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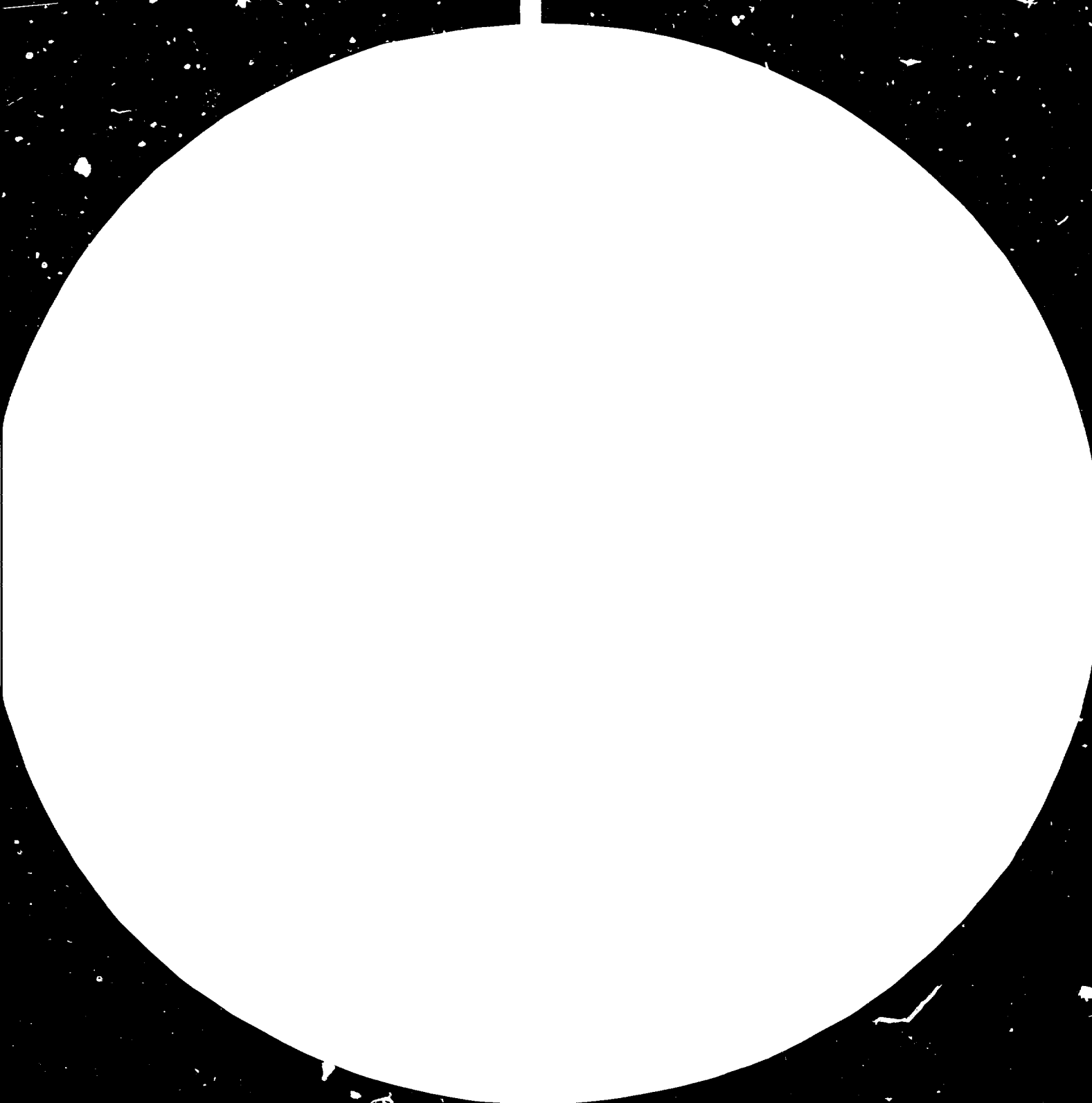
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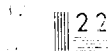
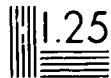
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INDUSTRIALIZATION AND INDUSTRIAL REDEPLOYMENT -

THE CASE OF MOROCCO \*

by

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## INTRODUCTION

Both the industrialized and the developing countries are aware of the importance attached in recent years to a better distribution of world industrial production, and to what has been referred to at recent international conferences as a fairer international economic order based on a more balanced economic, commercial and financial system. This equilibrium cannot be achieved without deeper analysis and the implementation of a coherent industrial programme that breaks with the past and enables the international community to live in a more rational world based on an economic interdependence linking the industrialized to the developing countries.

