborde)

### **3 / How Maghreb countries can capitalize on their potential and a new dynamic to their economies?**

To capitalize on their potential, the countries of the subregion must rely on their economic complementarities. Currently, the Maghreb countries often compete on products exported to the European Union in particular. But there is a significant potential for a better division of labor through the development of value chains or regional production. In international trade, we no longer talk of trade in goods and services but to "trade in tasks". In this new organization of the division of labor at the international level, companies increasingly specialize in what they do best to create more value, and thus be more competitive. The issue of Maghreb economies is to organize collectively to reach this segment of international trade is the most thriving.

Dynamic effects in the medium and long-term regional integration are generally larger than the immediate static effects associated with the reorganization of production processes. Regionalization, when assumed, helps nourish healthy competition and rivalry between countries, including strengthening macroeconomic management, improve governance, and provide quality public services. Among these, let me emphasize in particular the importance of strengthening the quality of education, which is the source of future economic growth.

The impetus towards greater economic integration of the Maghreb countries must necessarily come in part from respective authorities. It is intended to create the conditions for effective access to a single regional market for goods and services. For that, and beyond reductions in tariff and non-tariff barriers, governments must tackle to facilitate trade logistics to facilitate foreign direct investment, and effectively implement the various free trade agreements already signed.

The impulse must also come from the private sector. In this regard we note that such a dynamic is in place between the Maghreb countries as evidenced by the series of meetings organized by trade associations in the Maghreb. The Marrakech meeting is the third, after those held in Tunisia and Algeria. The private sector is indeed more likely to identify business opportunities and regional collaboration based on field experience and based on sectoral expertise of each other. By identifying the most demanding development of their cross-border business obstacles, private sectors can legitimately rely to their respective authorities to

jointly promote the necessary reforms in each country. This is also how integration is a positive sum game: on average everyone is a winner.

#### **4 / What is the role Morocco to achieve this regional integration and further enhance the attraction of the region in terms of foreign direct investment?**

Successful regionalization is the responsibility of all stakeholders, each country must work to serve his interests certainly, its businesses, and its citizens, but also for regional collective public good. Through its many bilateral and regional initiatives, Morocco is well positioned in the area, especially following the signing of a number of ambitious bilateral agreements. In the process, Morocco has managed to attract new businesses and to gradually insert value chains north-south in several promising sectors such as automotive and aerospace. This process could naturally be extended to the regional level and multiply to other areas if collectively the will exists.

The Morocco aspires to be a regional hub by attracting more foreign direct investment to serve the entire regional market and serve as a gateway to sub-Saharan trade. This implies an important preliminary work to simplify procedures and trade facilitation in all its dimensions, starting with the transport and logistics. At a time of globalization, companies can not compete when faced with too many obstacles. Industrial material, free movement, smooth and fast components becomes a sine qua non of economic competitiveness and participation in global production chains.

It is therefore the responsibility of the five countries, including the richest of them, to promote the idea of regional openness, facilitate market access and implement the agreements already signed to live AMU. What could be more motivating for people that ambition and the desire to invent made in the Maghreb? Arabic, as there are factory Factory Asia.

#### **5 / What is your assessment of the initiative Maghreb Trade and Investment (IMCI), whose implementation will be launched during the 3rd edition of the Business Forum Maghreb?**

We welcome the initiative Maghreb Trade and Investment (IMCI) jointly taken by the General Confederation of Enterprises of Morocco (CGEM) and the Maghreb Employers Union (EMU). The World Bank can only encourage the implementation of a roadmap prepared by the private sector and to develop intra-Maghreb. It is not governments that trade but the private sector. We must therefore listen more and put the center solutions.

The Initiative Maghreb Trade and Investment can help to highlight the shortcomings of regulations or markets where they exist and reduce information asymmetries. It can also strengthen the voice of the private sector so that it is better Maghreb heard respective governments and other partners. Unity is strength. It would be useful

result of this initiative quickly with concrete actions in order to give all the necessary credibility, especially compared to previous initiatives have not always succeeded.

Cooperation, co-location, co-development is a solution available to all countries and all regions. We need the Maghreb has the means to grasp: it is also expected by the Arab populations of their leaders and entrepreneurs. The united Maghreb is no longer an option, it's now a requirement if the region does not want to miss the train of globalization.