MOROCCAN FOREIGN DIRECT INVESTMENT IN ECOWAS:

A VIEW TO THE FUTURE

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Abstract:

One of the economic problems of developing and undeveloped countries is that they do not have enough national savings to finance their investments; hence, they need to attract more of FDI.

For this purpose, regional integrations are more successful in attracting FDI than others, while they lead to attract extra-regional and inter-regional FDI inflows (for instance ECOWAS in Africa). Morocco as one of the most developed countries in Africa has an interest to join the community (ECOWAS). In this context, this paper seeks to determine the weight of Moroccan FDI in ECOWAS and then analyze the effects of its FDI in this region, which they may positively effect on human and social development thus contribute to realize the joining of Morocco to ECOWAS.

Key words: Foreign Direct Investment (FDI), Morocco, ECOWAS, Regional Integration…

Résumé:

L'un des problèmes économiques des pays en développement et des pays non développés est qu'ils n'ont pas suffisamment d'épargne nationale pour financer leurs investissements et par conséquent, ils doivent attirer davantage d'IDE.
À cette fin, les intégrations régionales réussissent mieux à attirer l'IDE que d'autres, alors qu'elles permettent d'attirer des entrées d'IDE extra- régionales et inter- régionales (par exemple, la CEDEAO en Afrique).

Le Maroc, l'un des pays les plus développés d'Afrique, a intérêt à rejoindre la communauté (CEDEAO). Dans ce contexte, ce document cherche à déterminer le poids de l'IDE marocain dans la CEDEAO et à analyser ensuite les effets de son IDE dans cette région, qu'ils peuvent avoir un effet positif sur le développement humain et social contribuant ainsi à réaliser l'adhésion du Maroc à la CEDEAO.

Mots clefs : Investissement direct étranger, Maroc, CEDEAO, intégration régionale…

1. Introduction.

The Economic Community of West African States (ECOWAS) regional grouping has made significant progress, particularly in terms of promoting trade in the community and harmonizing policies. Recent economic development in this area and the middle term perspective reveal real opportunities for diversifying the export base and creating benefit.

Furthermore, as part of its strategy of opening up to international trade, Morocco has expressed its desire to join ECOWAS. It looks like, as a developing country, is very much concerned by developments in the community's institutional and economic environment. For this reason, it is of primary importance to identify the opportunities offered by the large market that constitutes ECOWAS and to propose the perspectives that could allow establishing a fruitful partnership and cold also arise to strong impulses for Moroccan investment in the region.

This modest paper aims to analyze Moroccan's relationship with ECOWAS in terms of investment and in other words identify its potential outlook of trade, strategies ofexpansion and diversification.

For this purpose, the structure of this paper is as follows; we begin in section 2 by clarifying the precise contours of the concept of FDI by discussing its various definition and measurement. Section 3 provides a comprehensive theories and hypothesis of FDI. In section 4, we turn our attention to review the theory on the relationship between regional integration and FDI. The final section 5, assess and discuss some statistics about Moroccan FDI in ECOWAS.

2. Definition and Measurement of Direct Investment.

As The current definition of direct investment endorsed by the OECD (1996) and the IMF (1993) avoids the idea of control in favor of a much vaguer concept. "Foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one country ('direct investor') in an entity resident in an economy other than that of the investor ('direct investment enterprise'). The lasting interest implies the existence of a long-term relationship between the

direct investor and the enterprise and a significant degree of influence on the management of the enterprise”.[1]

Direct investment is often discussed as if it consisted entirely of the investment associated with multinational corporations. Such a concept would match the theoretical literature on direct investment, but the data available do not follow it. Many aspects of multinational corporation activity are not included in measures of direct investment, and all past and present definitions of direct investment include transactions that do not involve multinationals[2].

Generally speaking, the concept of FDI refers to the setting up of an overseas operation (greenfield investment) or the acquisition of an existing enterprise located within another economy (host country).

3. FDI theories and hypothesis.

For our purposes, the standard classification and approach employed by the author is the one followed by Agrawal (1980) that splits most FDI theories into two categories; theories assuming perfect markets and theories assuming imperfect markets.

a. Theories assuming perfect markets.

There are a various FDI theories that assume perfect markets. This section discusses the following theories and hypothesis; the differential rates of return theory and hypothesis, the portfolio diversification theory and hypothesis and the market size theory and hypothesis.

