THE IMPACT OF COVID-19 ON INTERNATIONAL TRADE: THE CASE OF MOROCCO

L’IMPACT DU COVID-19 SUR LE COMMERCE INTERNATIONAL : CAS DU MAROC

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Abstract
With the arrival of the Corona Virus (COVID-19), which caused one of the most serious crises in the world (comparable to the Great Depression of the 1930s), international trade was severely affected, as most countries have adopted protectionist measures during this crisis. Morocco, and after a few months from the beginning of this crisis, although its foreign trade declined and most foreign trade indicators showed a decline (as in the case of several countries), the present crisis has enabled the country to position itself as an exporting country, par excellence in Africa, of medical and sanitary equipment, to reorganize its priorities regarding the nature of products to be imported and to rethink the key sectors on which the country should base its export offer.

Keywords: International Trade; COVID-19; Morocco’s Foreign Trade.

Résumé
Suite à la propagation rapide de la pandémie Covid-19, qui a engendré l’une des plus graves crises qu’a connu le monde à travers l'histoire (comparable à celle de la grande dépression des années 1930), le commerce international a été gravement touché et ce, à cause des mesures protectionnistes adoptées par la plupart des pays durant cette période. Certes, pour le Maroc, quelques mois après avoir enregistré un premier cas de contamination du Covid-19, les échanges extérieurs de ce pays ont reculé et la plupart des indicateurs du commerce extérieur ont affiché une baisse (comme le cas de plusieurs pays), toutefois, cette crise, a permis au pays de se positionner comme un pays exportateur, par excellence en Afrique, des équipements médicaux et sanitaires, de réorganiser ses priorités concernant la nature des produits à importer et de repenser les secteurs clés sur lesquels le pays devrait se baser pour constituer son offre exportatrice.

Mots-clés: Commerce International; COVID-19; Commerce extérieur du Maroc.

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Introduction

Exports are a key driver of countries economic growth and an essential step in the integration of countries into global value chains and consequently into international trade. In this wake, since independence, Morocco has relied on the promotion of its exports in order to position itself on the international trade map, especially through the ratification of the GATT agreements in 1987, which subsequently became the WTO (World Trade Organization) in 1994, and the signing of several FTAs (Free Trade Agreements) with partners that are both powerful and diversified (USA, EU, Turkey,...), in addition to partnership agreements with African countries and some Asian countries (India, China, Gulf countries...). As well, it has implemented a set of plans and strategies to boost its exports and accelerate the structural transformation of its economy. However, this dynamic has been impacted by the spread of coronavirus. This pandemic has led to the closure of several borders of countries with which Morocco has trade relations, it has led to major disruptions in the supply chains of Moroccan exporters including international suppliers of raw materials and semi-finished products necessary for their production\(^1\). To cope with this crisis, the Moroccan state has put in place a panoply of measures (economic, social, financial ...) to offset losses.

The objective of this study is first, to present the instant impact of the COVID-19 crisis on international trade, then, to show the impact of this crisis on Morocco's foreign trade, and also, to expose the measures taken by the Moroccan government to save its foreign trade, and finally, to propose some recommendations for the post-Covid period to promote the Moroccan exports.

I. INTERNATIONAL TRADE IN THE COVID-19 ERA

According to the WTO (2020), world trade will record a drop between 13% and 32% in 2020 because of COVID-19. Thus, the WTO (2020) and other international organizations like OECD (2020a) and Canuto O. (2020) believe that the situation of world trade will be worse than that of the 2008-2009 financial crisis (graph 1). The decline in international trade and production will have negative repercussions on all economic actors (households, companies, States, etc.)

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The WTO has forecast two scenarios for emerging from this crisis: 1) a relatively optimistic scenario, which means a sharp decline in trade followed by a recovery from the second half of 2020, 2) a more pessimistic scenario with a stronger initial decline and a more prolonged and incomplete recovery. In all cases (i.e. in both scenarios) countries will experience double-digit declines in exports and imports in 2020 (except for energy exporting countries) (Canuto O. (2020)).

