



# THE ECONOMIC AND TRADE RELATIONS BETWEEN MOROCCO AND MEXICO: ASSESSMENT AND FUTURE PROSPECTS

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## Abstract

The current globalization forces several countries to establish international economic relations and take advantage of the competitive advantages that this generates. The emerging economies try to consolidate their relationships to face the economic powers. The objective of this article is to analyze the composition of international trade that takes place between Mexico and Morocco to identify the existing opportunities for both countries. The results suggest that the main opportunities to strengthen trade are found in the products of the agri-food sector, which can also contribute to reducing the independence of the United States for Mexico and of Europe for Morocco.

**Keywords:** Trade; Relations; Morocco; Mexico.

## I. INTRODUCTION

The relations between Morocco and Mexico are undergoing a strong impetus, which shows a common will to promote them further, particularly in the context of the economic dynamics in the two countries and the convergence of views on issues of common interest.

Despite the geographical distance, Morocco and Mexico share a wide range of interests and common denominators that bring them together, given the specificities that the two nations have in common and their strategic position in the vicinity of countries with great potential, which positions them as bridges between the two hemispheres of the planet.

Mexico had sent a trade mission to the Kingdom, including major corporations, including Bimbo, a leader in the food industry, and Cemex, the world's leading producer and exporter of concrete. According to Mexican officials, the strategy of this Latin American country is to encourage Mexican companies to establish themselves in the Kingdom and continue their expansion across the African continent.

The concentration of trade in the North American region has limited the volume of trade with other countries in remote regions as the case of bilateral trade with Morocco, case in which in addition to the geographical distance, is also the cultural elements both countries have restricted trade, however, in more recent times, the cultural limitation has begun to be seen as an opportunity.

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## II. HISTORICAL OVERVIEWS

Diplomatic relations between Mexico and Morocco emerged on October 31, 1962, six years after the independence of the Arab country of France. However, it was not until 1990 that these commercial relations were formalized with the establishment of the Mexican embassy in Rabat and in 1991 Morocco installed its embassy in Mexico City (SRE, 2010).

During the time of collaboration that exists between both countries, there have been several important negotiations and also some disagreements, however these have been overcome and the relations continue.

A real visit also sealed an interesting base of cooperation between both spaces, with the signature of the Mercosur-Morocco Framework Agreement, which includes reciprocal trade preferences similar to the one signed with Egypt in July 2004 and which will serve as the basis for the future negotiation of a greater commercial integration. Both parties insist on that the will is to reach a free trade agreement (Vagni, 2006).

## III. GENERAL DATA ON BOTH COUNTRIES

### 1. Morocco

#### 1.1. Geographical Data

Morocco is located on an area of 710.850 square kilometers in North West Africa. It is bounded on the north by the Strait of Gibraltar (it is separated from Spain by only 14 km) and the Mediterranean Sea, on the south by Mauritania, on the east by Algeria and on the West by the Atlantic Ocean. The Moroccan coast extends over 3.500 km.

#### 1.2. Climate

Coastal areas enjoy a temperate climate, while the climate is desert in the south and east of the country. The Moroccan climate has many nuances: Mediterranean in the North, oceanic in the West, continental inland and Saharan in the South.

#### 1.3. Demographic Data

According to the World Bank (2018), the population of Morocco reaches 35.7 million inhabitants with a density of 76 inhabitants / km<sup>2</sup> and population growth is + 1.4%. In turn life expectancy has improved in recent years, 74 years; against the literacy rate is 67.1% (84% for 15-24 years).

#### 1.4. Economic Data

According to IMF<sup>3</sup> (2016), Morocco's GDP<sup>4</sup> is 110.2 billion dollars (at constant exchange rate) with a 3177.4 \$ GDP per capita. The growth rate for 2015 was + 4.5% and + 1.1% for 2016, while the unemployment rate was + 4% for the same year; only 10.2% of the population that is active and 0.9% as the rate of inflation. Then public debt represents 65.1% of GDP with a fiscal balance represent -3.5 % of GDP. In turn, the trade balance is in deficit by 18% of GDP.