A. Differential rates of return.

There are many theoretical and empirical studies that research the relationship between FDI and macroeconomic stability. Inside FDI theories, the differential rate of return hypothesis assumes that FDI is the result of the highest return seeking process. Namely, FDI is channelled to countries which are capital scarce rather than capital abundant. This way, firms can achieve the highest rates of return (Agarwal, 1980: 741). Since developed countries are capital abundant and less developed countries are capital scarce and labour abundant, according to this hypothesis the

[1] Robert Lipsey, The Role of Foreign Direct Investment in International Capital Flows (Cambridge, MA: National Bureau of Economic Research, June 2000), p. w7094 <https://doi.org/10.3386/w7094>.

[2] Idem

direction of FDI should be from developed countries to the less developed ones. However, when we look at the FDI flows, it is clear that until 2013, FDI to developed countries was higher than the flow to developing countries[3] (UNCTAD, 2013)[4].

B. Portfolio diversification

Diversification hypothesis inserts the risk factor into FDI decision. Here while FDI is a negative function of risk, it is a positive function of the rate of return. This hypothesis' theoretical background relies on the Tobin (1958) and Markowitz (1959). Since the country's' macroeconomic performance indicates whether the individual country is a risky one or not, it is an important factor for deciding on the target country selection. In terms of host countries, this means that the less risky is macroeconomic and political environment, the more FDI inflow and vice versa[5.]

This approach contends that in making investment decisions MNEs consider not only the rate of return but also the risk involved. Since the returns to be earned in different foreign markets are unlikely to be correlated, the international diversification of an MNE's investment portfolio would reduce the overall risk of the investor[6].

C. Market size.

The market size theory and hypothesis focuses on the role of both the absolute size of the host country's market and its GDP. This theory explains the volume and directions of FDI in light of the market size of the host country.

The hypothesis states that the large market size is expected to have a positive impact on FDI volume. According to this theory, inward FDI is a function of the size of the host country market, usually measured by GDP. A majority of the empirical studies on the determinants of FDI contain some measures of market size in the host countries, Agrawal (1980) found the size of the host country's market to be one of the most popular factors influencing a country's propensity to

[3] Because in the real world, an investor thinks not only in terms of the rates of return but assumes also macroeconomic performance and political factors and the location preference can be different from the hypothesis.

[4] İlyas Şiklar and Merve Kocaman, 'FDI and Macroeconomic Stability: The Turkish Case', European Financial and Accounting Journal, 13.1 (2018), 19–40 <https://doi.org/10.18267/j.efaj.204>.

[5] Şiklar and Kocaman.

[6] I. Kehal, Harbhajan, Foreign Investment in Developing Countries, PALGRAVE MACMILLAN, 2004 p.16

attract inward investment[7]. CHakrabarti (2001) also concluded that the growth rate has been found to have a significantly positive effect on FDI if it is combined with inflation, trade deficit and wages; furthermore, tariffs have a positive effect on FDI if they are combined with the growth rate and openness, but they produce a negative effect when combined with wages[8].

b. Theories assuming imperfect markets.

The most important theories and hypothesis that assume imperfect markets are;the location theory and hypothesis and the eclectic theory or the OLI paradigm hypothesis[9].

A. The location theory and hypothesis.

The principal idea of this theory is motility of some factors of production, for instance natural resources and labor. As claimed by this theory and hypothesis, FDI exists because of mobility of some factors of production thus; this mobility generates location-related differences in the cost of factors of production. One of the crucial components that can affect location related differences is human capital accounted for in terms of wages paid by foreign investors.

According to the location hypothesis, the countries with low relative wages are a preferred destination for FDI. Nonetheless, what is important is not only the wage but also the quality and productivity of workforce that foreign investors rank very high.

One more critical element for foreign investors, as to selecting a specific location, is the cost of the reallocation and adjustment of resources. In case of these costs are high, the possibilities to attract foreign investors are very limited. Likewise, the location theory highlights the degree of unionization by workers representatives in the host country, because when they have a higher bargaining power, they may push future wages higher. In short, this hypothesis is supported by Leahy and Montagna (200), who indicate that in absence of taxes and other subsidies. the MNL

[7] Idem

[8]Imad A. Moosa, 'The Determinants of Foreign Direct Investment in MENA Countries: An Extreme Bounds Analysis', Applied Economics Letters, 16.15 (2009), p. 2 <https://doi.org/10.1080/13504850701578819>.