The WTO has pointed out that the decline in trade will be greatest in industries that are integrated into complex GVCs such as electronics, aeronautics, automobiles, etc.
For its part, the OECD (2020b) has proposed two likely scenarios for the spread of this pandemic and its impact on the world economy. The first scenario is based on the assumption of a second wave of contagion of the virus accompanied by further containment measures before the end of 2020. In the second scenario, any new major epidemic wave is excluded (graph 3).

**Graph 3 : World GDP**

![Graph 3: World GDP](image)

**Source:** OECD (2020c), OECD Economic Outlook, preliminary version, 107 June 2020.

In the case of two successive shocks (scenario 1), i.e. a second return of containment measures on the part of the States, these measures will lead a decrease in world economic output corresponding to 7.6% in 2020, before recovering at a rate of 2.8% in 2021. If a second wave is excluded (scenario 2), global economic activity will decline by 6% in 2020. In both cases, with or without a second wave, the consequences of this pandemic will be severe on the world economy (OECD, 2020c).

**Graph 4 : World trade Volumes**

![Graph 4: World trade Volumes](image)

**Source:** OECD, Economic Outlook 107 Database, Statlink: [https://doi.org/10.1787/888934140202](https://doi.org/10.1787/888934140202)
World Trade (which is already low in 2019) will fall by 11.5% in scenario 1 and 9.5% in scenario 2 in 2020, before resuming the gradual pace in 2021 (Graph 4). This decline in world trade is comparable to that recorded in 2019 (OECD, 2020a).

II. MOROCCO'S FOREIGN TRADE: THE STATUS QUO

II.1. Morocco's foreign trade dynamics before the pandemic

Since years, Morocco has continued its integration in international trade and the dynamics of its exports have been growing. Indeed, in 2018, exports grew by 10.6% against 10.3% in 2017, far exceeding the annual average over the period 2008-2014 which is 4.3%. This dynamic is explained by the implementation, by Morocco, of several plans and strategies that aim at developing the Moroccan productive capacity and improving the quality of products "Made In Morocco" especially in the industrial sector through plans (emergence, industrial acceleration plan). This has enabled it to promote its exports and position them in the map of world trade. In this way, the coverage rate is in continuous improvement since 2016 to reach 57.2% in 2018 (MEFRA, 2019).

**Graph 5**: Evolution of Morocco's trade balance

![Graph 5](image)

**Source**: DEPF calculations, data from the Exchange Office (Morocco).

Due to this evolution of exports, Morocco's share in the world market has improved from 0.12% as an annual average during the period 2008-2014 to 0.15% in 2018. Morocco's traditional partners remain the same, i.e. Spain and France (exports to these two countries have increased significantly, from 1.27% in 2014 to 1.74% in 2018 for Spain, and from 0.63% in 2014 to 0.92% in 2018 for France).
Graph 6: Evolution of the overall market share of Morocco and by partner country

Source: DEPF calculations, data from the Exchange Office (Morocco), WTO. Moroccan exports have been characterized in recent years by a diversification in terms of geographical destinations and products. Indeed, the market diversification index improved from 0.66 in 2000 to 0.71 in 2018, the number of export markets increased by 1.4% on average annually between 2000 and 2018, from 149 to 185 markets.

Graph 7: Evolution of the index of diversification of Morocco’s export markets

Source: DEPF calculations, data from the Exchange Office (Morocco).

As for the number of exported products, it increased by 1.6% on average annually between 2000 and 2018, from 2,580 products to 3,405 products. This period is distinguished by the transition to industrial branches with more or less high added value (electronics, aeronautics,
automobile...), and at the same time, the decline in some "traditional" branches (Textile-Clothing, agricultural products...) (MEFRA,2019).

II.2. Morocco's foreign trade dynamics during the pandemic: What impact?

Foreign trade is strongly impacted by the health crisis. This crisis has led to the temporary or total shutdown of several exporting sectors, disruptions in supply chains and consequently a weakening of foreign demand. In this wake, according to the DEPF (2020), Moroccan exports have declined until the end of April 2020 by 19.7%, concerning the key sectors of the economy. The decline in exports is broken down as follows:

- **Automotive**: -39% (car manufacturing : -45.7% ; wiring : -44.7%)
- **Textile and leather**: -28.3% (made-up garments : -32.2% ; knitted and crocheted goods : -30%).
- **Aeronautics**: -33.9% (assembly : -32.1% ; EWIS : -36.4%).
- **Agriculture and food processing**: -7% (agriculture, forestry and hunting: -5.8% ; food industry : -7.4%).
- **Electronics and electricity**: -1.9%.
- **Other mining extractions**: -30%.
- **Other industries**: -15.7%.