The main customers (2016) are: Spain (23.3%), France (21.1%), Italy (4.6%) and the main suppliers (2016): Spain (15.7%), France (13, 2%), and China (9.1%).

### 2. Mexico

#### 2.1. Geographical data

Mexico occupies the thirteenth place in the world by territorial extension that amounts to 1.964.375 square kilometers and the third in Latin America, is located in North America. It borders the United States of America, Guatemala and Belize. The Mexican coasts cover 11 122 kilometers. It is divided into 32 federal entities.

#### 2.2. Climate

It presents dry, temperate and warm climate. The percentage distribution of the surface by type of climate is distributed as follows: dry 51.08%, warm 25.9% and moderate 23.01%.

#### 2.3. Demographic Data

The population amounts to 127.5 million inhabitants (World Bank, 2018), with a population density of 66 inhabitants / km<sup>2</sup>. The population growth is 1.3%. The life expectancy at birth is 77 years.

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<sup>3</sup> International Monetary Fund

<sup>4</sup> Gross domestic product

## 2.4. Economic Data

The total GDP of Mexico in 2016 amounted to 1.238 billion dollars at constant prices in 2010, the GDP per capita amounts to 10.153 dollars.

The main customers for the year 2017 are: United States 80%, Canada 2.8% Germany 1.7% China 1.6% Spain 1%. While the main suppliers of Mexico are: United States 46.4%, China 17.6%, Japan 4.3%, Germany 3.9%, South Korea 3.7%.

## IV. ECONOMY AND TRADE

Mexico's trade liberalization policy initiated in the 1980s has defined trade relations with various countries in different continents throughout history. The geographical proximity has been used by the government for the implementation of the North American Free Trade Agreement (NAFTA) with its neighboring partners United States of America and Canada.

On the other hand, Morocco initiated the commercial liberalization policy since the 80s, especially with the European countries for reasons of geographical proximity, purchasing power and the size of the market, this cooperation process giving rise to the agreement of association in the year 2000 between the two partners. But in recent years Morocco has not stopped diversifying these trading partners while seeking new business opportunities in Africa, Asia, and Latin America as the case with Mexico.

In terms of economic and trade, bilateral trade experienced an increase of 76% in the period 2006-2011, from 150.7 million dollars to 265.8 million dollars. The balance of trade reported a deficit balance for Mexico of 201.2 million dollars in 2011. Morocco is the fourth commercial partner of Mexico in Africa and the sixth investor, with an amount of 0.2 million dollars between 1999 and 2010.

Regarding legal mechanisms, in this case linked to cooperation, the signing of the Memorandum of Understanding between the National Council for the Evaluation of Social Development Policy (CONEVAL) of the United Mexican States, the National Development Observatory and the Observatory stands out. National of Children's Rights of the Kingdom of Morocco and the United Nations Children's Fund, in order to establish the bases of cooperation in the evaluation of social programs and measurement of poverty (Skhirat, Morocco, May12).

**TABLE 1. EVOLUTION OF THE VALUE OF THE MAIN EXPORTED PRODUCTS IN THE TOTAL OF MOROCCAN EXPORTS TO MEXICO**

	Value in 10 <sup>6</sup> MAD <sup>5</sup>					Growth in%	
	2009	2010	2011	2012	2013	2012-2013	2009-2013
Total	153,2	942,5	763,8	945,0	634,0	-32,9	42,6
Natural calcium or aluminum calcium phosphates, chalk, unmilled	87,5	645,6	516,4	827,0	489,4	-40,8	53,8
Monoammonium phosphate, even when mixed with diammonium phosphate	33,5	48,2	49,4	37,0	50,5	36,6	10,9
Natural barium sulphate (barite)	0,0	0,0	21,2	55,0	45,4	-17,4	-
Electrical conductors (over 80 v to 1000 v) without connection piece	2,3	17,2	12,3	13,3	13,7	3,4	56,1
Containers for compressed gases, liquefies, cast iron, iron or steel	0,0	0,0	0,0	0,0	6,4	-	-
Other pipes and tubes of plastics	0,0	0,0	0,0	1,0	4,6	358,9	-
Capres, provisionally preserved, not consumable in the state	1,4	1,9	1,9	2,0	2,3	17,4	12,4

