DOI 10.5281/twist.10049652#375

TWIST, 2025, Vol. 20, Issue 1, pp. 217-229

TWIST

Journal homepage: www.twistjournal.net

Promoting Economic Development in Africa: The Significance of South-South Economic and Commercial Diplomacy

A Moroccan Perspective

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Abstract

This article examines how economic diplomacy is developing in African countries and how this is affecting politics at home and abroad. With an emphasis on procedures like official visits and trade missions, it explicitly looks at how economic diplomacy and regional integration affect the dynamics of bilateral trade. Diplomatic initiatives can boost trade and open up new prospects even in the face of political obstacles. In an effort to close information gaps and improve understanding of trade, the study also examines how bilateral diplomacy, regional integration, and South-South trade affect African export promotion tactics. Results point to potential complications in bilateral talks within the framework of regional integration, which could affect trade dynamics and build member state trust.

The study highlights the benefits of bilateral diplomatic efforts and regional integration for security, while also underscoring the critical roles that economic diplomacy and regional cohesiveness play in promoting trade and economic development in Africa. In order to overcome resource limitations, the study also suggests creative growth techniques. It highlights the significance of interdisciplinary approaches, methodological variety, and talent development in order to change the investment climate in Africa. It uses a strong qualitative analytical methodology and lessons learned from Morocco to identify potential for public-private partnerships, inclusive data creation, and support for small and medium-sized enterprises (SMEs).

Keywords

Commercial & Economic diplomacy, International Business, Regional Integration, African Trade, International Political Economy

INTRODUCTION

As a powerful force reshaping internal political dynamics and external diplomatic initiatives, economic diplomacy has come to define the course of many African countries. The significant influence of state acts on bilateral commercial dynamics, such as official visits, trade missions, and diplomatic representations, is highlighted by the recent scholarly interest in the junction of politics and international trade. However, trade obstacles could be caused by tense political relations between states.

Afman and Maurel (2010) highlight export promotion as the main objective of diplomatic missions abroad, providing financial explanations for the opening of embassies and consulates. However, despite substantial government commitments, the disproportionate financial burden placed on less developed states frequently obstructs the successful promotion of bilateral commerce.

While Moons and van Bergeijk (2016) offer insights into the developmental stages of trading partners, Yakop and van Bergeijk (2011) highlight the distinctive impact of diplomatic representations on trade between the South and North. Nonetheless, there is still little empirical evidence to demonstrate the importance of diplomatic exchange in South-South trade, particularly for poor African countries. By examining the effects of diplomatic missions and regional integration on trade inside Africa, this study aims to close this gap. The intricacies of the connection between national commercial diplomacy and regional integration are still mostly unknown in the tangle of accords governing regional economic integration among African countries. Diplomatic ties are essential to risk mitigation techniques because of the uncertainty that foreign firms operate in.

In light of the growing mistrust that is weakening trade between the North and South, the article highlights how crucial it is for governments to maintain strong diplomatic ties in order to reassure international businessmen that their interests would be protected. This research attempts to clarify the nuances of South-South trade with an emphasis on African countries by analyzing the complicated effects of economic diplomacy and regional integration. It draws on the Moroccan experience to apply a rigorous qualitative analytical framework to clarify the complex mechanisms at work in these dynamics.

LITERATURE REVIEW

Using a qualitative research design that integrates perspectives from political science, economics, and international relations, the current study investigates the dynamics of investment in Africa, concentrating on Morocco. Acknowledging the need for an extensive methodological framework, our goal is to guarantee rigor, clarity, and openness in our research procedure.

We use a thorough qualitative analysis technique to examine the complex dynamics of investment in Africa. This includes a look at regional integration, diplomatic ties, and how these affect trade between countries on the continent.

Our efforts to gather data are intended to support a sophisticated comprehension of the topic. We use content analytic methods to examine publications from diplomatic bodies, such as the African Union Peace and Security Council. This process step is essential to confirming the reliability of our sources and enhancing the validity of our conclusions.

As for data analysis, we use thematic analysis approach to identify trends, themes, and patterns that are present in the collected data. Because of this methodological rigor, we are able to derive significant insights and draw well-founded conclusions.

Additionally, in order to enhance the depth of our study findings, we integrate real-world examples, such as the infrastructure projects carried out by the Moroccan government and the participation of private sector endeavors. These examples help to put our findings in perspective and provide useful insights into the complex dynamics of investment in Africa.

DEFINITIONS AND KEY CONCEPTS

Diplomacy

Diplomacy is frequently used to refer to the main instrument of foreign policy employed by a country or sovereign state to preserve its external connections with other governments and publics. Bull (1995, p. 156) asserts that "the conduct of relations between states and other entities with standing in world politics by official agents and by peaceful means" is what is meant by diplomacy in its traditional sense.

A more recent definition states that it is "the conduct of relations between sovereign states through the medium of officials based at home or abroad" and "the main means by which states communicate with each other, enabling them to have regular and complex relations" (Berridge and James, 2003, p. 69–70). The Berridge and James concept of diplomacy was applied for the purposes of this study.

Economic Diplomacy

The term "economic diplomacy" is "broad and elastic" enough, according to Bayne and Woolcock (2007), to include a scope and content that are much broader than diplomacy in the traditional sense. The following are included in economic diplomacy, according to Bayne and Woolcock.

- **Scope:** National and global economic issues, such as the "rules for economic relations between states" that have been pursued since World War II. Additionally, because of the 1990s' escalating globalization and the resulting interdependence among governments, "economic diplomacy must go deeply into domestic decision making." According to Bayne and Woolcock (eds), 2007, p. 4, this is referred to as "policies relating to the production, movement or exchange of goods, services, instruments (including official development assistance), money information, and their regulation"
- **Players:** State and non-state players – All international governmental bodies with economic mandates engage in economic diplomacy, although not identifying themselves as such. Economic diplomacy is also practiced by non-state actors who engage in international trade, such as NGOs (Bayne and Woolcock (eds), 2007, p. 3-4).

