



POLICY PAPER

The Belt and Road Initiative and Morocco: Opportunities and Challenges for Strengthening Economic Relations with China

Mohamad Zreik

Mohamad Zreik, a Postdoctoral Fellow at Sun Yat-sen University. His knowledge spans Middle Eastern Studies, China-Arab relations, East Asian and Asian Affairs, Eurasian geopolitics, and Political Economy.

© 2024 All rights reserved to the Moroccan Institute for Policy Analysis

The Moroccan Institute for Policy Analysis is a nonprofit public policy institution which aims to conduct in-depth research on various public policy issues by proposing innovative ideas to solve problems facing society in terms of democracy and development.

The main activity of the Institute is to produce systematic and in-depth analyses of policy related issues. The results and analyses are published by the institute in the form of policy briefs, research articles and reports.

The Moroccan Institute for Policy Analysis

N5, rue Figuig, Hassan, Rabat

<https://mipa.institute/>

contac@mipa.institute

+212 5 37 26 02 02

Table of Contents

Table of Contents

Introduction	4
Trade and investment flows between Morocco and China	5
Morocco's economic diversification strategy and China's role	8
Opportunities and Challenges for Morocco in the BRI	10
Conclusion and Recommendations	13

Introduction

On 7 September 2013, Chinese President, Xi Jinping, announced the Belt Road Initiative (BRI), also known as the One Belt, One Road (OBOR) initiative—a modern-day version of the Silk Road that seeks to revive and expand ancient trade routes.¹ As a global infrastructure development strategy, the BRI aims to enhance economic connectivity and cooperation along the ancient Silk Road—a network of trade routes that, for centuries, connected China to Europe, the Middle East, and Africa.² From around 200 BC to the 14th century, the Silk Road facilitated the exchange of goods, ideas, and cultures between different civilizations and contributed to the development of trade, diplomacy, and cultural exchange.³ The BRI aims to bolster economic connectivity along the ancient Silk Road through targeted infrastructure development.

The Silk Road Economic Belt, a cornerstone of the BRI, has fostered substantial economic partnerships by establishing a network of overland transportation routes that connect China with Central Asia, Europe, and the Middle East—not least in Kazakhstan, Pakistan and Turkey, emerging as key nodes benefiting from enhanced connectivity and increased trade. However, part of the BRI, the 21st Century Maritime Silk Road consists of a network of sea routes connecting China to Southeast Asia, South Asia, and Africa.⁴ The BRI also includes the Digital Silk Road, which aims to facilitate the development of digital infrastructure, such as 5G networks and e-commerce platforms, to enhance digital connectivity and cooperation between countries.⁵ Moreover, the BRI involves the establishment of several financial mechanisms, such as the Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund, to finance infrastructure projects and support economic development in participating countries.⁶

Sitting at the crossroads of Africa, Europe, and the Middle East, Morocco's geostrategic location presents an opportunity to benefit

from the BRI's infrastructure projects.⁷ Participation in the BRI can enhance economic ties with China, diversify the economy beyond traditional sectors, address infrastructure gaps, and position Morocco as a hub for Chinese investment and trade in Africa.⁸

This policy brief explores the opportunities and challenges of Morocco's participation in the BRI in strengthening economic relations with China. Through a comprehensive review of the initiative and Morocco-China economic relations, this policy brief analyzes key components and mechanisms of the BRI and identifies policy recommendations for Moroccan policymakers to promote sustainable economic development and strengthen economic ties with China while minimizing risks associated with the BRI.

Trade and investment flows between Morocco and China

In recent years, Morocco and China have seen a significant increase in trade and investment flows. The most recent data available indicates that in 2020, the trade volume between Morocco and China reached \$4.76 billion, achieving an uptick of 2% from the previous year's figure of \$3.7 billion.⁹ This reflects a growing economic relationship underpinned by the Belt and Road Initiative. Morocco and China have signed numerous agreements spanning various sectors to further enhance their bilateral relations. These include agreements on economic and technological cooperation, aiming to develop infrastructure and improve trade conditions. Environmental protection and social development are also key areas of their collaboration. Others are signed to revamp the sectors of health, tourism, and journalism.