However, the only sector that recorded an increase in exports in this period was the phosphate sector with a slight increase of 1.9%.

As for imports, they fell by 12.6% at the end of April 2020. The main import branches concerned by this fall are:

- **Capital goods**: -18% (purchases of aircraft and other air or space vehicles : -99.3% ; wires, cables : -29.7% ; various machines and devices : -17.7%).
- **Energy products**: -21.8%.
- **Finished consumer goods**: -14.9% (purchases of parts and components for passenger cars : -29.3% ; passenger cars : -20.8% ; woven fabrics and yarns of synthetic and artificial fibers : -23%).
- **Half-finished products**: -12.1% (purchases of wire, bars and iron profiles : -35.4% ; chemical products : -14.2% ; purchases of wire, bars and copper profiles : -25.1%).
- **Raw products**: -21.3% (raw and unrefined sulfur : -59.5% ; scraps and wastes : -36.2%).

**Graph 8**: exports and imports of goods in Morocco (April 2016 - April 2020) (Billions of MAD)
As a result, the decrease in exports and imports led to a decline in the trade deficit by 1.9% to stand at 66.2 billion dirhams. Nevertheless, the coverage rate deteriorated by 4.8 points to stand at 55.2%.

Indeed, other organizations have tried to measure the impact of this pandemic. In this sense, the HCP (2020) announced that at the beginning of April 2020, because of this pandemic, nearly 142,000 Moroccan companies have declared to have permanently or temporarily stopped their activities. Out of this total, more than 135,000 companies had to temporarily suspend their activities, while 6,300 have ceased their activities permanently. Similarly, a survey of a sample of 4,000 companies was conducted. The objective of this survey was to assess the immediate impact of COVID-19 about companies in Morocco, these operating in the sectors of manufacturing industry, construction, energy, mining, fishing, trade and non-financial market services. It found that with the restrictions practiced by most of Morocco's trading partner countries, nearly 67% of exporting companies would have been affected by the COVID-19 health crisis, thus, one company out of nine (1/9) would have definitively stopped their activity, 5/9 companies would have made a temporary stop while a third of the companies still remain in activity but they should have reduced their production. Likewise, more than 133,000 jobs would have been reduced in the export sector (more than 50,000 jobs would have been reduced in export companies operating in the textile and leather industry; 7,200 jobs in the information and communication; 14,000 jobs in the metal and mechanical industry; 11,000 jobs in the food industry and 10,000 jobs in the chemical and para chemical sector) (HCP, 2020).
The CFCIM\(^2\) (2020) for its part conducted a survey of 450 companies established in Morocco, among the main results that affect companies operating in the field Import/Export, we find:

- 40% have encountered supply problems and 65% believe they need to secure their supply chains in the future;
- 63% have used the accompanying measures put in place by the Moroccan government.

From all the above, we can see that the health crisis has disrupted international trade and the economy in general. To revive it, considerable efforts have been made by governments. In the next section, we present some initiatives taken by the Moroccan State to save companies from this crisis, and we then propose recommendations to promote Moroccan exports after the crisis (post-covid).

III. PROMOTING MOROCCAN EXPORTS : THE ROLE OF THE PUBLIC AUTHORITIES

III.1. Measures taken by the Moroccan Government:

Following the proposal of ASMEX (2020a), and with the aim of supporting TPMEs and SMEs in this period of crisis (whose turnover does not exceed 200 million dirhams for TPMEs, and between 200 million dirhams and 500 million dirhams for SMEs), the Ministry of Finance set up, at the end of March 2020, a new guarantee mechanism called "Damane Oxygene" at the Central Guarantee Fund (CCG). This mechanism will enable companies (including those operating in the field of import/export) to fight against the deterioration of their treasuries due to their decline in activity (ASMEX, 2020a).