<sup>5</sup> Moroccan dirham

Other machines for processing metals y.c. electric winders	0,0	0,0	0,0	2,8	12,2	336,2	-
Spark plugs games and other sets of wires for vehicles	0,0	0,0	9,8	0,0	1,2	-	-
Mucilages and thickeners of carobs or guaree, even modified	1,1	0,9	1,6	1,8	1,1	-40,4	-0,8

Source: Exchange Office.

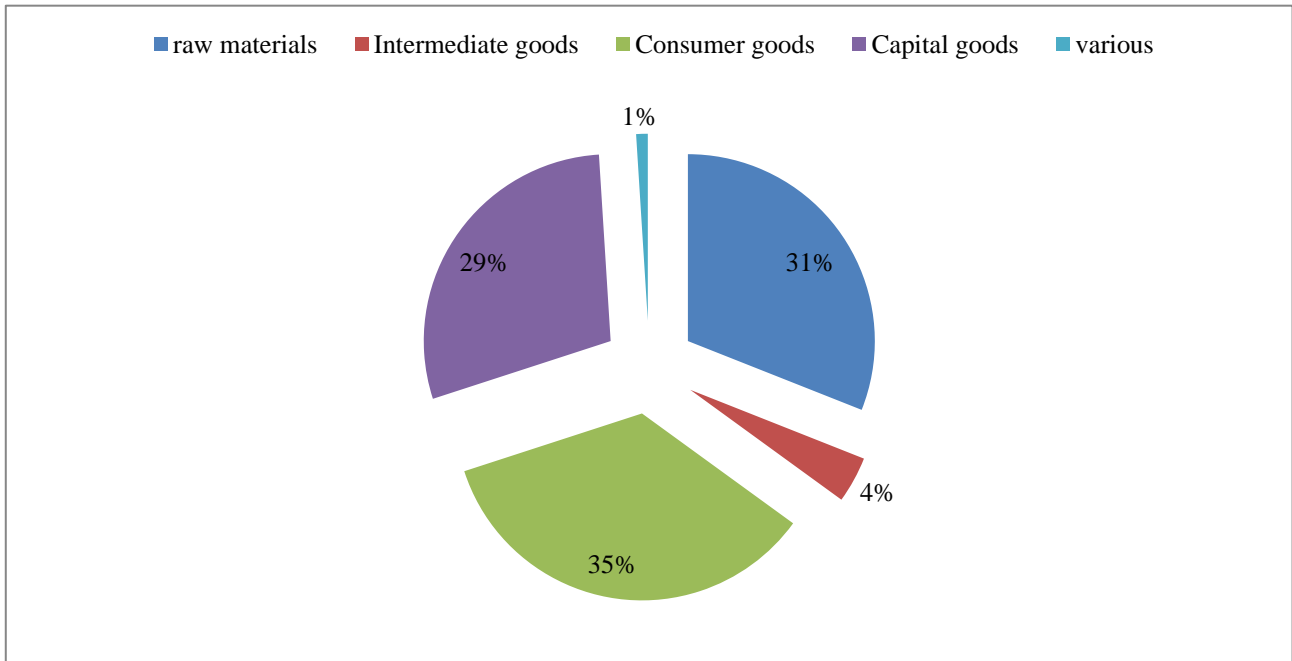
TABLE 2. EVOLUTION OF THE VALUE THE MAIN IMPORTED PRODUCTS IN TOTAL MOROCCAN IMPORTS FROM MEXICO							
	Value in 10 <sup>6</sup> MAD					Growth in%	
	2009	2010	2011	2012	2013	2012-2013	2009-2013
Total	808,6	264,9	488,7	394,9	418,1	5,9	-15,2
Other wheeled tractors, excluding tractors of n87.0	16,0	11,5	18,9	16,1	52,1	224,7	34,3
Parts of other appliances of heading 84.19	0,0	0,0	0,0	0,0	21,6	-	-
Phosphoric esters (incl. Lactophosphates), their salts and derivatives	0,0	0,0	0,0	0,0	19,4	-	-
Other chemicals, including those consisting of mixtures of natural products, n.e.	9,1	6,5	5,7	13,0	18,9	45,5	20,2
Polyvinyl chloride, unmixed, in primary forms	0,5	0,0	0,0	0,0	16,5	-	142,0
Other drugs in doses (except 3002, 3005, 3006) (detail)	0,1	0,2	20,2	12,7	13,7	7,8	240,5
Apparatuses incorporating a receiving apparatus	0,3	3,7	5,6	20,5	12,8	-37,5	153,6
Other sheaths and oleaginous fruits, even crusts	0,0	0,0	0,5	1,1	12,6	1003,1	-
Bananas, including plantains, fresh or dried.	0,2	0,8	2,1	1,0	12,4	1082,9	165,8
other units of automatic data processing machines	14,5	13,5	28,4	26,5	9,6	-63,8	-9,9
Insulating parts made of plastics	0,0	0,0	0,5	1,7	8,1	385,7	-