[9] Many other theories that assume imperfect markets, for instance the internalization theory and hypothesis and the international product life cycle theory and hypothesis...etc.

is less likely to locate in the host country under decentralized than under centralized wage setting regime, despite the fact that latter typically yields higher wages[10].

B. the eclectic theory or the OLI paradigm hypothesis

First, this theory was submitted and developed by J.H. Dunning (1977, 1979, 1988 & 2008). The principal idea of eclectic theory is integration of internalization theory, industrial organization theory and location theory into one general framework. According to Dunning (2008), "the eclectic paradigm seeks to offer a general framework for determining the extent and patterns of both foreign owned productions undertaken by country's own companies, and that of domestic production owned and controlled by foreign investors"[11].

Dunning's framework states that firms will engage in FDI if conditions of ownership, location and internalization (OLI) advantages are satisfied. Further, Eclectic theory and its framework is based on three advantages: Ownership (O); Location (L) and Internalization (I).

According to eclectic theory, "ownership (O) advantage" explains the motivation of MNCs activities. Dunning (2008) postulates that "ownership advantages are defined as the degree to which a firm possesses sustainable ownership-specific advantages over other firms in the market. Some examples of these advantages are: innovative capacity, access to financial resources, and organizational and marketing systems".

Another important advantage of eclectic theory is "location (L) advantage" that explains the location of the companies and which are specific to the country[12], the logical consequence will be that company will supply the foreign market from home country base, but location advantage such as distributions of inputs makes it profitable for a company to exploit its assets overseas.

Finally, internalization (I) advantage explains the manner, of MNCs activities. According to Dunning (2008), Internalization "is the degree of ownership and control. At one end of the

[10]Nazmi Zeqiri and Hykmete Bajrami, 'Foreign Direct Investment (FDI) Types and Theories: The Significance of Human Capital', in 2016 UBT International Conference (presented at the University for Business and Technology International Conference, Durres, Albania: University for Business and Technology, 2016), pp. 43–58 (p. 52) <https://doi.org/10.33107/ubt-ic.2016.23>.

[11]Nazmi Zeqiri and Hykmete Bajrami, 'Foreign Direct Investment (FDI) Types and Theories: The Significance of Human Capital', in 2016 UBT International Conference (presented at the University for Business and Technology International Conference, Durres, Albania: University for Business and Technology, 2016), pp. 43–58 (p. 53) <https://doi.org/10.33107/ubt-ic.2016.23>.

[12]Examples of such specifics are: labor force (availability and quality), natural resources and societal structure (political structure and legal systems) as explained above under the heading of location theory and hypothesis.

spectrum is no control or ownership. Transactions are made at arm's length or through the market. At the other end of the spectrum is full control. The firm (internalizes) the market transactions by owning or controlling the other firm and the transactions are not arm's-length"[13].

4. Regional integration agreements and FDI: some theoretical considerations

There are numerous ways through which FDI can affect regional trade agreements and vice versa. We can distinguish amongst, regional investment rules, trade rules and other regional initiatives.

A. Regional investment rules and FDI

There is a high stimulus provided by the RIAs to the FDI process, in such a way as to liberalize capital flows, hence, the restrictions on inward foreign direct investment might be reduced or eliminated. Inward FDI would also presumably be encouraged by "national treatment" provisions ensuring that foreign investors are treated no less favorably than domestic investors. Obviously, the practical relevance (to the FDI process) of such provisions in integration agreements will depend upon the scope and magnitude of pre-existing barriers to inward FDI, as well as the extent and nature of host government discrimination against foreign investors[14].

At this time, there is a heated discussion on how investment rules bilateral, regional and multilateral affect investment decisions. Generally, a predictable investment climate[15] can be in the interest of investors when they were previously disadvantaged by unpredictable investment conditions. It is not clear whether this would lead to additional FDI or simply to more comfort for the investor. It is, however, clear that surveys reveal that investors want a predictable investment climate[16].

[13] NazmiZeqiri and HykmeteBajrami; Opcit p.53

[14] Magnus Blomström and Ari Kokko, 'Regional Integration and Foreign Direct Investment: A Conceptual Framework and Three Cases', POLICY RESEARCH WORKING PAPER 1750, a product of the International Trade Division, International Economics Department, 2014, p. 9.

[15] The predictability of the investment climate may be enhanced when domestic policies are enshrined or locked into regional treaties. Much will also depend on existing treatment. If treatment of existing investors is already good in practice, new (regional) rules may add little to generating new investment or a better investment climate, other than offering a little more long-run security.