As stated by Berridgeand James (2003,p. 91),"economic diplomacy is concerned with economic policy questions, including the work of delegations to conferences sponsored by bodies such as the WTO" and "diplomacy which employs economic resources, either as rewards or sanctions, in pursuit of a particular foreign policy objective" are also included as parts of the definition.

Rana (2007, p. 201) defines economic diplomacy as "the process by which countries approach the outside world, to maximize their national gain in all the fields of activity including trade, investment, and other forms of economically beneficial exchanges, where they enjoy comparative advantage; it has bilateral, regional, and multilateral dimensions, each of which is important."

Commercial Diplomacy

Commercial diplomacy has been described as a service often offered to the business community by "staff members of a diplomatic mission or trade promotion organization (TPO)/investment promotion agency (IPA)" in order to "create socially beneficial international business ventures." As stated by Kostecki and Naray (2007), "(i) activities relating to trade policy making, such as multilateral trade negotiations, trade consultations, dispute settlement, etc. ((ii) business support services".

According to Berridge and James (2003, p. 42), commercial diplomacy is "distinct from although related to economic diplomacy" and is "the work of diplomatic missions in support of the home country's business and finance sectors". The term "promotion of inward and outward investment, as well as trade" is used to describe what they mean when they say "commercial diplomacy.

Accoring Hubb J.M. Ruel, Donna Lee and Robin Visser "Commercial Diplomacy and international Business: Inseparable Twins?" on What is Commercial Diplomacy?

Diplomacy typically involves information gathering, lobbying, advocacy, and the representation of interests in a negotiation. Commercial diplomacy involves all of those activities and focuses on negotiations around commercial deals. It is a multi-stakeholders activity involving public and private actors negotiating a business deal that will likely involve public as well as private commercial interests.

Commercial diplomacy is the work of diplomatic agents in support of a country's business and finance sectors, including the promotion of inward and outward investment, as well as trade (Berridge and James, 2001).

What is the difference between economic and commercial diplomacy?

Based on Berridge and James' (2001) definition, Saner and Yiu (2003) give the following figureto show the distinctions between the two concepts. Since the two ideas are so closely related, it is clear that there is overlap between them. Nevertheless, the image by Saner and Yiu below ignores the reality that economic diplomacy is a broad concept that also covers commercial diplomacy.

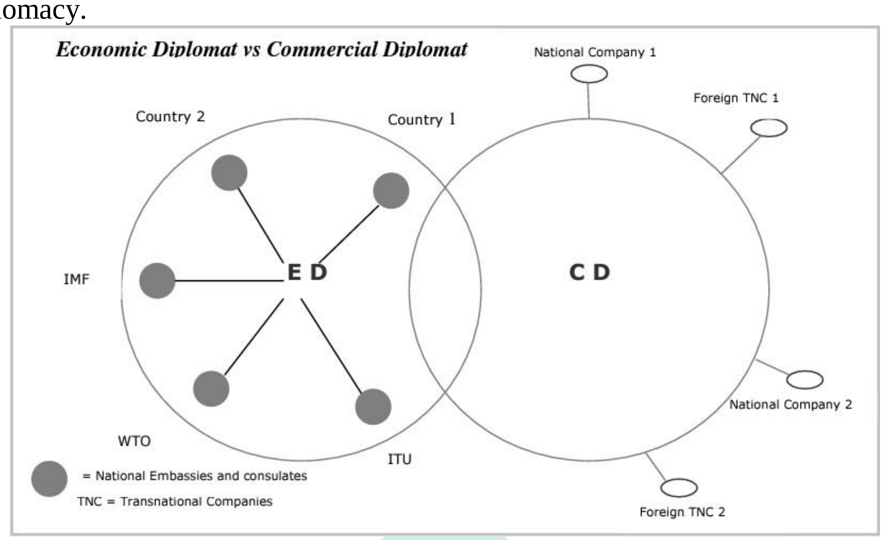

Fig. 1 Economic Diplomat vs Commercial Diplomat – Source: Saner and Yiu, 2003, P.14

The terms "economic diplomacy" and "commercial diplomacy" are relatively new and have emerged to reflect the needs and interests of states as a result of the quick changes in the international scene, particularly in the context of the accelerated globalization and the inadequacy increasingly felt by states to suit their new and complex foreign policy interests, driven increasingly by economics, within the traditional domain of diplomacy.

The processes, issues, and people engaged in furthering national interests of nations on both the local and global levels have become more complex. As a result, the "Ministry of Foreign Affairs's lone role as the "gatekeeper - the only link between domestic and external environments" has drawn criticism, according to Manojlovic and Thornheim (2007, p. 12).

The study's examination of diplomatic dynamics in economic contexts is centered on economic and commercial diplomacy, which is initially conceptually framed in this part. Providing explanation on how these ideas relate to the research, especially in terms of how they affect the possibilities for bilateral commerce, exports, and investments in Africa.

Let's go into more detail about the importance of economic and commercial diplomacy to the study's main points, particularly how they affect the possibilities for investment, exports, and bilateral commerce with Africa.