Source: Exchange Office.

In 2015, two-way trade between both nations amounted to 263 million dollars. Mexico's main exports to Morocco include: sugar, tobacco, alcohol (beer), building materials and airplane parts. Morocco's main exports to Mexico include: electrical circuits, textiles and cotton. Morocco is Mexico's fourth biggest trading partner in Africa. Mexican multinational company Cemex operates in Morocco.

The main products imported by Mexico from Morocco are products of consumption with 35% of the total of importation and 31% for raw materials monitoring of capital goods with 29 % of all the importation.

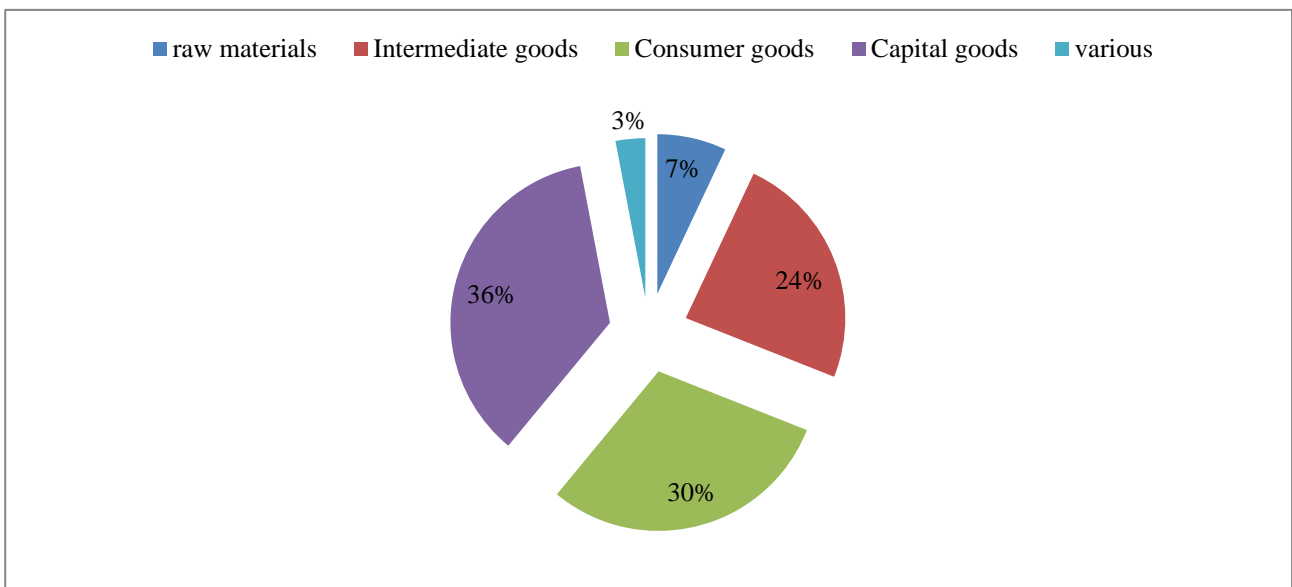
**FIGURE 1 : MEXICAN IMPORTS FORM MOROCCO 2016**