[16] Dirk Willem te Velde and Dirk Bezemer, 'Regional Integration and Foreign Direct Investment in Developing Countries -', 2004, 33 (p. 4).

Thereby, inward foreign direct investment could be stimulated as well by the elimination of trade related investment measures, especially by the presence of strong investor property rights which reduce the risk of direct or indirect expropriation, and the requirements for foreign affiliates to satisfy specific export targets.

B. Regional trade rules and FDI

The early theoretical and empirical literature on foreign investment tended to regard trade and capital movements as substitutable modes of serving markets. In fact, it is a relationship between trade and factor mobility promoted the perspective that tariff barriers could motivate import-substituting FDI, and that general tariff reductions would reduce FDI flows or even stimulate a repatriation of foreign owned assets to the home countries of MNCs. Furthermore, in the event the cost of exporting decreased relative to the cost of establishing and operating foreign affiliates, then, the outward direct investment would be directly discouraged. Hence, the trade agreements which eliminate or reduce non-tariff barriers were therefore expected to make exporting a more viable international business mode and discourage FDI[17].

In the same context, the elimination of intra-regional tariffs will affect trade in comparison with the level of sales by multinational subsidiaries depending on the importance of transport costs and plant-level and firm-level costs in setting up multinational subsidiaries.

Thus, to understand how tariffs and trade affect FDI, it is necessary to determine the type of investment, and to reflect this, we may differentiate between intra-regional and extra-regional FDI and between horizontal[18] and vertical[19] FDI.

Therefore, regional tariff preferences can decrease horizontal[20] intra-regional FDI because it may now become cheaper to serve the partner country by trade rather than to establish a subsidiary and incur plant-level costs more than once and firm-level costs only once.

Nevertheless, on the other hand, regional tariff preferences encourage vertically motivated intra-regional FDI, because lower trade costs will provide incentives to establish international

[17]Blomström and Kokko; Opcit, p. 5.
[18] Market-seeking: subsidiaries selling similar products.
[19] Efficiency and natural resource seeking: subsidiaries exploiting efficiencies or control over inputs.
[20]Tariff-jumping.

production networks and establish an efficiency-seeking[21] subsidiary in a partner country that can process imports for re-export[22].

Thereby, extra-regional FDI can also be affected by lowering regional tariff preferences in various ways, notably by declining tariffs among parties to the RTA[23], it can become profitable for an extra-regional investor to avail of an effectively larger market[24] from one or more locations in the region[25].

Moreover, non-tariff barriers to trade may also affect investment. NTBs include voluntary export restraints; the threat of imposing EU quotas and using anti-dumping against Japanese exports motivated the Japanese to set up operations inside the EU[26].

The conclusions regarding inflows of FDI from the rest of the world to the integrating region are also somewhat ambiguous, although the most likely result is an increase in FDI. Given free trade within the RIA, the location of the new investments will be determined by the comparative advantages of the countries participating in the integration agreement. It is therefore not possible to make any general conclusions regarding the net impact on individual countries in the RIA. In addition, it is possible that the outflows of FDI from the integrating area increase, in particular if foreign investments were initially restricted by some capacity constraint[27].

C. FDI and other regional initiatives.

The movement of people and free transfers of profits may facilitate the establishment of intra-regional FDI as well, coupled with the trade and investment rules as discussed before.

[21] Free trade agreements might spur investment flows in terms of efficiency-seeking regional restructuring.
[22] Dirk Willem teVelde and Dirk Bezemer; Opcit, pp. 5, 6
[23] Regional Trade Agreement
[24] horizontal market-seeking FDI
[25] Dirk Willem te Velde and Dirk Bezemer, p. 7.
[26] Barrell and Pain (1999) found that after controlling for relative labour costs and market size, Japanese investment flows to EC countries over 1980–91 were significantly influenced by antidumping activities taken in the EC.
[27] Blomström and Kokko; Opcit, p. 7.

In this context, the effects of regional trade agreements are not so much about trade and investment rules, but about the increased predictability of the investment climate by locking in general reforms[28].

Therefore, J. Peter Neary (2001) referred to the effects of RTA and states that, FDI is favoured over exporting the higher the external tariff and the lower the fixed costs of a new plant. Likewise, according to him, the export plate form motive could affect FDI, as lower intra-regional tariffs would favour a single plant in the region, hence this would lead to raised competition from stronger domestic firms and thus lower FDI[29].