- *Bilateral Trade*: The development of trade relations between African nations and their foreign partners is greatly influenced by economic and commercial diplomacy. Governments negotiate trade agreements, settle trade disputes, and support trade liberalization measures through diplomatic channels. Commercial diplomacy promotes business-to-business contacts, trade promotion initiatives, and investment facilitation, whereas economic diplomacy concentrates on removing trade obstacles and expanding market access. Analyzing the factors influencing and obstructing bilateral trade flows in Africa requires an understanding of the dynamics of economic and commercial diplomacy.
- *Exports*: Strategies for promoting exports and gaining market access for African products and services are greatly influenced by economic and commercial diplomacy. African exports are intended to be promoted in foreign markets through diplomatic initiatives such trade missions, participation in trade shows, and the negotiation of

preferential trade agreements. Commercial diplomacy enables trade finance, export promotion campaigns, and market entry plans, whereas economic diplomacy advocates for favorable trade policy and lowers trade obstacles. Examining the function of economic and commercial diplomacy clarifies the advantages and disadvantages African exporters encounter when trying to gain entry to global markets.

- *Prospects for Investment*: Promoting investment prospects in Africa and drawing in foreign direct investment (FDI) are made possible through economic and commercial diplomacy. By offering regulatory assistance, investment incentives, and legal protections, diplomatic engagements—such as investment forums, bilateral investment treaties, and diplomatic visits—seek to foster a climate that is favorable to investment. Commercial diplomacy arranges investor matchmaking, investment promotion activities, and investor aftercare services; economic diplomacy concentrates on highlighting Africa's investment potential and addressing investor concerns. Analyzing the function of commercial and economic diplomacy offers ways to improve investment prospects as well as insights into what motivates or discourages foreign investment into Africa.

In conclusion, African nations looking to boost exports, draw in international investment, and improve bilateral commerce will find that economic and commercial diplomacy are invaluable instruments. Understanding the dynamics of economic relations in Africa and developing successful policy interventions to promote economic growth and development in the region require a thorough analysis of the complexities of these diplomatic initiatives.

THEORETICAL CONSIDERATIONS AND HYPOTHESES

Economic diplomacy, which involves multilevel negotiations and decision-making, is crucial to international relations. The four primary levels of economic diplomacy—bilateral, regional, plurilateral, and multilateral—are distinguished by Bayne and Woolcock (2011). Each level has an impact on the dynamics of global commerce.

The association between decreased border effects and greater private sector expenditures in global market expertise is highlighted by Van Bergeijk (2009). Governments can spread information through diplomatic channels like embassies, consulates, and state visits, which encourages private companies to investigate international markets. Through reducing information asymmetry and fostering stronger political ties, these diplomatic exchanges also make commercial and investment prospects more apparent.

Global commerce faces substantial obstacles from non-tariff barriers like information gaps and political unpredictability. Moons and van Bergeijk (2016) draw attention to the difficulties experienced by foreign companies trying to enter developing country marketplaces because there aren't enough trustworthy sources of information. These obstacles can be successfully addressed by direct bilateral negotiations or state-to-state diplomacy, improving market access and utilization.

Bayne and Woolcock (2011) clarify the complex interactions between different levels of economic diplomacy. Van Bergeijk (2011) presents a trade-off between regional integration and bilateral negotiations, arguing that regional integration may restrict the use of other economic diplomatic weapons by member states. In order to serve the financial interests of national enterprises, Woolcock (2011) provides examples of how trade and investment agreements inside the EU might subtly limit the ability of its member states to engage in bilateral negotiations.

In contrast to the trade-off viewpoint, regional bloc initiatives have the potential to deepen ties by promoting partnerships that benefit both parties and provide forums for bilateral diplomatic talks. The normative premise (Polachek and Seiglie, 2007) holds that closer diplomatic relations among member nations within the same regional bloc result from the trust-building effects of economic integration. Schiff and Winters (1998) provide theoretical support for this idea by illustrating how regional integration might improve security and trust, leading to a "peace dividend" and better diplomatic ties among member states.

Considering the multifaceted character of economic diplomacy at several levels, our hypotheses indicate that the complex interrelationships between these levels have a substantial impact on international trade. These effects are shown in the lowering of non-tariff trade barriers, the improvement of worldwide market awareness, the bolstering of diplomatic relations between nations, and the sharing of data. Furthermore, the trade-off between regional integration and bilateral discussions suggests that acts by regional blocs may help or hinder economic diplomacy, adding to the complexity of international economic relations.

EXAMINING HOW DIPLOMACY AND REGIONAL INTEGRATION DRIVE BILATERAL TRADE IN AFRICA

It has long been understood that regional integration and diplomatic contacts have a significant role in determining patterns of international trade. Establishing diplomatic ties and signing bilateral agreements are two steps that constitute diplomatic engagement. These actions have the capacity to promote international collaboration and understanding, which will ultimately increase trade between nations. Conversely, regional integration fosters economic interconnectedness and harmonizes rules and regulations amongst surrounding nations, making commerce easier through the use of tools like customs unions and preferential trade agreements (Mwanza & Ngwenya, 2020).

Baldwin's (2016) research indicates that trade flows are positively impacted by diplomatic efforts to enhance political ties because they lower trade barriers and promote trade-friendly policies. This is consistent with the observations made by Anderson and Marcouiller (2002), who found that increased diplomatic ties between African countries lead to a considerable increase in bilateral trade.

The European Union (EU) is a prime illustration of how its integration policy has improved trade between its member states. African countries that hope to improve intraregional trade can learn a lot from the EU's experience. Furthermore, the impact of regional integration on commerce can be measured by noting that African nations who are parties to regional trade agreements generally have larger trade volumes in comparison to non-participating countries.

The summary of these results highlights the qualitative and quantitative parallels between regional integration and diplomatic engagement with regard to their effects on intra-African commerce. The relevance of developing diplomatic ties and regional integration as interconnected catalysts for promoting trade and regional economic development is shown by the fact that both strategies promote economic growth and commerce.

Enhanced bilateral exports in Africa: Impact of diplomacy and regional bloc membership

It claims that when commercial partners are members of the same regional union, diplomatic involvement has a substantially bigger impact on bilateral exports. It employs a variety of scholarly sources to perform a thorough investigation of this phenomenon.