Source: Own elaboration with data from the World Bank, (2018).

The main products exported by Mexico has destination of the Morocco are equipment with 36% of the total exported goods to the Morocco, and 30% of products, consumption and 24% for intermediate goods that are the three groups of products that dominate 90% of total exports.

**FIGURE 2 : MEXICAN EXPORTS TO MOROCCO 2016**

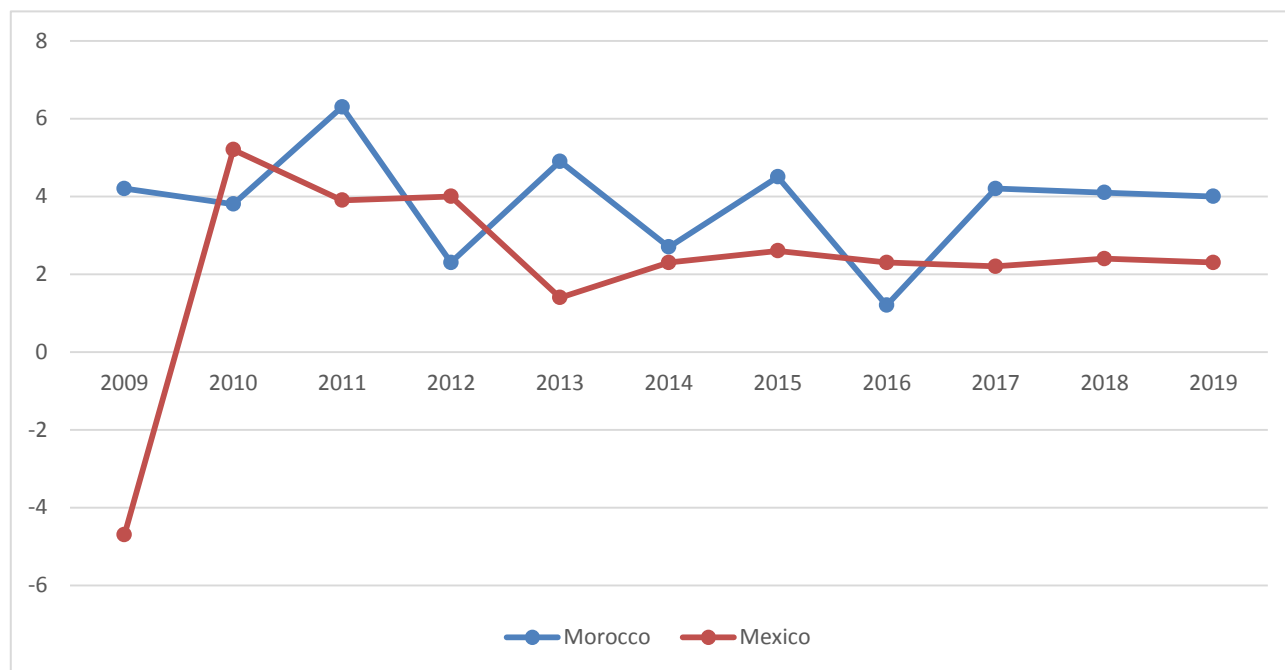


Source: Own elaboration with data from the World Bank, (2018).