In the sector of energy and infrastructure, notable projects the Jerada Power Plant, managed by Morocco's National Office for Electricity and Drinking Water (ONEE) and China's SEPCO III Electric

Power Construction. Industrial and technological investments target the manufacture of solar water heaters and the establishment of a Sino-Moroccan industrial park. These agreements are part of a broader strategy under the Belt and Road Initiative.¹⁰ Morocco's exports to China consist mainly of agricultural and textile products, while China's exports to Morocco include electronics, machinery, and textiles. However, Morocco has made efforts to diversify its exports to China by promoting products such as seafood, automotive parts, and phosphates. Chinese companies have also invested in various sectors in Morocco, such as renewable energy, infrastructure, and real estate.

One of the major sectors of trade between Morocco and China is the agricultural sector. Morocco is one of the world's largest exporters of fruits and vegetables, and Chinese consumers have shown an increasing demand for these products. Moroccan citrus exports to China increased by 66% in 2019, reaching a fever pitch of 21,000 tons.¹¹ Additionally, Chinese companies have invested in Moroccan agricultural projects, such as a joint venture to build a date-processing plant in the southern city of Zagora.¹² Another major sector of trade and investment between the two countries is renewable energy. Morocco has set out to generate 52% of its electricity from renewable energy by 2030, and Chinese companies are already involved in several large-scale solar and wind energy projects in the country.¹³ In 2016, China's State Power Investment Corporation completed a 160 MW solar power plant in Ouarzazate, one of the world's largest solar power plants.

China's investment in Morocco has grown significantly over the past decade. According to data from Morocco's Foreign Exchange Office, bilateral trade between Morocco and China reached \$4.75 billion in 2020, with Chinese exports accounting for over 90% of the total.¹⁴ Chinese investment in Morocco has also been on the rise, with several major Chinese firms investing in the country's infras-

structure, energy, and manufacturing sectors. Chinese firms have also been investing in Morocco's energy sector, particularly in renewable energy projects. In 2019, the Chinese photovoltaic module manufacturer, Jinko Solar, announced that it would invest \$54 million in a new solar panel manufacturing plant in Morocco, which is expected to produce 3 GW of solar panels per year.¹⁵

In addition to agriculture and renewable energy, Chinese companies have also invested in infrastructure projects in Morocco. In 2017, China's Haite Group signed an agreement with Morocco's Ministry of Tourism to develop a \$10 billion industrial park and resort in the northern city of Tangier.¹⁶ The project aims to attract Chinese investors and tourists to Morocco and promote economic development in the region. Morocco's preparations to cohost the World Cup 2023 have also attracted China's interest in investing in infrastructure projects to construct and overhaul stadiums and transport networks. However, such projects are supported primarily by public funding and some international collaboration.¹⁷ Aviation and aerospace cooperation is also another area of potential collaboration between China and Morocco.

One of the most significant Chinese investments in Morocco is the construction of Tanger Med port. The project, which began in 2003 and was completed in 2019, was carried out by China's state-owned company, China Harbour Engineering Company (CHEC), and cost around \$1 billion.¹⁸ China has also been involved in several other infrastructure projects in Morocco, including the construction of highways, railways, and airports. For example, in 2018, the China Road and Bridge Corporation (CRBC) completed the construction of the first phase of the new Kenitra-Rabat high-speed railway, which is part of a wider plan to develop Morocco's rail network.¹⁹ And yet, several challenges that could unsettle the sustainability and balance of this relationship persist: Morocco's imports from China are out of scale with its exports to China, compounded by the Market access

barriers of Chinese goods and heavy reliance on external funding for large-scale projects. This could potentially stifle the growth of local industries and lead to an increased debt burden for Morocco.