Effective diplomatic communication is essential to strengthening trade partnerships worldwide. Commercial agreements that remove barriers, encourage commercial flows, foster mutual trust, and ease communication can result from the establishment and maintenance of diplomatic relations (Baier & Bergstrand, 2009). Moreover, when nations belong to the same regional bloc, the influence of diplomatic relations on trade is usually greater. Trade regulations are harmonized, economic integration is promoted, and intra-regional trade is encouraged by regional organizations such as the African Continental Free Trade Area (AfCFTA).

The idea of lessening information asymmetry provides an explanation for this behavior. When nations have more access to information about trade prospects, market circumstances, and partner policies, diplomatic relations and shared regional participation reduce the unpredictability of international trade (Rose, 2007).

The analysis highlights the strong evidence that diplomatic engagement has a substantially stronger influence on bilateral exports when trading partners are members of the same regional grouping, especially in the African setting. This emphasizes how crucial diplomatic efforts and regional integration programs are as linked catalysts for increasing trade and regional economic expansion.

Examining promising investment prospects in Africa

There are numerous chances on the African continent to promote strong economies and spark important structural reforms. It entails supporting industrialization and revolutionary investments that have the power to completely alter regional development, in addition to simple economic growth. Nevertheless, there are difficulties when taking into account the intricate dynamics of the labor market, especially given the large number of young individuals joining the workforce in comparison to the small number of available positions.

The African Development Bank (AfDB), which calls for yearly investments in the range of $130 to $170 billion for infrastructure development, offers a strategic vision. This commitment is a real step toward influencing the future of the continent and goes beyond words. By allocating a sizeable 40% of all investments between 2012 and 2016 to infrastructure, African nations have made a big contribution to this transition (AfDB/OECD/UNDP, 2018).

Despite admirable efforts, there is still a sizable funding gap that puts both infrastructure and general economic growth at risk. This financial gap is a reflection of the difficulties African economies face, including restricted access to capital, conflicting priorities, and efficient resource allocation.

Africa's story of foreign direct investment (FDI) presents both opportunities and challenges. Despite the continent's potential, foreign direct investment (FDI) inflows are trailing other regions; in 2017, they made up only 2.9% of all FDI worldwide. This mathematical reality draws attention to the complex network of variables affecting investment patterns and preferences throughout the continent.

A strategic concentration of $40–50 billion in foreign direct investment (FDI) is focused on a small group of five nations, namely Egypt, Ethiopia, Nigeria, Ghana, and Morocco, according to the report. A noticeable trend, nevertheless, is a move away from conventional industries like mining and toward diversification, with a focus on labor-intensive industrial sectors that can increase regional output and provide employment.

A holistic approach is necessary to unlock Africa's potential, alleviate economic imbalances, and promote sustainable development while navigating complicated challenges, as highlighted by the synthesis of these studies.

Findings synthesis: Examining promising investment prospects in Africa

This thorough analysis delivers a data synthesis that presents a comprehensive picture of investment prospects throughout Africa. Regression analysis provides quantitative insights, but qualitative lessons from case studies and document analyses help us better comprehend the complex dynamics influencing bilateral trade in the particular context of the continent.

Africa has potential that goes beyond traditional ideas of economic growth, including more expansive objectives of industrialization and game-changing investments. The discrepancy between the demand and supply for jobs, especially among the younger people on the continent, emphasizes the urgent need for creative solutions that span the social, educational, and economic spheres.

The synthesis highlights the connection between economic development and societal transformation, stressing the importance of inclusive economic growth in accomplishing both goals.

The African Development Bank's advocacy of infrastructure development offers optimism for the future of the continent. However, African economies face difficult problems due to a lack of resources and the necessity to deal with a variety of economic issues. The synthesis underscores the significance of an integrated approach to economic growth by highlighting the link between agriculture and infrastructure.

The story of foreign direct investment (FDI) is complicated and full of opportunities and problems. Even though the continent has a lot of promise, investments must be made with a balance that supports skill development, local community empowerment, and general economic growth.

In addition to offering insights into the complex nature of investment prospects in Africa and the necessity of all-encompassing strategies to support sustainable development, equitable growth, and international cooperation, the synthesis acts as a useful knowledge mosaic.

Enhancing Data Collection and Analysis: An In-Depth Perspective

Optimizing data collection and analysis in Africa's investment environment necessitates a multifaceted strategy. Governments, international organizations, and academic institutions must work together to collect data in order to provide a full and diversified dataset. Research institutions supply rigorous methodology, international organizations offer global investment patterns, and governments offer insights on regional investment regulations.

As a result of this cooperation, investment dynamics are represented more accurately and dependably. Equally important are standardized reporting standards, which guarantee consistent reporting across nations and time periods, promoting comparability and openness. Enforcing uniform reporting guidelines for enterprises improves transparency and confidence in the banking industry. Furthermore, real-time data tracking provides precision and reactivity, made possible by technology improvements.

The quick collection and dissemination of investment-related data made possible by digital platforms and online databases gives decision-makers the flexibility to respond quickly to shifting market conditions, legislative changes, and investment trends. Real-time data facilitates the identification of movements in market sentiment and allows governments to rapidly handle emerging difficulties and grasp opportunities.

Advancing Investment Insights through Collaborative Data Enhancement

Morocco's proactive approach to improving data collection and analysis in its investment environment exemplifies the effectiveness of cooperation and standardized reporting procedures.