Among the measures taken by the Moroccan government last May in favor of its foreign trade, we can cite the extension of the suspension of customs duties on common wheat and its products until December 2020, before this measure, it also suspended import duties on certain food products\(^3\).

Also, the public authorities have suspended corporate social charges until June 2020, in addition to payment facilities, bank and leasing credit maturities, granted until the end of June 2020 with the possibility of deferring bank credits for VSEs, SMEs and professional activities in difficulty\(^4\).

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\(^2\) French Chamber of Commerce and Industry of Morocco (CFCIM).

\(^3\) Market Access Map (2020) : [https://www.macmap.org/covid19](https://www.macmap.org/covid19) (21/06/20)

\(^4\) Agence wallonne à l'Exportation et aux Investissements étrangers (2020). Note sur les impacts économiques du Covid-19 au Maroc au 26/03/2020, Délégation de l'Union européenne au Maroc - Section commerciale. Url :
In the same way, in order to ensure the continuity of the functioning of exporting companies and to secure their jobs, ASMEX (2020b) has proposed several measures to the public authorities, we can cite, among others:

- The agreement of a 50% reduction in payroll taxes and income tax during the pandemic period to help exporting companies keep their jobs;
- Suspension of the payment of taxes, duties and social charges until further notice;
- Strengthening insurance mechanisms to guarantee the export of Moroccan goods;
- Support exports of perishable products up to 80%;
- Cancellation of all costs generated by the quarantine of boats transiting through countries at risk and borne by companies.


In order to minimise the negative repercussions of this health crisis in the post-covid period, and to take advantage of the changes that may occur in global value chains, several actions to be implemented are necessary, we propose, among others, to:

- Invest more in activities that have imposed their priority in response to the health crisis such as e-commerce; the production of masks, artificial respirators, antiseptic gels, ... These sanitary equipments have enabled Morocco to be the only country in Africa to achieve self-sufficiency (Iraqi F., 2020). This self-sufficiency has enabled the country to deliver several million masks and sanitary equipments to about fifteen sub-Saharan countries, and to export them to several countries such as France, Mexico, Saudi Arabia and South Africa. This area will enable Morocco to position itself as a regional hub for the production and export of this equipments.
- Minimize the dependence of the Moroccan economy through the strengthening of its industry and the diversification of national production.
- Support national plans to promote intra-African trade. Indeed, the acceleration of the process of tariff liberalization can boost intra-regional trade and consequently compensate for the import difficulties encountered with external trading partners (OECD, 2020). In the same way, the establishment of the AfCFTA remains a fundamental pillar of this process.


5 The African Continental Free Trade Area.
o Open up to other trading partners (Southeast Asian countries, Central and Latin America...) and strengthen trade relations with other "non-traditional" countries such as India, China, Canada....

o Accelerate the process of digitalization of public services relating to export / import procedures to facilitate foreign trade of Moroccan companies, this digitalization will enable Moroccan companies to meet the requirements of the international market in terms of deadlines, quality of services and flexibility.

o Ensure Morocco's food sovereignty through the establishment of "innovative" agri-food ecosystems, since the health crisis soon showed its negative impact on the food security of several countries. Indeed, Morocco can become a continental platform for the processing of African agricultural and industrial products for export⁶.

o Support SMEs that have shown creativity and innovation during this health crisis (in particular by deploying medical and health solutions), and ensure their follow-up so that they can become leading exporting companies in their fields.

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Conclusion :

Since the beginning of the 20th century, the world economy has experienced several crises that differ in their degree of severity. International trade is still among the first sectors to be affected by these crises. The arrival of the coronavirus, which caused one of the most grave crises in the world (comparable to the great depression of the 1930s) had a strong impact on this sector, as most countries adopted protectionist measures during this crisis. To overcome this situation, several countries tried to introduce a panoply of measures to revive foreign trade. Morocco, and after a few months from the beginning of this crisis, certainly, its foreign trade has declined and most foreign trade indicators have shown a decline. However, the current crisis has enabled the country to: position itself as an exporting country, with excellence in Africa, of medical and sanitary equipments, to reorganize its priorities regarding the nature of products to be imported and to rethink the key sectors on which the country should base its export offer.

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