Blomstrom and Kokko (1997) also argue that regional integration leads to efficiency gains and higher growth, and thus further FDI. FDI can actually be such a catalyst through spillovers in terms of technology transfer and other linkages with local firms. There can thus be long-lasting effects on growth and productivity as opposed to a one-off effect based on a more efficient allocation of resources[30].

Generally, all these effects are amenable to be most important in the framework of North-south agreements, where the southern partners can benefit both from an access to the markets of the northern partner countries and more credible policy environment.

Furthermore, it is possible that regional integration promotes openness and economic reform by eliminating a source of uncertainty that would confront individual countries considering reforms. The short-run political success of unilateral liberalization depends to some extent on the responses of the country's trade partners, since market-opening reforms that are not reciprocated may cause macroeconomic problems, such as trade deficits and unemployment.

In this perspective, the main benefit is that the south-south agreements may increase the policy credibility, where most inward FDI is inter-regional; the market size argument would be the most important. Thus, the higher the multinational firm rate and the larger the market size, the more

[28]competition policies, property rights, guaranteed access to members' markets and stable trade policies regulation, contract enforcement..
[29]Dirk Willem te Velde and Dirk Bezemer; Opcit, p. 10.
[30] Idem.

likely it is that market-seeking investors will respond. Accounting for this, it emerges some regions in Africa (for instance COMESA and ECOWAS).

5. Moroccan FDI in ECOWAS: Issues and opportunities

It is widely accepted among economists that economic growth contributes positively to the human and social development of the host country. If this hypothesis is true, then FDI canbe expected to have an indirect effect on human and social development through its relation toeconomic growth.

The amplification of competition in European markets is pushing Moroccan companies to enter the African market since it is becoming an area of entrepreneurial development and a strategic partner for Morocco. In addition, the global crisis of 2007 has significantly affected Morocco as a trading partner of the European Union, which boosts Morocco to diversify its trading partners to absorb the exogenous shocks of the global economy. Eventually, Africabecomes the "New Eldorado" for the world in general and for Morocco in particular[31].

Therefore, first presents trends in inter-regional trade between Morocco and ECOWAS, focusing on some indicators. Then it analyzes the evolution of the complementarity of Morocco’s exports with imports by its main ECOWAS countries. Finally, it depicts Morocco's foreign direct investment in ECOWAS, focusing on the main recipients and the structure of Moroccan FDI.

A. Morocco’s relationship with ECOWAS

Trade between Morocco and sub-Saharan Africa has been on an upward trend since 2009, with an annual growth of 12.8% between 2000 and 2015. However, sub-Saharan Africa’s share of Morocco's external trade remains low in comparison with its other partners, such as the European Union, or to a lesser extent the MENA region. Trade with the latter accounted for 56.7% and 15.3%, respectively, of Morocco's total trade in 2015, compared to only 3.4% with sub-Saharan Africa. The weakness of the African capital markets’ infrastructure, the non-application of trade protocols and the virtual absence of direct land or sea transport lines can explain this trend. This

[31]Though partly a response to the ineffectiveness of the Arab Maghreb Union (AMU).

is also reflected by an indicator that integrates the notion of distance between countries in evaluating trade costs. It illustrates that the costs of trade withAfrica are indeed very high[32].

It is important at this point to state that Morocco did not apply for ECOWAS membership out of a vacuum. The relationship between Morocco and West Africa dates back to the 10th century with

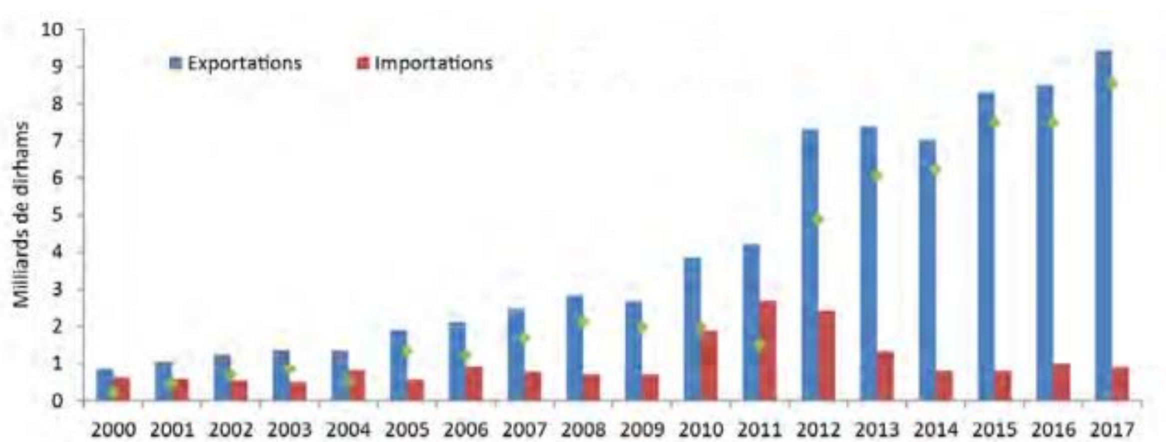
trade and the introduction of Islam especially in the Sene-Gambia region.