Morocco's economic diversification strategy and China's role

Morocco's strategy for economic diversification has long focused on developing automotive and aeronautics manufacturing industries— part of the Industrial Acceleration Plan 2014-2020, which aimed to elevate the industry's contribution to GDP to 25% by 2018. The services sector in Morocco has also seen substantial development, employing more than 40 percent of the workforce and contributing to around half of the country's GDP as of 2021. Economic reforms have also focused on increasing tax revenue and reducing the budget deficit from 7.3% to around 3%. These reforms aim to enhance fiscal sustainability and provide a stable environment for further economic diversification.²⁰

China has been a chief player in Morocco's economic diversification efforts. Chinese firms have been investing in vital sectors such as infrastructure, manufacturing, and renewable energy. In addition, China has been supporting the development of Morocco's Special Economic Zones (SEZs) which will be a magnet for foreign investment, thus creating new job opportunities.²¹

Morocco's Special Economic Zones (SEZs) are pivotal in the country's economic diversification and industrial development strategy. One of the notable SEZs is the Fnideq Economic Activities Zone (ZAEF), strategically located near the Tanger Med port to enhance the socio-economic development of the Tetouan region. In 2014, the Moroccan government launched the Industrial Acceleration Plan (PAI), committed to expanding these zones all over the 12 regions of the country.

Each zone is sector-oriented to cater to specific industries such as automotive, aeronautics, and textiles, facilitating the creation of industrial clusters that enhance manufacturing capabilities and inter-firm cooperation. The Mohammed VI Tangiers Tech City is a vivid example of China's contribution to Morocco's economic diversification.²² This \$1 billion investment aims to create a major hub for manufacturing, especially for Chinese manufacturers, and is expected to create over 100,000 jobs, highlighting the scale and ambition of Morocco's SEZs in driving economic growth and industrial development.²³ The project, developed by Morocco's Societe Marocaine d'Ingenierie Touristique (SMIT) in partnership with China's Haite Group, is set out to attract investment from a range of high-tech industries.²⁴

This high-tech industrial park, covering over 2,000 hectares, is strategically located near the new Tanger Med port—one of the largest ports in Africa and a major transcontinental economic belt linking Africa, Europe, and Asia. This project reflects the deepening economic ties between Morocco and China under the Belt and Road Initiative. By leveraging its strategic location and investment in high-tech infrastructure, Morocco aims to position itself as a leader in industrial innovation in the region, moving its economy beyond the traditional sectors like agriculture and tourism. The development of the Tangier Tech City is key in this strategy, providing a state-of-the-art environment conducive to technological advancement and industrial diversification.

The China-Morocco Agricultural Technology Demonstration Park is a significant collaborative project between China's state-owned CITIC Group and Morocco's OCP Group (formerly Office Cherifien des Phosphates) in the region of Khouribga. The park was initially proposed during a visit of King Mohammed VI to Beijing in 2016. Official operations and collaborations began shortly thereafter, with both sides aiming to create a hub for innovation in agricultural sciences. The park serves as a base for experiments and innovations that would place Morocco at the cutting edge of agri-

cultural technologies on the African continent. This project aligns with Morocco's strategic goals of modernizing its agriculture sector and diversifying its economy, boosting the country's food security, reducing dependency on imports, and facilitating knowledge transfer and tailor-made, sustainable agricultural solutions.

Opportunities and Challenges for Morocco in the BRI

Opportunities

Energy cooperation is the linchpin of the economic cooperation between Morocco and China. In recent years, China has invested heavily in supporting Morocco's renewable energy sector, including the development of several large-scale solar and wind power projects. These projects have helped to build Morocco's renewable energy capacity and reduce its dependence on fossil fuels. In addition to renewable energy development, China and Morocco have also been exploring opportunities for cooperation in the oil and gas sector. In 2018, China National Petroleum Corporation signed a memorandum of understanding with Morocco's National Office for Hydrocarbons and Mines (ONHYM) to explore opportunities for cooperation, not least the development of oil and gas pipelines and other infrastructure.²⁵