Trade relations and other conditions of the macroeconomic context are reflected in the growth rates of the economy. The crisis of 2008 is the United States to the Mexican economy in such a way that for 2009 the growth rate of the economy was negative, however the policies implemented have allowed economic stability in the last five years.

Morocco, on the other hand, also has higher growth rates but also with greater volatility, which impacts the decisions made in international markets. Since the key is in the identification of economic sectors in the countries where they are present.

**FIGURE 3. REAL GDP GROWTH RATE FROM 2009 TO 2019**



Source: Prepared by the authors with data from the United Nations, (2018).

The evolution of the GDP of Morocco and Mexico shows great disparity between the two countries, the rate of evolution of the GDP of Morocco is in average between 2 and 4% since 2011 until 2017, and according to the forecasts for 2018 and 2019 the growth rate will be between 2 and 3%. On the Mexican side, a big drop in GDP was noted in 2009 with almost -5% because of the global economic and financial crisis, apart from this year the growth rate of Mexico's GDP is almost stable from 2014 to 2017 with an average rate of 2.5%, the rate will remain the same for the years 2018 and 2019 according to forecasts.

## V. FUTURE PROSPECTS

There are many opportunities to seize to further strengthen economic cooperation between Morocco and Mexico, two complementary countries. We are at the moment to develop this commercial relationship which, until now, remains modest. Mexico and Morocco are an open economy that, through its network of free trade agreements, guarantees access to international markets, particularly in Latin America for Moroccan exports, and different markets for Mexicans exports, for example Morocco signed a multiple free trade agreements with its partners such as European Union, Sub-Saharan Africa market and arab market also.

In 2016 Morocco suffered a drought that severely affected the agricultural sector, fortunately to date it has recovered (UN, 2018), so it is one of the sectors in which greater opportunities can be found. Also the phosphate industry had a significant recovery in recent years. Also, in terms of agri-food trade, the identified trade opportunities are related to the Halal market, products that comply with the rules dictated by the Koran, book of Islam, for the consumption of food.

In Mexico, the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA), through the National Service of Health, Safety and Agri-Food Quality (SENASICA), grant Halal certification for companies that meet the requirements. According to data from SAGARPA (2016), the Muslim population in the Arabian Peninsula and the United States exceeds two million inhabitants and more than "one thousand 600 million Muslims in 23 countries" (SAGARPA, 2017), which represents an opportunity to access new markets.

In October 2014 Mexico opened its "Promexico" commercial office, the first of its kind in Africa, to seize the opportunities offered by Morocco, but also to allow the Kingdom to benefit from the strategic position of Mexico and its economic projects. Both countries can benefit the macroeconomic stability, political stability and geographical position,

low inflation, size and strength of domestic market, Mexican economy have a high rate of growth and ability to generate an advanced industry, is one of the most competitive countries in the world in investing.

## VI. CONCLUSION

Certainly, the volume of trade between the two countries remains below the real potentials of the two countries, despite the efforts provided the results obtained are below expectations. But several indicators show that the future of economic and commercial relations between Morocco and the countries of Latin America in general and with Mexico in particular is certain for several reasons to know that the region of Latin America is a region in constant economic growth, and Mexico is an emerging country.

According to (Mounjid, 2014) Morocco in comparison with other countries of the world, it has a number of advantages over the forefront of trade relations with Latin American countries. Its political stability, geographic location, hub ports and cultural distinctions between Morocco and the Arab region.

Moroccan companies can exploit the United States market as an export platform to the Mexican market, knowing that Morocco and the United States have already signed a free trade agreement since 2006, and also Mexican companies can take advantage of the Moroccan market knowing that Mexico, United States of America and Canada form an economic bloc since signing free trade in 1994 under the name NAFTA.



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