Morocco has had an observer status in ECOWAS for over a decade (since 2005)-possibly in preparation for its request to join ECOWAS. In addition, the Kingdom has sought active presence in all-important ECOWAS forums.

In the area of peacekeeping, Morocco has contributed to peacekeeping operations in the region. Moreover, the deployment of a military and humanitarian missions to several countries, with the establishment of field hospitals in the respective capitals of these countries.

As part of its religious diplomacy, Morocco, trains scores of West African religious students to become Imams, in the philosophy of Wasatiyya (middle of the road) or moderate Islam that encourages interfaith dialogue, respect of the other and inter-cultural communication, in the Mohammed VI Institute for the Training of Imams in Rabat.

Figure 1: the trade between ECOWAS and Morocco (2000-2017).



Source: office des changes

[32]*Rim Berahab,* Relations between Morocco and subSaharan Africa: What is the potential for trade and foreign direct investment?, OCP policy center, policy brief, February 2017.

The overview of trade relations between Morocco and ECOWAS allowed raisingthe dynamism of their bilateral exchanges during these last years. However, this dynamism turns out to be below the mobilizable potential, in view of rather supplementary character than competitive of the contours of specialization.

For its part, Morocco could constitute a promising market for several products originating in ECOWAS, in particular, energy products (oil and gas), food products (cocoa, coffee, oil seeds and fruit, etc.), cotton, wood and wood products, leather and minerals.

In addition, Morocco has concluded numerous agreements with ECOWAS countries in the form of trade and tariff agreements, based on the Most Favored Nation (MFN) clause, or multilateral agreements. However, several of these agreements have not yet entered into force[33].

While the impact of the elimination of customs tariffs is likely to potentially boost trade between Morocco and ECOWAS, it remains true that these tariffs are only the tip of the iceberg. Other structural constraints should be removed to unlock the potential for trade between the two parties. These include, among others, issues related to integration into regional value chains, logistics competitiveness and the intensity of competition that unfolds in the markets of this area, in particular, that emanating from emerging countries renowned for their cost competitiveness.

These delays are therefore hindering the development of Morocco's trade with sub-Saharan Africa as well as intra-African trade on a large scale. Moroccan trade with ECOWAS is still a small share of their overall trade, and the values involved are much lower than for their trade with the European Union.

The reaction of foreign direct Investment to which optimal level of corporate tax in a host economy is the main debate in the literature. In order to attract FDI, tackling this problematic isessential and crucial to determine how to deal with the stakes for a competitive fiscal system.Furthermore, it is important to analyze the costs and benefits of tax holidays for theseinvestments and to estimate the impact of potential tax policy reforms on tax revenues.

[33]Examples include multilateral conventions such as the draft trade and investment agreement with the West African Economic and Monetary Union (WAEMU), signed in 2008.

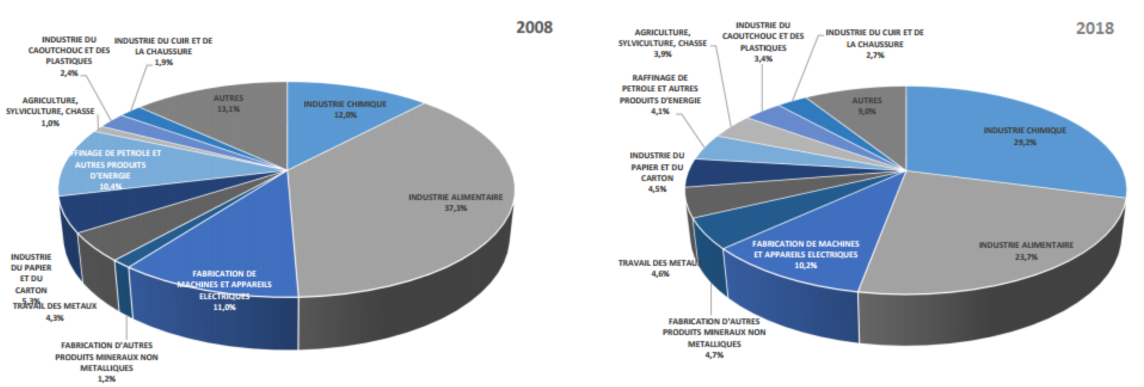
Morocco's trade potential with its main partners therefore exists and is relatively well leveraged. It must now be consolidated through appropriate mechanisms and by targeting the branches and sectors, that Morocco can export to its sub-Saharan partners while maximizing its trade complementarity in order to better meet the import demand from these countries.