Since its independence Morocco has not ceased to contribute to such interdependence by taking measures at both national and international levels designed to promote maximum development of its industrial, technical, commercial and financial relations. Through its experience of industrialization, Morocco has consistently given a practical interpretation to the concept of redeployment, closely linking it with its industrial objectives and the need for a restructuring of the world economy based on improved specialization at the international level.

The concept of redeployment<sup>1/</sup> is ill-defined, since it implies the shifting of certain industries from the developed to the developing countries, without specifying which industries would be involved or the technical, commercial and financial conditions of the transfer. For the industrialized countries it also means a restructuring, a readjustment of their productive machinery, the objective of which, especially in recent years, has been to enable them to cope with the economic and social imbalances that characterize the world economy. In short, to redeploy an industry involves, within the framework of the above-mentioned interdependence, setting new objectives enabling the industrial sector to contribute to a narrowing of the development gap between the industrialized and the developing countries, and thereby to the search for a solution to the most urgent problems facing humanity, such as health, education and employment.

Owing to the complexity of the term and the varying interpretations to which it is subject, I should like to limit my remarks to the case of Morocco, and at a more practical level first to define Morocco's industrial objectives, then to look at the specific measures taken in this country to promote industrial redeployment, and finally to consider briefly the results achieved by Morocco in this field and its prospects for the future.

<sup>1/</sup> UNIDO document ID/D/190: The redeployment of industries from developed to developing countries, 27 April 1977.

## INDUSTRIAL OBJECTIVES IN THE CONTEXT OF PLANNING IN MOROCCO

Industrialization in Morocco is taking place along lines familiar to several developing countries struggling for their economic independence and the development of their economy during the post-colonial era.

Before regaining national independence in 1956, Moroccan industry was almost entirely limited to the processing of mineral and food products. Moreover, the industrial sector was tied exclusively to a small number of countries, in particular France. This was the typical situation in which most countries of the third world found themselves, and which for long determined the direction of their industrialization efforts.

Although within the framework of industrial development the main objective remains industrial growth, two objectives tend to play an equally important role, namely the diversification of the industrial structure and the reduction of the high degree of economic dependence on the former colonial power.

Morocco has opted for a cautiously liberal economic and industrial policy more open to external trade than a number of countries at a comparable level of development. Recent development plans, in particular the five-year plan for the period 1973-1977 and the current three-year plan, attach primary importance to industry, because this sector, like agriculture, is considered a priority sector. Accordingly, various objectives have been defined. These objectives show that while counting on the development of its own economic and social capabilities, especially through the profitable utilization of its raw materials and the development of its previously existing capacity for industrial production, the authorities are at the same time placing considerable emphasis on industrial redeployment. Among the objectives assigned to industry, the following may be mentioned:

- Integration of the industrial system through, for example, the development of local and foreign subcontracting;
- Promotion of exports of manufactured products for which Morocco has advantages in terms of production costs, such as textiles and garment-making, mechanical engineering, agro-industries etc.

The promotion of long-term development objectives concerns cereals, oil-seeds, sugar, milk and certain basic sectors such as cement, phosphate products etc. Therefore, while favouring the development of trade and investment, Morocco attaches considerable importance to various sectors producing certain strategic goods. In the context of t

objectives, Moroccan industry remains largely open to co-operation with other countries in such fields as technology transfer, know-how and investment.

#### **EFFORTS TO STIMULATE INDUSTRIAL DEVELOPMENT IN MOROCCO**

Let us now consider the means used in Morocco to stimulate industrial redeployment essentially through the encouragement of investment. These means reflect the efforts made by Morocco at both national and international levels to achieve balanced economic and social development based on the strengthening of its long-standing policy of co-operation with many countries. Thus, at national level, the development of infrastructure is one of the basic elements of industrialization.

Located in Northern Africa only a few kilometers from Europe, Morocco provides an ideal platform for contacts between the two continents. In addition to previously existing infrastructure, emphasis is currently being placed on the extension of the network of harbours, roads and telecommunications. Simultaneously, as a contribution to industrial redeployment and regionalization, a plan for industrial zones is nearing completion.

Besides these measures in the field of infrastructure, the current three-year plan attaches the utmost importance to the professional training of technical staff to meet the urgent needs of both Moroccan and foreign industrialists. Technology transfer has been promoted by the establishment of ten technological institutes and on-the-job training in priority sectors (sugar).