The tourism industry is a central area of cooperation between Morocco and China in the BRI. Since the visa exemption policy was introduced in 2016, and the recent ease of travel restrictions, there has been a run-up of Chinese visitors. This is vital for Morocco's already recovering tourism industry, clocking up a staggering tally of 6.5 million tourists in just the first half of 2024.²⁶ China has also been actively involved in developing Morocco's tourism infrastructure, as in the case of the Mohammed VI Tangier Tech City project. Its development is expected to attract a plethora of industries, which, in

turn, will increase the attractiveness and accessibility of the region.²⁷ In 2016, the two countries have also been working to strengthen air connectivity to facilitate tourism flows, signing an air transport agreement to increase the number of direct flights between China and Morocco.²⁸

Language and Cultural Exchange: Morocco has been actively promoting its cultural and historical heritage to draw more Chinese tourists, following the visa exemption policy implemented in 2016. The initiative has proven successful in boosting the number of Chinese tourists.²⁹ In addition, the two countries have also been working to enhance cultural exchanges, establishing Confucius Institutes in Morocco to promote Chinese language and culture and promoting Moroccan culture in China through exhibitions and other events.

Challenges

Political instability can be a stumbling block to the success of the Belt and Road Initiative, not only in Morocco but in other countries along the BRI routes. Political unrest and conflicts in some countries may lead to investment risks and trade flows, and it may also hinder the implementation of BRI projects.³⁰ Along with corruption and lack of a strong political will, security crises in some BRI countries may also disrupt investment and trade flows.³¹ The Ukraine-Russia crisis and the ongoing Israel-Palestine war have indeed impacted the BRI, particularly in terms of regional stability and economic disruptions.³² As such, it is crucial to address political instability and security risks in BRI countries to ensure the success of the initiative.

Economic and investment risks may challenge Morocco's aspirations for sustainable and inclusive growth. One of the primary concerns is debt sustainability, as BRI projects are typically financed through substantial loans from Chinese banks. Unless managed prudently, Morocco will struggle with a crippling debt. More importantly, there's an emphasis on ensuring that these investments align with

Morocco's New Development Model.³³ Moroccan industries, such as manufacturing and construction, may face competitive pressures from Chinese firms, potentially displacing local jobs. Policies should ensure local industries are protected and given opportunities to grow through technology transfer and capacity-building initiatives. Yet, to ensure an equitable distribution of BRI benefits while minimizing its adverse impacts Morocco should implement several strategies.

Environmental concerns raise alarming concerns about environmental degradation and its effects on land, biodiversity, and greenhouse gas emissions. The BRI has gradually shifted towards supporting green and sustainable infrastructure projects to address these concerns. Yet there is still a long way to go in addressing environmental concerns related to the BRI. Environmental impact assessments must be conducted for all BRI projects, including their practices and technologies, to identify potential environmental risks and mitigate negative impacts. To this end, Morocco must also consider the potential environmental impacts of infrastructure development under the BRI on its ecosystems and natural resources.

Language and Cultural Barriers can potentially hinder the success of Morocco's involvement in the Belt and Road Initiative. The BRI encompasses a diverse range of countries with varying cultures, religions, and languages.³⁴ These cultural differences may impede the cooperation and implementation efforts between Morocco and other member countries.³⁵ Hence, it is crucial to address language and cultural barriers and ensure the success of Morocco's involvement in the BRI.

Conclusion and Recommendations

The economic relationship between Morocco and China has been steadily growing, and China's BRI presents a unique oppor-

tunity for further cooperation and investment. Morocco's strategic geographic location and economic diversification strategy make it an attractive destination for Chinese investors seeking to expand their presence in Africa. However, there are also potential risks and challenges associated with participation in the BRI. Policymakers in Morocco must carefully balance these potential risks with the potential benefits of increased trade and investment with China. The following policy recommendations can help Moroccan policymakers maximize the benefits of participating in the Belt and Road Initiative while minimizing risks:

Strengthening institutional and regulatory frameworks to ensure transparency and accountability. Further research is needed to better understand the impacts of the BRI on Morocco's economy, society, and environment. Such will help reform one-size-fits-all institutional and regulatory frameworks and forge tailor-made, yet multidisciplinary ones that attend to the complex interactions between different sectors and actors.