Regarding Morocco’s FDI in its sub-Saharan neighbors, an inclusive approach is needed to link these investments with the economies of the recipient countries and direct them to sectors where they can boost domestic investment, create jobs and catalyze productive capacity in order to foster Morocco's regional integration with the rest of Africa. Moreover, the participation of Moroccan expertise in supporting its investment projects would positively influence the knowledge and technology in the host countries[34].

B. Trend and structure of Moroccan Foreign Direct Investment in ECOWAS

Although the difference between incoming and outgoing FDI flows from Morocco is considerable, recent data indicate a growing trend of outward investment. For example, the share of outward FDI stocks of GDP rose from 3.8% in 2014 to 4.4% in 2015[35]. Much of this flow goes to sub-Saharan Africa[36] especially in ECOWAS. In recent years, Morocco is becomingmore and more active investor in this part of the Africa.

Figure 2: the components of Moroccan exports to West Africa 2008-2018.



Source: office des changes.

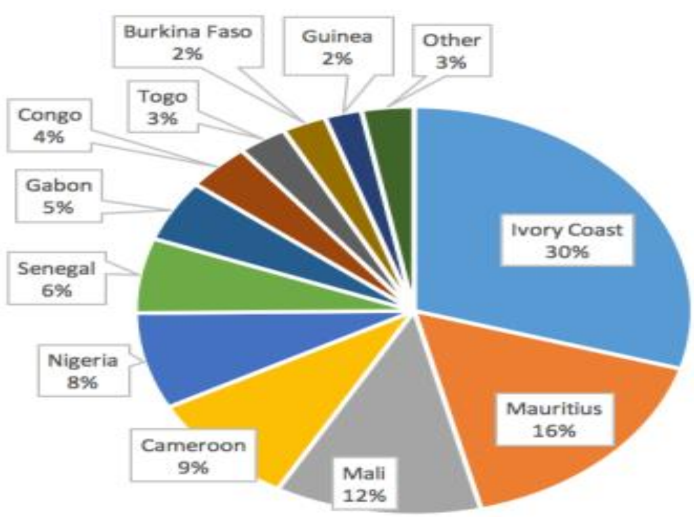
[34]Idem
[35]UNCTAD World Investment Report, 2016.
[36]Rim Berahab, op cit.

Moroccan exports to ECOWAS have grown at almost 15 percent a year for almost two decades, with the bloc accounting for 35 percent of Morocco's total exports to sub-Saharan Africa[37]. On average, half the goods entering ECOWAS from North Africa are Moroccan. The country has also made significant investments in infrastructure through its public enterprises. The Moroccan FDI are varying; banking, insurance, infrastructure and telecommunications. Private sector companies also have a sizeable presence in industries, ranging from foodstuffs to machinery and chemical goods.

Its private sector played a crucial role in forging relations with the region, which, in turn, have shaped the country's approach as it looks for new markets. Morocco's exports to West Africa are no longer limited to food products. Indeed, other sectors are starting to gain weight in the new structure, in particular products of the chemical industry (29.2% of total exports in 2018 against 12% in 2008), and those of manufacturing.

Other non-metallic mineral products (4.7% in 2018 instead of 1.2% in 2008), to the detriment of the drop in sales of food industry products (23.7% in 2018 against 37,3 % in 2008) and those of petroleum refining and other energy products (4.1% in 2018 against 10.4% in 2008).

Figure 3: Distribution of Moroccan FDI flows in ECOWAS in % (2011-2015).



Source: office des changes.

[37]lô, Moubarack. "Relations Maroc-Afrique subsaharienne: quel bilan pour les 15 dernières années?" OCP Research Paper November 2016.

