Italian Business within the Countries of the Med Area: the Case of Morocco

Massimo Deandreis
SRM - General Manager

Casablanca, April 30th 2015
AGENDA

- Economic relations between Italy and the Med Area: General Trends

- Economic relations between Italy and Morocco: scenario and a focus on imports and exports

- Italian Companies

- The future
Italian Exports: the «Extended» Mediterranean Makes Up Over 10% of the Total

- **Italian Exports**: €398 bn in 2014; the Med Area makes up 7%, and the whole MENA Area (including Turkey) is 10.2%.

- **Italy’s Trade Balance**: always positive. In the Med Area it amounts to 15.6% on the total of foreign trade.

### Italian Exports, 2014

- **Total exports in 2014**: €398.0 bn
- **Rest of the world**: 26.8%
- **Russia**: 2.4%
- **China**: 2.6%
- **USA**: 7.5%
- **UE28**: 50.5%
- **Med Area**: €28.0 bn (7.0%)
- **MENA + TURKEY**: 10.2%
- **Rest of the world**: 26.8%
- **Med Area**: €28.0 bn (7.0%)
- **Gulf countries**: €12.6 bn (3.2%)

### Italy’s Trade Balance, 2014 (% of foreign trade)

- **+5.7% for global foreign trade**
- **+15.6% for the Med Area**
- **+33.3% for the Gulf Countries (GCC countries)**

Source: SRM on Eurostat data
Italian Exports to the Med Area: a Positive Trend

- **Italian Exports to the Med Area**: €28 bn in 2014 (-3.8% on 2013, but +99.2% on 2001).

Exports to the Med Area: Italy and Its Main Competitors

Source: SRM on Eurostat and UNCTAD data (March 2015)
Italian Trade with the Med Area: an Increase of 45% between 2001 and 2014

- Total trade (Imports + Exports) between Italy and the Med Area was €48.3 bn in 2014 (+45% on 2001).


**Total Trade with the Med Area: Italy and Its Main Competitors (€ bn)**

Source: SRM on Eurostat, and Unctad data (March 2015)
Total Trade with the Med Area: the Position of Competitors

- **USA** is still first; **China** is going to become Med Area’s **second** major partner within 2016.
- **Germany**’s trade with the Med Area is higher than Italy’s.

Total Trade with the Med Area: **Italy** and Its Main Competitors (€ bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Italy</th>
<th>France</th>
<th>China</th>
<th>USA</th>
<th>Germany</th>
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Source: SRM on Eurostat, and Unctad data (March 2015)
“Weight” of the Med Area on Foreign Trade: Italy is First

- Italy: the weight of the Med Area on Italy’s foreign trade increased from 6.2% in 2001 to 6.5% in 2014. France is second.

Weight (%) of the Med Area on Total Foreign Trade

Source: SRM on Eurostat and Unctad data (March 2015)

- Italy: energy products make up for 33.3% of Italian trade with the Med Area; Italian Competitors: energy products represent no more than 17.3% of trade with the Med Area (France).
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Economic Growth in Morocco

- **South Mediterranean**: after the slowdown in the last few years, the economies will grow at a faster pace in the coming years.

- **Morocco**: in 2014 (+3.5%). High growth in 2015 and in 2016 (higher than +4.5%).

### GDP Growth Rate (%)

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<td>-3.4</td>
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</tr>
</tbody>
</table>

(**) data by the EIU.

Source: SRM on Intesa Sanpaolo Research Department and IMF data
Morocco has increased its presence in the international markets and aims to attract more FDI in order to balance its current account.

Source: SRM on UNCTAD data (March 2015)
Morocco: the Dynamics of Competitiveness and Attractiveness

- **Exports 2003-2013 (average growth):** Morocco +14.8%.
- **FDI 2003-2013 (average growth):** Morocco +19.4%.

Source: SRM on UNCTAD data (March 2015)
Exports of Italian products to Morocco doubled between 2000 and 2012

- The Export of Italian products to Morocco was over €1.4 billion in 2014, + 197% over 2000.

![Graph: Italy: Export to Morocco](chart.png)

Source: SRM on Eurostat (2015)
Morocco: Italy among the Major Suppliers

- **€33.9 bn** of imports in 2013. Italy is 6th. -7.5% Moroccan imports from Italy in 2014.

Source: SRM on UNCTAD and Eurostat data (March 2015)
Italy: First Three Sectors of Exports to Morocco

...MOROCCO

- **Mechanical** - 2nd
  - 347 (+344)

- **Fashion Industry** - 3rd
  - 161 (+18)

- **Other Intermediate pr.** - 2nd
  - 104 (+104)

Source: SRM on UNCTAD data (March 2015)
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Doing Business 2015: Morocco is the 1st among the Southern Med countries

- Morocco is at the **54th place** in the ranking of *Starting a business*, the 1st among the countries of the Southern Med, and behind Italy (**46th place**)

- Morocco is at the **31th place** in the ranking of *Trading across borders*, the 1st among the countries of the Southern Med, and in this case before Italy (**37th place**)

The ranking of *Doing Business 2015*

**Starting a business**

- **Morocco**: 54th place
- **Italy**: 46th place

**Trading across borders**

- **Morocco**: 31st place
- **Italy**: 37th place

Source: SRM on World Bank data (2015)
Italian Companies in Morocco

- The number of Italian companies in Morocco (140) is lower than that of France (1,000); Italian companies employ 7,000 people.
- Half of Italian companies operating in Morocco (70 out of 140) belongs to the Manufacturing sector.