Morocco adopts a collaborative approach with international organizations and academic institutions to enhance investment data analysis, ensuring a comprehensive dataset blending qualitative and quantitative data. Standardized reporting procedures set by the Investment Commission guarantee consistency and accuracy, simplifying data collection and comparisons. Leveraging technology, the Moroccan Investment Development Agency tracks real-time data, enabling quick responses to changing trends, as seen in the renewable energy sector, boosting transparency and aiding decision-makers. This multifaceted strategy empowers Morocco's investment landscape. For example, a research institution studying Morocco's renewable energy sector benefits from rigorous methodologies and real-time regulatory insights, creating a valuable resource for investors and policymakers. In manufacturing, foreign investors adhere to standardized reporting, facilitating accurate data comparisons, while real-time data tracking allows timely policy adjustments in response to market trends, fueling the growth of Morocco's renewable energy industry.

Diversification Strategies for Inclusive and Sustainable Growth

Comprehensive diversification is a crucial tactic for guiding African economies toward more justice and sustainability. This entails strengthening the basis for development, decreasing reliance on industries with poor linkages to the community, and improving economic resilience. To accomplish this, governments must recognize and assist industries that can integrate value chains and include the public more broadly.

One of the most important components of successful diversification is encouraging labor-intensive enterprises, particularly in order to combat youth unemployment. People with a range of education and experience levels can find work in industries that need a large workforce, like textiles, light manufacturing, and agriculture. These industries improve the human capital of the nation by fostering skill development in addition to employment generation.

Value addition and economic change are two essential components of diversification. This means adding value to locally produced goods and resources by ensuring that raw materials are converted into finished or semi-finished products. By using this strategy, nations can increase national income while retaining a greater portion of the value created during production. This promotes innovation, technical improvement, and a more globally competitive industrial sector. A more balanced trade portfolio can be achieved by processing raw materials locally and exporting value-added products.

Sectoral prioritizing and policy coherence are essential for the success of diversification efforts. Target sectors should be carefully chosen and ranked by governments using factors including resource availability, competitive advantage, market demand, and infrastructure already in place. Governments can then put in place a number of encouraging initiatives, such as the construction of specialized infrastructure, financial accessibility, R&D initiatives, and investment incentives. Sector-specific policies foster these industries' expansion and sustainability, which eventually propels fair and long-lasting economic development throughout Africa.

CASE STUDY PRESENTATION: MOROCCO'S DIVERSIFICATION STRATEGY

Africa's quest for economic diversification is a noteworthy model for countries hoping to attain growth that is both egalitarian and sustainable. Morocco has become a well-known case study in this regard, exhibiting a strong dedication to lowering sectoral reliance and promoting economic resilience through diverse programs including Vision 2030 and the National Pact for Industrial Emergence.

One important aspect of Morocco's efforts to diversify is the strategic focus it places on partnerships for vocational training, as demonstrated by the "Plan d'Accélération Industrielle 2014-2020." This all-inclusive program, designed for labor-intensive businesses, has reduced young unemployment and improved workforce skills at the same time. Such programs support human capital development, which is crucial for sustained long-term prosperity, in addition to promoting economic stability.

Furthermore, Morocco's proactive value addition strategy, particularly in the phosphate industry, highlights the country's dedication to diversification tactics. Morocco has strengthened its position as a key participant in the global fertilizer sector and increased export income by investing in value-added processing and forming partnerships with foreign organizations. This deliberate attempt to capitalize on comparative advantages and a sophisticated grasp of the dynamics of the global market are reflected in the strategy focus on value creation.

Simultaneously, Morocco's deliberate focus on renewable energy represents a unified strategy for sectoral development and policy cooperation. Large-scale wind and solar projects, led by the Moroccan Agency for Sustainable Energy (MASEN), have sparked significant foreign investment, eased regulatory harmonization, and sparked technological innovation. Morocco's shift from fossil fuels to renewable energy sources reduces environmental hazards and fosters a growing renewable energy industry that supports sustainability goals and economic progress.

To sum up, Morocco's comprehensive strategy for economic diversification offers other African countries facing comparable growth obstacles a convincing case study. By combining focused investments, strategic planning, and international cooperation, Morocco has proven that it can successfully navigate challenging economic environments and advance agendas for equitable and sustainable development. The importance of Morocco's diversification trajectory and its possible consequences for more general regional development paradigms are highlighted by this scholarly investigation.

Strengthening Investment Climate for Sustainable Development

To attract foreign direct investment (FDI) and unlock economic potential, African nations must prioritize the creation of an enabling environment that promotes stability, predictability, transparency, and a welcoming attitude toward international investors. This begins with establishing transparent and stable regulatory frameworks, encompassing well-defined laws governing corporate operations and foreign investment, alongside accessible information on investment laws and tax regulations. Simultaneously, reducing bureaucracy and streamlining administrative processes through efficient online systems for business registration and permits can enhance the ease of doing business. Minimizing corruption and ensuring accountability are crucial, as corruption erodes investor confidence and undermines fair competition, necessitating strong anti-corruption measures and transparent bidding processes. Finally, maintaining regulatory consistency and avoiding abrupt policy changes is essential to mitigate perceived risks and provide investors with confidence in the long-term stability of the market, ultimately fostering economic growth, job creation, and sustainable development.

Inward Foreign Direct Investments to Morocco: Competitiveness and Dynamics

Investments are probably going to boost job creation and economic growth. Although the mechanisms emphasized by various growth models may differ, the significance of investment is consistently emphasized. Foreign direct investment (FDI) is a source of employment creation and a great supplement to local savings and investment in many ways. Foreign direct investment may offer the added benefit of knowledge transfer from developed nations, especially to emerging and developing nations (Grossman & Helpman, 1991). Additionally, through a process known as knowledge spillover, technical know-how may spread into regional economies (Javorcik, 2004).

Through involvement in the global value chain, a nation's ability to draw in foreign direct investment can boost its export trade in this age of dispersed cross-border manufacturing networks. Furthermore, productivity dispersion tends to be lessened in industries with a strong penetration of foreign businesses through the process of knowledge spillover (Mona, 1993). By promoting the growth of regional industries through inter-firm links, foreign direct investment can also have positive externalities (Barrios, Görg, & Strobl, 2005).

