

Sino-Morocco: Tea & free trade zones

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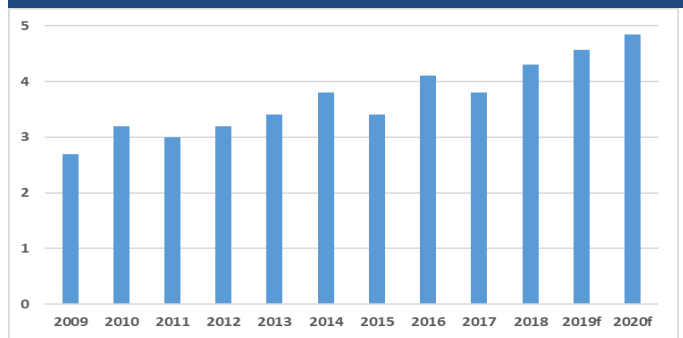
- Moroccan imports of tea from China make up 25% of China's total tea exports, over 90% of Morocco's tea imports globally, 7.3% of Morocco's total imports from China and 5.3% of total bilateral trade.
- Overall Sino-Moroccan trade is expected at USD 4.8B by 2020 from USD 2.7B in 2009, at an average annual growth rate of 6% over this period.
- A key element of China's Belt & Road Initiative (BRI) in North Africa is creating free trade zones, with Morocco now following Egypt in benefiting from such initiatives.

A strategic tea market for China

China's main exporting regions for tea, including Guizhou, Sichuan and Hubei, have been targeting BRI countries, with Morocco taking nearly one out of every four tonnes in Chinese exports of the product.

- Morocco is a large and important consumer of tea (3.4% of global tea imports) while China is the world's largest tea exporter (26% of global tea exports).
- Of equal importance is Morocco's strategic location: it can act as a top re-export hub for Chinese teas to reach European and African markets.
 - The tea trade dates to the 18th century, when Chinese tea arrived in Essaouira and was then distributed to other ports in Morocco and West Africa.
 - Morocco imported 77,562 tonnes of Chinese tea last year. Tea imports from China have made up over 90% of total global imports of tea to Morocco and this share has remained consistent since the 1990s. The value has however increased; tea imports from China were worth USD 229M in 2017 from USD 100M in 2007 and USD 67M in 1997.
 - Even though imports of tea from China comprise almost a quarter of China's total tea exports, they only make up 7.3% of Morocco's total imports from China and 5.3% of total bilateral trade, highlighting opportunities for growth if Morocco were to increase tea consumption or re-export.
 - Underscoring this, Morocco's total tea import value has grown by an annual average of 13.7% in the last 10 years.
- In March 2019, Guizhou signed a USD 21M green tea export deal with Morocco, the central Chinese province's largest tea export deal in recent years.
- Chaxiangzi Tea company from Sichuan has been visiting Morocco and hosting tea seminars to boost local sales.
- Total bilateral trade between Morocco and China reached USD 4.3B in 2018, up by 13% YoY.
 - In the last 10 years, bilateral trade has grown at an annual average of 6%, and at this rate, we expect trade at USD 4.8B by 2020.

Figure 1 - Sino-Morocco Trade (USD, B)¹



Chinese-funded free trade zones

While tea continues to be one of the most consistent components of bilateral relations, China's more recent BRI interest in Morocco involves the funding of a free trade zone.

- China uses free zones abroad to host Chinese companies under favourable tax, legal and administrative conditions.
- For host countries, the zones provide jobs and spill-over business revenues, including opportunities for joint ventures.
- The Mohammed VI Tangier Tech City project in Morocco, revived at the Second BRI Forum for International Cooperation in April, is expected to attract more Chinese manufacturers.
 - The original financier, Haite Group, an aviation company in China, left a joint venture with Morocco's BMCE, which was to invest USD 1B in a 10-in the project. Haite withdrew last year, reportedly over problems with the project's scale and a dispute over who would own the completed Tech City.
 - But it has been replaced by Chinese construction giant China Communications Construction Company and its subsidiary China Road and Bridge Corporation, which signed an MoU with the Moroccan government on 26 April.
- Tangier Tech City will be Morocco's 6th free zone (Egypt has 9) and Tangier's 3rd. It is intended to offer favourable conditions for the development of industries pertaining to the automotive, aero-space and renewable energies.
- If all proceeds as planned, the Tech City zone will be the second in MENA to be part funded by the Chinese. The first was the China-Egypt TEDA Suez Economic and Trade Cooperation Zone which was launched a decade ago and has directly created 3,500 jobs and 30,000 indirect opportunities through the industries it gathered.
 - An important achievement and a successful example of such cooperation between China and Egypt was the Jushi Egyptian fibreglass production base. The Jushi Egypt base is the world's largest fibreglass production base outside of China, and the only such one filling the gap in the African continent's glass fibre manufacturing industry. The base also makes Egypt the world's fifth largest fibreglass producer.

¹ Arabia Monitor; China Customs Statistics; IMF Direction of Trade Statistics.

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