Source: SRM on Associazione Italiana delle Imprese nel Marocco, Chambre de Commerce Italienne au Maroc, Ambassade de France au Maroc and Cribis data (2013)
Geographic distribution of Italian companies in Morocco

- Tangeri-Tétouan
- Rabat-Salé-Zemmour-Zaër
- Grande Casablanca
- Marrakech-Tensift-El Haouz
- Souss-Massa-Draâ

Legend:
- > 30%
- 15 - 30%
- 5 - 15%
- 1 - 5%
- 0 - 1%
- 0%
Italian Companies in Morocco: Higher Growth but Lower Profitability Compared to French Companies

- The **Turnover** of Italian Companies operating in Morocco grew by **17.1%** in 2010, a higher pace compared to French Companies.

- Profitability of Italian companies was also good (**RoE** was **17.2%**), even though profitability of French companies was better (**34.1%**).

Source: SRM on BVDEP (ORBIS) data
Advantages and Disadvantages of Operating in the Countries of the Mediterranean Area

Advantages:
- Lower cost of labor than Italy;
- Tax benefits and Free Zones;
- The political stability of the country;
- Support from the banking system, including the Italian one;
- Production hub for neighboring markets;
- Potential interest of some sectors (Shipping and Logistics) for the new Mega Projects in progress;
- Great investment potential in the field of Renewable Energy;
- The prospect of a large consumer markets;

Disadvantages:
- In some sectors the cost of labor is higher than in China and India;
- Regulatory uncertainty;
- Infrastructure deficit;
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The future of the Med Area: disruptive Maritime Projects

- **SUEZ** not only an enlargement but a big development project

- **TANGER MED** not only a port but an economic phenomenon

- The expansion of the **GULF AREA**
An example: Suez Canal Development Project

The new Suez Canal opens important business opportunities for Italian companies because it is not only a new infrastructure; is a major project that aims to transform the whole area in an economic, logistical and industrial core where encourage the settlement of foreign investors.

Main characteristics of Suez Canal Corridor Project (SCCP):

- **72 Km**: total length of the Project (construction of a 35 km new canal and expansion of a 37 km section of the existing canal)
- The capacity of the Suez Canal will be **doubled from 49 to 97 ships** a day
- Decrease in travel time: **from 18 to 11 hours**
- **$8.2 billion**: total cost of the Project:

The project will boost the Canal’s revenues to **$13.5 billion** by 2023 instead of the current **$5.3 billion**
....... And now go to the Maritime Relations
The Maritime Relations between Italy and the Mediterranean Area
Focus Morocco

Alessandro Panaro
SRM - Head of Maritime and Mediterranean Economy Dept.

Casablanca, April 30th 2015
Agenda

- The analysis of the competitiveness of the Mediterranean port system.
- The most important phenomena in the container market of the Med Area
- The maritime trade relationship between Italy and Morocco
- Final remarks about the future
The world ranking sees **Italy in 14th place** and **Morocco in 16th place**

**Morocco gained 3 places** in the ranking since 2013

**Morocco is one of the the best-connected Countries in the Med Area** (if we consider MENA countries)
The LSCI - Liner Shipping Connectivity Index 2004-2014

Morocco shows the best growth since 2007

Source: SRM on UNCTAD, 2015
Container market: the Port Systems

- The **South Med ports** +2 p.p.
Container market: the Hub System

Market shares held by the hubs. 2009-2014 comparison (based on TEUs handled)

- Tanger Med: 11%
- Gioia Tauro: 11%
- Port Said: 14%
- Algeciras: 17%
- Valencia: 16%
- Malta: 11%
- Damietta: 3%
- Taranto: 1%
- Cagliari: 3%
- Pireo: 14%

2009 versus 2014
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The new drivers of maritime economy: THE ALLIANCES

185 VESSELS
77 PORTS
22 STRINGS
2.1 M TEU CAPACITY
Market Shares - 4 Mega Carriers Alliances

- **Asia - North Europe**
  - G6: 23%
  - CKYHE: 26%
  - O3: 19%
  - Others: 32%

- **Others**
  - G6: 8%
  - O3: 19%
  - CKYHE: 20%
  - Asia - Med: 27%

- **Asia - West Coast North America**
  - G6: 32%
  - CKYHE: 34%
  - O3: 19%
  - Others: 6%