It should come as no surprise that several nations have implemented measures in an effort to draw in foreign direct investment (FDI). Africa still receives less than 5% of all foreign direct investment inflows, nevertheless (UNCTAD, 2016). Multinational corporations make investment and delocalization decisions based on a variety of criteria. Over the past ten years, Morocco has done very well in luring in foreign investment. After South Africa, Morocco was the second-highest destination market for foreign direct investment projects in Africa in December 2016.

The inflow of foreign direct investment into Morocco between 2003 and 2016 is covered in this article. It begins by outlining the legislative measures and business practices that have raised Morocco's standing in relation to Algeria, Egypt, and Tunisia—its neighbors in North Africa. The main FDI trends, project starting points, destination activities, and locations are then covered in the part that follows.

Attracting FDI: Morocco in Perspective

The Moroccan economy was heavily protected and centered on industrialization through import substitution and agricultural self-sufficiency prior to the 1990s (Currie & Harrison, 1997). The Moroccan government modernized the country's economy in the 1990s by implementing a number of economic reforms. One of these changes, in instance, was made expressly to change the Moroccan investment charter in order to draw in foreign capital (World Bank, 1993).

In an effort to draw in foreign investment, the government also heavily privatized state-owned businesses in addition to reforming the investment charter. For instance, the government sold the French business Vivendi 35% of its ownership in Maroc Telecom in 2001. Targeted Free Trade Agreements (FTAs) with important trading partners to promote trade and investment were another important step the administration took to draw in foreign investment. Particularly significant policy agreements for later foreign investment in Morocco were the Agadir Declaration, which was signed by Morocco, Egypt, Tunisia, and Jordan; the Association Agreement, which was made with the European Union; and the Free Trade Agreement, which was struck with the United States.

In line with this, Morocco's tax structure underwent significant simplification in the late 1990s. Recognizing that low profit taxes may be associated with foreign direct investment, the Moroccan government streamlined the nation's tax system by enacting the General Tax Code. Specifically, the passage of the "investment charter" in 1995 exempted new investors from value-added tax for a period of five years.

Chart 1 uses data from the World Bank's Doing firm Report (World Bank, 2017) to compare the profit tax rate and number of procedures necessary to start a firm from 2005 to 2016, putting Morocco's comparative advantage over its neighbors in North Africa into context. The left panel shows that Morocco's low profit tax rate is surpassed only by Egypt's. Morocco has had the fewest formalities to follow before potential investors launch new businesses, as the right panel illustrates.

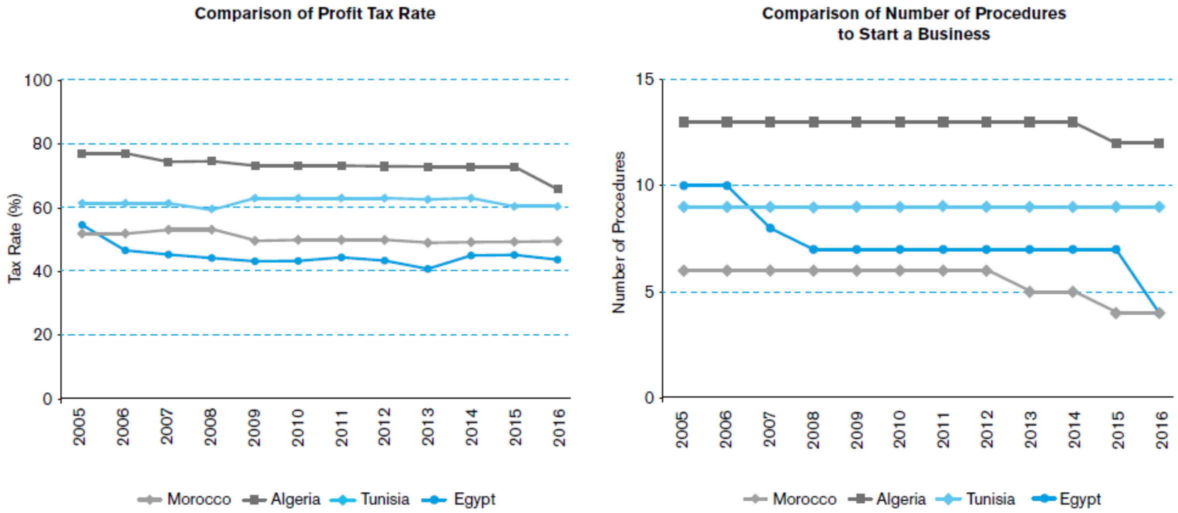

Chart 1 Monetary and Non-Monetary Competitiveness to Attract FDI

We may examine the competitiveness performance of Algeria, Egypt, Morocco, and Tunisia using data from the World Economic Forum's Global Competitiveness Index (World Economic Forum, 2016). As seen in Chart 2, Morocco has also made efforts to raise the caliber of its institutions and infrastructure. In example, after significant investment in the Tangier-Med port, port infrastructure was significantly enhanced. Having a strong infrastructure and well-protected property rights will undoubtedly encourage investors.