Promoting transparency and public participation to address negative impacts on local communities and the environment, particularly debt burden, competitive pressures on local industries, and local ecosystems and biodiversity. Policymakers in Morocco must carefully balance these potential risks with the potential benefits of increased trade and investment with China. Also, fostering transparent and inclusive project planning processes can help address all stakeholders' concerns effectively.

Ensuring sustainable and inclusive development: the BRI presents an opportunity for Morocco to strengthen its regional and global economic position, given it is implemented in a way that supports Morocco's economic diversification strategy and promotes inclusive and sustainable development.

Building strong partnerships requires a comprehensive and coordinated approach that involves all stakeholders, including local communities, civil society organizations, and the private sector. Moroccan policymakers should proactively negotiate with Chinese partners to ensure that projects are aligned with Morocco's development priorities and meet high standards of transparency, sustainability, and social responsibility.

Adopting a strategic approach to leverage Morocco's participation in the BRI to further expand economic partnerships and foster cooperation with other African nations, thereby enhancing regional development and integration. This strategic approach should optimize the benefits of the BRI and ensure that the initiatives align with Morocco's broader economic and development goals.

Notes

- 1 Zreik, M. (2022). The Chinese presence in the Arab region: Lebanon at the heart of the Belt and Road Initiative. *International Journal of Business and Systems Research*, 16(5-6), 644-662.
- 2 Maçães, B. (2021). *Belt and road: A Chinese world order*. Oxford University Press.
- 3 Wood, F. (2002). *The Silk Road: two thousand years in the heart of Asia*. Univ of California Press.
- 4 Li, R., Cheong, K. C., Li, R., & Cheong, K. C. (2019). “Going out”, going global, and the Belt and Road. *China’s State Enterprises: Changing Role in a Rapidly Transforming Economy*, 151-194.
- 5 Shahriar, S., Qian, L., Saqib Irshad, M., Kea, S., Muhammad Abdullahi, N., & Sarkar, A. (2018). Institutions of the Belt & Road Initiative: A systematic literature review. *JL Pol’y& Globalization*, 77, 1.
- 6 Ibid.
- 7 Lotfi, B., & Karim, M. (2017). Export diversification and economic growth in Morocco: An econometric analysis. *Applied Economics and Finance*, 4(6), 27-35.
- 8 Wei, G., Zhang, Z., Ouyang, X., Shen, Y., Jiang, S., Liu, B., & He, B. J. (2021). Delineating the spatial-temporal variation of air pollution with urbanization in the Belt and Road Initiative area. *Environmental Impact Assessment Review*, 91, 106646.
- 9 Chinadaily (2022). Morocco Ties Taken Step Higher with BRI Deal. 1 July, <https://global.chinadaily.com.cn/a/202201/07/WS61d7ae17a310cdd39bc7fbd9.html>.
- 10 Zoubir, Y. H. (2020). Expanding Sino–Maghreb Relations. Chatham House, 23 February, <https://www.chathamhouse.org/2020/02/expanding-sino-maghreb-relations/3-morocco-and-china-pragmatic-relationship>.
- 11 Ibid.
- 12 Belcaid, K., & El Ghini, A. (2019). US, European, Chinese economic policy uncertainty and Moroccan stock market volatility. *The Journal of Economic Asymmetries*, 20, e00128.
- 13 Boukhars, A. (2021). Sino-Moroccan Relations: A Partnership Seeking to Reach Its Full Potential. *China and North Africa: Between Economics, Politics and Security*, 167.
- 14 Zoubir, Y. H. (2020). Expanding Sino–Maghreb Relations. Chatham House. 23 February, <https://www.chathamhouse.org/2020/02/expanding-sino-maghreb-relations/3-morocco-and-china-pragmatic-relationship>.