Since the 2000s, inflows of FDI into ECOWAS countries from Morocco have increased significantly in the context of south-south cooperation and the economic integration of Morocco in its African continent. However, the volume of Moroccan FDI flows to ECOWAS territories differs from one country to another, and this is explained by the heterogeneity of the factors of localization of FDI.

This trend of evolution also reflects the scale of intra-African investment. Indeed, African investors have almost tripled their share of FDI projects over the past decade. This growth is fueled by the need to improve value chains and strengthen regional integration. Another growth factor is the understanding that African investors, especially Moroccans[38], have potential market opportunities and challenges.

There is therefore potential to further increase trade relations and economic cooperation between these regions. The low levels of intra-regional trade in the Maghreb (only three percent, compared to 10 percent in ECOWAS) are said to cost each country an estimated 2.5% of GDP annually and 220,000 job opportunities[39]. Closer ties within and between African RECs, especially ECOWAS could potentially bring economic benefits for Morocco.

Moreover, ECOWAS region has the potential to occupy an undeniable place in the future, due to the threemajor factors: firstly, a gigantic demographic potential, secondly a rise in the price of materials raw and thirdly, an emergence of the middleclass with a regular income and a significant consumptionexpenditure.

Furthermore, the successful of Moroccan FDI in ECOWAS can be explained by the easing of investment regulations. Moroccan operators have improved facilities to seize more opportunities abroad, thanks to main measures, like the liberalization of investment abroad of up to a maximum of MAD 30 million per year and increase in the transferable amount for investment abroad to a ceiling of MAD 100 million for Africa and MAD 50 million for other continents.

[38] Moroccan investments in ECOWAS countries mainly focus on sectors with high added value, such as banking, telecommunications or industrial sectors.

[39]GHanMi, Lamine. "Tunisia joins West Africa trade bloc, eyes exportmarket," Middle East Online, 21/07/2018. https://middle-east-online.com/ en/tunisia-joins-west-africa-trade-bloc-eyes-export-market.

Also, the reciprocal promotion and investment protection (APPI) agreements and double taxation agreement as well as the recently signed are expected to stimulate further Moroccan investment in these countries.

Moroccan FDI to ECOWAS will probably expect to continue its rising trend in the coming years, given Morocco's assurance to support its relations with this region, as well as macroeconomic stability and strong economic growth within the African continent during the last few years. This would help both Morocco and its partners in terms of trade and economic progress. They should consequently work together to enhance the execution of free trade agreements, as well as establish bodies responsible for monitoring protocols and trade agreements.

Conclusion:

Since the upgrading of the relationship between the Kingdom of Morocco and the countries of Sub-Saharan Africa in general, and the ECOWAS country in particular, trade has been on an upward trend. In terms of investment, Moroccan FDI flows and stocks have in turnexperienced a remarkable increase in the various sectors. Moreover, as part of thestrengthening of South-South cooperation, Morocco deploys economic diplomacy as a modelof Co-development that is based on mutual and equitable gain among stakeholders.

ECOWAS has in principle, accepted the membership of Morocco in the regional body and there is no denying the fact that there are many benefits to be derived from the country's membership in the regional body. Firstly, the country's military might and equipment, as well as wealth could become handy in support of regional efforts at peace and stability, in areas of peacekeeping operations, counter-terrorism and fight against extremism, conflict mediation among others.

By integrating Morocco, the 15-member bloc would become the 16th largest world economy with an additional $115 billion and a GDP approaching US$745 billion, ahead of Turkey and right after Indonesia. ECOWAS member states will have access to a larger market for their goods and services and may gain easier access to European markets. On the other hand, weaker economies without the benefit of high levels of industrialization may face unfair competition as they struggle to cope with the flooding of cheaper goods from Morocco.

Morocco is an added value to ECOWAS thanks to its political, human, historical, religious and economic ties with its member countries. Its private sector played a crucial role in forging relations with the region, which, in turn, have shaped the country's approach as it looks for new markets.

Therefore, the role played by his majesty the King Mohammed VI in boosting Morocco's ties with ECOWAS countries recalling the visits he paid to a number of countries in the region and the African heads of state who visited Rabat recently, the latest of which is Nigeria's President MuhammaduBuhari.

In fine, the expansion of ECOWAS to a North African State such as Morocco will be a first. One option is to encourage the black African civilisation and the Arab civilisation to grow and flourish on different platforms – as currently obtains.

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