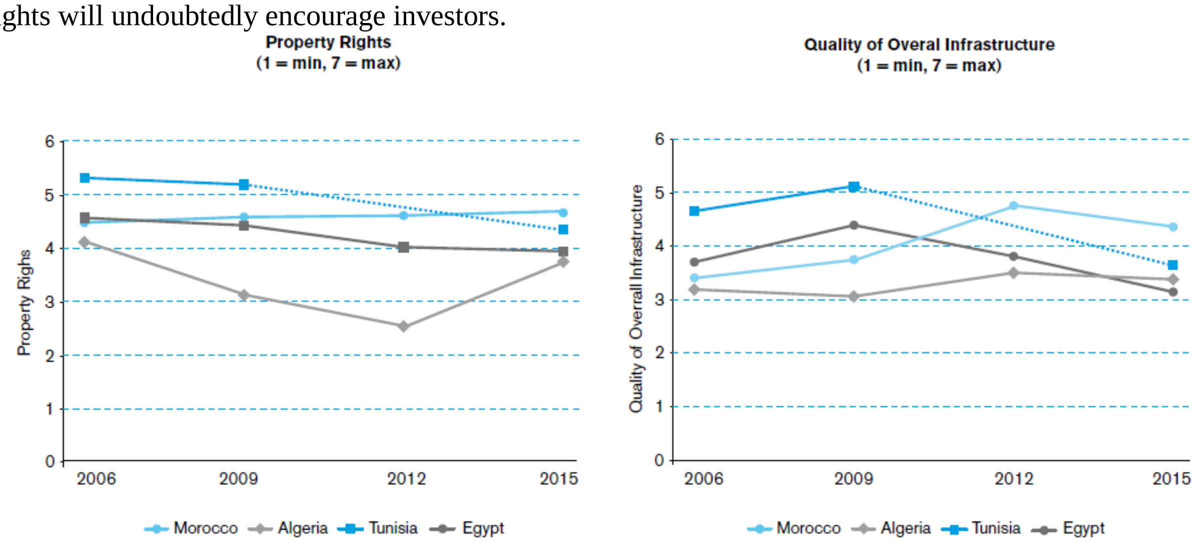

Chart 2 Infrastructure Quality and Property Rights Protection

Note: Dotted line indicates missing data for Tunisia between 2009 and 2015

Last but not least, Table 1 demonstrates that, according to companies making investments in Morocco, the main driver of investment is the possibility for the local market to grow after a number of reforms. The next most important factors in deciding to choose Morocco as a target market are its accessibility to markets, especially those in Europe, the business environment, and the availability of a skilled labor pool.

Table 1 Determinants of FDI Destination Choice

Motives	Projects	% of FDI Projects	Companies	% of Companies
Domestic market growth potential	51	40.1	48	41.7
Proximity to markets or customers	37	29.1	34	29.6
Regulations or business climate	31	24.4	28	24.3
Skilled workforce availability	30	23.6	28	24.3
Lower costs	20	15.7	19	16.5
Infrastructure and logistics	12	9.4	11	9.6
IPA or government support	8	6.3	7	6.1
Industry cluster / Critical mass	8	6.3	8	7.0
Attractiveness / Quality of Life	5	3.9	4	3.5
Language skills	5	3.9	5	4.3
Other motives	11	8.7	11	9.6

Source: fDi Markets (www.fdimarkets.com)

Dynamics of Morocco's Inward FDI

From 2003 to 2016, Morocco has 817 FDI projects, resulting in €55.3 billion in capital investments and the creation of 231,747 employment (Financial Times Ltd, 2017). Using 2003 as the base year to track indicator fluctuations, Chart 3 summarizes the dynamics of important FDI indicators. With the exception of a few instances that showed an overall decline in comparison to 2003, it is evident that the three indicators generally increased during the whole time.

Unexpectedly, Morocco saw its greatest peak in FDI capital investments in 2008, during the height of the global financial crisis, with a growth rate of 970 percent compared to 2003. When comparing 2008 to 2007, FDI capital investments grew by almost 208% on an annual basis.

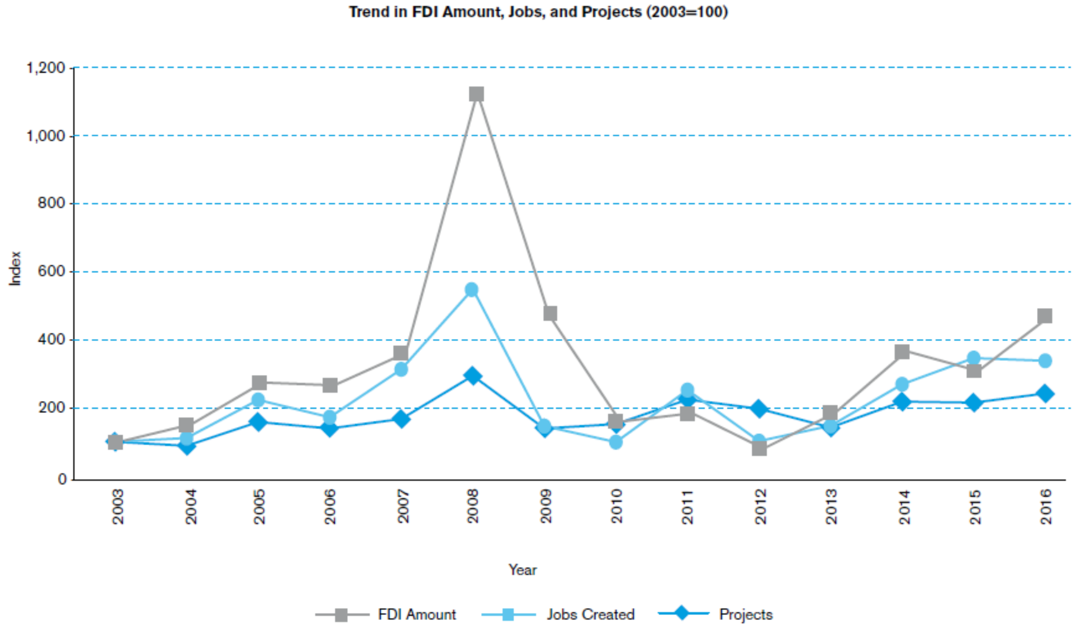

Chart 3 FDI Dynamics in Morocco

The percentage of capital investment coming from Mediterranean nations and the quantity of FDI projects both highlight Morocco's close economic ties to its neighbors in the Mediterranean. Of the €55.3 billion invested, the countries of France, Spain, Italy, and Turkey account for about €21.1 billion, or 38.12% of the total. With €11.54 billion, or 54.71% of the Mediterranean group of countries and 20.86% of the total amount, France is the highest contributor to FDI capital investment within this group. Similarly, 407 projects, or 49.82% of the total of 817 projects, come from Mediterranean countries.