- **Others**
  - G6: 15%
  - O3: 13%
  - CKYHE: 34%
  - Asia - East Coast North America: 30%

- **Asia - East Coast North America**
  - G6: 36%
  - CKYHE: 30%
  - O3: 13%
  - Others: 17%
The ports involved in the Alliances’ routes: Italy and Morocco

- Gioia Tauro
- Genoa
- La Spezia
- Trieste
- Leghorn
- Naples (*America-Med Routes*)
  - *TANGER MED*

- Genoa
- La Spezia
- Trieste
- Venice

- Cagliari
- Genoa
- *TANGER MED*

- Genoa
- La Spezia
- Trieste
The new drivers of maritime economy: the naval gigantism

Source: Ashar and Rodrigue, 2012
Complexity and problems

What do the carriers want?

SELECTION CRITERIA FOR REFERENCE PORTS

- Cost structure
- Berth availability
- Productivity
- Draft
- Catch area
- Rail/feeder connections
- Investments
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Economic opportunity: the maritime relationship with Med Area

**Italian Imports-exports by mode of transport**

- **Maritime transport**: 36,355.6 m 76.1%
- **Road transport**: 4,876 m 10.2%
- **Rail transport**: 36.4 m 0.1%
- **Air transport**: 2,091.5 m 4.4%
- **Other means transport**: 4,397.4 m 9.2%

**Some Italian main partner**

- **Turkey**: 28.8% imports, 41.3% exports
- **Algeria**: 15.5% imports, 28.3% exports
- **Tunisia**: 14.8% imports, 30.3% exports
- **Egypt**: 13.5% imports, 28.4% exports
- **Lybia**: 12.7% imports, 29.8% exports
- **Israel**: 6.3% imports, 27.9% exports
- **Morocco**: 4.9% imports, 27.6% exports

Source: SRM elaborations on ISTAT Coeweb data, 2015

- **Italy**: In 2014, among the various modes of transport available, **maritime was the most important**. Making up 76% of the total, worth over 36 billion euros of 48 billion euros total.

- **Morocco** accounts for approximately 5% as partner of commercial trade with Italy. Approximately **1.7 billion euros** is generated by trade with **Morocco**.
The maritime relationship between Italy and the Med Area/1

Source: SRM elaborations on ISTAT Coeweb data, 2015
The maritime relationship between Italy and the Med Area/2

Source: SRM elaborations on ISTAT Coeweb data, 2015
The role of Tanger Med

Container Traffic (TEUs handled)

- 2008: 921 (-32.7%)
- 2009: 1,222 (+68.4%)
- 2010: 2,058 (+32.7%)
- 2011: 2,185 (+6.2%)
- 2012: 1,900 (-13.0%)
- 2013: 2,550 (+34.2%)
- 2014: 3,078 (+20.7%)
The growth of MED Container Ports (2008-2014)

**Tanger Med**
- 2008: 921 TEU
- 2009: 1,222 TEU
- 2010: 2,058 TEU
- 2011: 2,185 TEU
- 2012: 1,900 TEU
- 2013: 2,550 TEU
- 2014: 3,078 TEU

**Algeciras**
- 2008: 3,327 TEU
- 2009: 3,043 TEU
- 2010: 2,810 TEU
- 2011: 3,603 TEU
- 2012: 4,114 TEU
- 2013: 4,343 TEU
- 2014: 4,555 TEU

**Piraeus**
- 2008: 434 TEU
- 2009: 665 TEU
- 2010: 878 TEU
- 2011: 1,680 TEU
- 2012: 2,745 TEU
- 2013: 3,163 TEU
- 2014: 3,700 TEU

**Gioia Tauro**
- 2008: 1,767 TEU
- 2009: 2,857 TEU
- 2010: 2,852 TEU
- 2011: 2,305 TEU
- 2012: 2,721 TEU
- 2013: 3,087 TEU
- 2014: 2,970 TEU

Growth rates:
- Tanger Med: +234%
- Algeciras: +37%
- Piraeus: +753%
- Gioia Tauro: +68%
Another factor of competitiveness is the subject of free zones or SEZ.

TANGER MED and DUBAI are two excellent cases.
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The perspectives: Suez and the Emirates

- **SUEZ 2014**: N. of ships +3.3%; goods in transit +9%
- **It’s not only oil traffic**: oil tanker were 4,053; **other type of ships 13,095**
- **+28.5%** the growth of the DUBAI Ports
- **15,2 million TEUs** handled in 2014
The future

**DYNAMAR perspectives on the Med Area:**
- 2015: Regional and feeder intra-Med traffic → +4.7%
- 2017: Regional and feeder intra-Med traffic → +14.7%

**OSC Perspectives on the Med Area:**
- 2020: Container traffic → +5.4% (per year)

**Drewry perspectives on main routes:**
- 2015: Container traffic → +5.5%
Thanks for your attention

www.srm-maritimeconomy.com