- 15 Sun, D. (2021). China’s partnership diplomacy in the Middle East. In *Routledge Handbook ON China–Middle East Relations* (pp. 299-311). Routledge.
- 16 Ghafar, A. A., & Jacobs, A. L. (2020). China in the Mediterranean: Implications of Expanding Sino-North Africa Relations. *Global China: Assessing China’s Growing Role in the World*, Brookings Institute.
- 17 Hespress (2024). Morocco’s infrastructure projects garner international attention ahead of the 2030 World Cup. 17 February, <https://en.hespress.com/80174-moroccos-infrastructure-projects-garner-international-attention-ahead-of-the-2030-world-cup.html>.
- 18 Kravtsov, K. S. (2021). China’s trade and economic relations with Algeria, Morocco, and Mauritania in the 21st century. *Asia and Africa Today*, (10), 55-64.
- 19 Boukhars, A. (2021). Sino-Moroccan Relations: A Partnership Seeking to Reach Its Full Potential. *China and North Africa: Between Economics, Politics and Security*, 167.
- 20 World Bank. (2022). Morocco’s Economic Update. 14 April, <https://www.worldbank.org/en/country/morocco/publication/economic-update-april-2022>.
- 21 Khan, Y., et al. (2022). The role of private investment in ICT on carbon dioxide emissions (CO₂) mitigation: do renewable energy and political risk matter in Morocco? *Environmental Science and Pollution Research*, 29(35), 52885-52899.
- 22 Oqubaya, A. (2022). African industrial hubs and industrialization: diversity, unevenness and strategic approach. *Transnational Corporations*, 29(1), 1.
- 23 InvestmentPolicyMonitor. Morocco Opens a New Special Economic Zone in Northern Morocco. 22 February 2022, <https://investmentpolicy.unctad.org/investment-policy-monitor/measures/3962/opens-a-new-special-economic-zone-in-northern-morocco>.
- 24 Ibid.
- 25 Zoubir, Y. H., & Hamitouche, Y. (2019). China’s Relations with Algeria: A Strategic Partnership? In *The Politics of Algeria* (pp. 210-225). Routledge.
- 26 Hespress. (2023). Morocco Anticipates Revival of Chinese Travelers following the Lifting of Restrictions. 23 August, <https://en.hespress.com/69099-morocco-anticipates-revival-of-chinese-travelers-following-lifting-of-restrictions.html>.
- 27 Global Construction Review. (2022). Morocco and China Communications to build \$1bn Tangier tech city. 27 July, <https://www.globalconstructionreview.com/morocco-hires-china-communications-to-build-1bn-tangier-tech-city/>.
- 28 Christidis, P. (2016). Four shades of Open Skies: European Union and four main external partners. *Journal of Transport Geography*, 50, 105-114.
- 29 Hespress. (2023). Morocco Anticipates Revival of Chinese Travelers following the Lifting of Restrictions. 23 August, <https://en.hespress.com/69099-morocco-anticipates-revival-of-chinese-travelers-following-lifting-of-restrictions.html>.
- 30 Küçükcan, T. (2017). The belt and road initiative and Middle Eastern politics: Challenges ahead. *Insight Turkey*, 19(3), 83-91.
- 31 Morrison, W. M. (2019). China’s economic rise: History, trends, challenges, and implications for the United States. *Current Politics and Economics of Northern and Western Asia*, 28(2/3), 189-242.

32 <https://responsiblestatecraft.org/2022/03/22/beltandroadchinarussia/>

33 <https://www.diplomatie.ma/>

34 Mukhtar, A., et al. (2022). Challenges confronting the ‘One Belt One Road’ initiative: Social networks and cross-cultural adjustment in CPEC projects. *International Business Review*, 31(1), 101902.

35 Hussain, E. (2019). CPEC: Governance and security challenges—Implications for the Belt and Road Initiative. *Chinese Political Science Review*, 4(1), 135-147.



المعهد المغربي لتحليل السياسات
MOROCCAN INSTITUTE FOR POLICY ANALYSIS
٠٥٤١٠٧ ٠٤٣٠٤٥٤ | ٥٥٣٥٤ | +٥٥٠٦٠٦



MIPAINstitute



MIPAINstitute



contact@mipa.institute