In addition to the above-mentioned measures, Morocco has taken steps at the institutional level to promote both national and foreign investment. Thus, six specific codes have been introduced, all of which have the special feature of providing substantial automatic incentives for investments in key sectors of the economy, namely industry, handicrafts, mining, the merchant marine and tourism, with special cumulative advantages for export firms.

Together with this important measure, the transfer and retransfer guaranteed granted for dividends and invested capital is a commendable government initiative. In fact, exchange controls have always ensured the transfer of capital revenue without limitations and regardless of the type of revenue: dividends, interest, rents, profit shares etc.



With regard to fiscal policy, certain measures have been taken to avoid double taxation. These measures apply to physical and moral persons who are nationals of countries with which Morocco has already signed a convention in this respect, including Belgium, the Federal Republic of Germany, France, Italy etc.

In this connexion, bilateral conventions have been signed with a number of countries with a view to guaranteeing on a reciprocal basis investments made by nationals of each of the two countries concerned. Moreover, it should be remembered that Morocco has acceded to the International Arbitration Convention drawn up by the Centre for International Investment Control.

With regard to currency protection, a specific code provides for advances on a cumulative basis with a ceiling stipulated by the industrial code, the most important of which concerns the transfer surcharge for products involved in liquidation in the case of foreign investment. Moreover, these measures have been completed by the introduction of provisions relating to insurance contracting.

However, there is an overall level of control approach to investment incentives, mainly in the form of regulations. These regulations have been conceived and designed to encourage the general development of trade with foreign countries and the specific promotion of exports.

All these provisions clearly show Morocco's desire to promote the development of industrial co-operation at the international level, based on mutual interest.

To support these efforts, the Government has also created a public body responsible for industrial promotion. In this respect the OBE is an essential institution. OBE represents an essential means of intervention, the mission of which may be summed up as follows:

- First of all, for carrying out specific sectoral studies, OBE has an advisory role with the public authorities and the private sector, and therefore must maintain a permanent portfolio of investment projects available to promoters;
- Simultaneously, OBE has an advisory and assistance role with industrial promoters and mainly with the search for partners and licences, as well as the preparation of information prior to an investment decision;
- Moreover, OBE may itself play the role of partner when the promoter wishes to appeal for the effective collaboration of several countries. The criteria for such participation are both technical and financial.

Thus in its role as connecting link between the public and private sectors, ODI is a body in the service of all industrial investors. Moreover, as a public body, it is in the service of the State for carrying out national projects with both economic and social returns.

With regard to international co-operation, ODI may be one of the best-known bodies in European business circles. Its action throughout Europe and certain American countries during the past few years has enabled it to establish solid links with professional federations, chambers of commerce and industry and the banking system in a number of countries. Its objective is to make arrangements for receiving foreign investors and businessmen wishing to operate in Morocco, offering them advice and helping them to carry out their projects in good conditions.

In this context, and in order to develop further the external contacts established, the ODI has opened delegations in the main foreign countries concerned. Thus, after the establishment of three delegations— one with UNIDO assistance—in Rome, New York and Paris, ODI is preparing to establish similar welcoming services in other countries, such as Belgium and the United Kingdom. The role of these delegations consists mainly in making known the potential and the possibilities of Morocco, notably in the industrial field. To this end, they help to provide information and the necessary assistance, with no strings attached, their main aim being to favour the flow of investment trade among the countries concerned.

Such were the measures taken by Morocco to stimulate national and foreign investment, and thereby to contribute to industrial redeployment based on well-defined objectives.

#### RESULTS AND PROSPECTS

Let us now look at the results of these measures and the prospects for the future.

The reform of the investment codes in 1973 led to a remarkable increase in general investments and in industrial investments in particular.

Thus, the recorded rate of investment expressing the share of gross fixed capital formation in relation to gross internal production rose from 14% in 1973 to nearly 34.5% in 1977, or an average annual increase of 25% in a five-year period.

These very encouraging results have been achieved thanks to the combined efforts of the public and private sectors, and have involved all sectors, in particular that of the manufacturing industry. Whereas industrial investment carried out during the 1966-1972 period has scarcely

scarcely exceeded DH 900 million, the figures for the 1973-1977 period exceed DH 10 billion, or an elevenfold increase. Moreover, judging by the growth of private foreign investment, individual contributions have progressed considerably, increasing from DH 87 million in 1973 to DH 434 million in 1977, with an annual average of DH 207 million during the 1973-1977 period. Total investments amounted to DH 1,035 million, 75% of which were financed by currency grants, 16% by drawing on reserve holdings and 9% by debts incurred on capital account.

The distribution of these investments according to sectors shows that industry received the major share (DH 387 million, or 38.4% of the total), followed by public works (12.3%), tourism (10.5%) and commerce (7.4%). Likewise, the distribution of these investments according to the country of origin, although showing the predominant role of France (DH 388 million, or 32.7%), reflects nevertheless a certain trend towards diversification in recent years, as a result in particular of the development of investments by the United States (9.2%), the Federal Republic of Germany (8.5%), Saudi Arabia (6.8%), Kuwait (5.4%), Italy (4.8%) and Switzerland (3%).

The increased role of foreign capital in the development of our economy justifies our optimism with regard to the strengthening of ties of co-operation with friendly countries. The work of OPI is directed along these lines. Thus, the action taken by this office at both national and international levels has made it possible to carry out about 30 projects, generally within the framework of joint ventures between national and foreign private parties. These projects, which represent a total investment of nearly DH 250 million, have led to the creation of 3,200 new jobs. Moreover, a number of operations are currently under study in various branches of industry, in addition to numerous subcontracting activities between national and foreign firms which have been generally found to lead to investment decisions.

#### CONCLUSIONS

In conclusion, within the framework of our discussion of "instruments of deployment", and in view of the experience of Morocco described above, I should like to make a few observations based on the assumption that there can be no industrial redeployment without the combined effort of the industrialized and the developing countries.

- The developing countries, individually or collectively, must, within the framework of their plans, be able to maximize both their human and physical factors of production.

- The dimensions of their markets should be expanded through agreements based on complementarity and enabling them to diversify and find more accessible outlets for their manufactured products.
- The social sectors, especially education and development research, should be given the utmost attention.
- Finally, all necessary assistance should be given to bodies specialized in development problems, so as to enable them to carry out their tasks more effectively.

The following observations concern the industrialized countries:

- Redeployment should be considered within the framework of greater liberalism, so as to enable the developing countries to eliminate the structural deficit which affects their trade balances.
- With regard to direct investments, greater participation is desirable.
- Technology transfer should be seen not as a physical investment (the sale of material), but as a means of assisting the efforts which the developing countries must themselves make in the field of technological research and economic and social development.

ANNEX

The Great Lines of the Redeployment Action-Programme  
in Morocco

The present 1978/80 development plan is based on four  
fundamental points:

- (a) The realization of the following sectoral plans:
  - phosphate;
  - cement;
  - sugar;
  - milk.
- (b) The creation of structures favouring the production  
of industrial equipment and intermediary consumer  
goods.
- (c) Export promotion.
- (d) The reduction of regional disparities.

The objectives aim at an industrial production growth  
of 6.1% per year and an export growth of 7.5% per year based  
mainly on textile, ready-made clothing, agro-industry and  
semi-manufactured goods (phosphoric acid, phosphate  
fertilizer, mechanical engineering sub-contracting,  
electrical products). For the sectoral plans, one should  
distinguish between:

The sugar plan:

- one unit for the treatment of sugar cane of 5000  
tonnes per day;
- one unit for the treatment of sugar beets of 5000  
tonnes per day;
- the enlargement of the existing units in the Tadha  
region (plus 2000 tonnes per day).

Expected investment is 678 million DH (dirhams).

The cement plan:

- one cement unit south of Casablanca of 1.4 million  
tonnes per year;
- one cement unit at Beni Mellal of 500,000 tonnes  
per year;
- the enlargement of the Agadir cement works to  
1 million tonnes per year.

Global investments are expected to be in the region  
of 1,230 million DH.

The phosphate plan:

- the construction of a fourth production line of phosphoric acid at Maroc Phosphor works;
- investments are expected to reach a level of 3.5 billion DH of which 2.5 billion DH is to be invested during the 1978/80 period.

All projects in these three sectoral plans will be completely taken care of by the state. Investments in the private sector during the present three year period are estimated at 2.3 billion DH, of which:

- 1.2 billion DH is reserved for the chemical and related products sector and the cement sector;
- 420 million DH for the agro-industry of which 200 million DH is for the second Doukhala sugar factory;
- 400 million DH for the mechanical engineering industry.

The following sectors will have priority:

- the basic metal, mechanical and electrical industries;
- the textile industry (to improve its integration):  
poplin, carded and combed wool, synthetic fibres;
- the agro-industry:  
conservation of products by means of deep freezing;  
conservation of vegetables and fruit by de-hydrating;  
agriculture;  
cattle raising integrated with industrial meat processing;  
milk products;  
sugar derivatives;
- sectors and branches having a direct influence on the trade balance either through import substitution or through export promotion;
- the development of industrial engineering;
- the development of the small and medium sized industry.