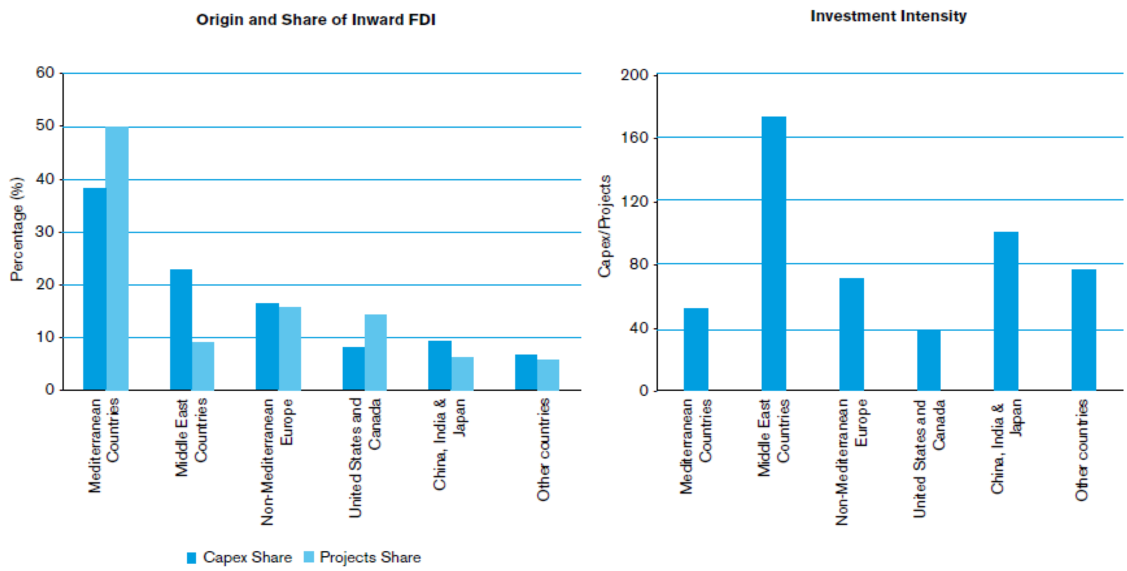

Chart 4 Sources and Intensity of FDI to Morocco (2003 – 2016)

Despite accounting for only 8% of all projects, the Middle East's United Arab Emirates, Saudi Arabia, and Qatar rank second in terms of capital invested. This results into a larger investment intensity for Middle Eastern countries relative to other regions, as shown in panel (b) of Figure 4. Germany, Denmark, Portugal, Ireland, the United Kingdom, and other non-Mediterranean European nations make up the group of nations that invest capital in Morocco in the third largest amount.

7.91% of capital investment goes to the United States and Canada, however their portfolio of 115 FDI projects is broad. Finally, the combined investments of China, India, and Japan (CIJ) amounted to €4.9 billion, or around 9% of all foreign direct investment. Six percent of all FDI projects are comprised of the initiatives that the CIJ group of nations has worked on. The largest investor in this group is China.

Table 2 Composition of FDI by Business Activity

Business Activity	No of projects	Jobs Created	Jobs Created	Capital Investment	Capital Investment	Capital/Employment Ratio
		Total	Average (€ m)	Total	Average (€ m)	
Manufacturing	235	119,196	507	17,017.6	72.4	0.14
Sales, Marketing & Support	169	6,159	36	2,157.5	12.8	0.35
Business Services	133	6,473	48	1,389	10.4	0.21
Construction	91	63,487	697	19,191	210.9	0.30
Logistics, Distribution & Transportation	46	8,104	176	3,646.2	79.3	0.45
Customer Contact Centre	32	11,264	352	233.1	7.3	0.02
Design, Development & Testing	25	6,711	268	1,681.1	67.3	0.25
Education & Training	19	996	52	196.7	10.3	0.20
Electricity	18	1,514	84	5,740.1	318.9	3.79
Headquarters	8	1,472	184	153	19.2	0.10
Other business activities	41	6,371	155	3,895.3	95	0.61
Total	**817**	**231,747**	**283**	**55,300.80**	**67.70**	

The breakdown of FDI by kind of business activity is shown in Table 2. Five business activities account for the majority of inward foreign direct investment (FDI) to Morocco, with the top five representing 82.50% of all projects. 28.8% of all FDI projects are in the manufacturing sector, which creates the greatest number of jobs with a total capital investment of €17 billion. Of the five, the construction industry generated the highest average number of jobs per project and the biggest capital investment. Remarkably, the industry with the highest capital employment ratio per unit of invested capital is power, despite not being among the top five.

Destination states (or cities) are concentrated as well as destination sectors. Just the state of Casablanca is responsible for 37.94% of all projects, or 44% of all businesses bringing in foreign direct investment to Morocco. Out of 817 states, Tangier-Tetouan has the second-most FDI projects—129. Of the FDI projects, 53.73% are in the top two states. There is minimal dispersion between the two states as 48.23% of all FDI projects at the city level are located in Casablanca and Tangier.

Table 3 Composition of FDI by Destination State

Destination State	No of projects	No. of Companies	Jobs Created	Jobs Created	Capital Investment	Capital Investment
			Total	Average (€ m)	Total	Average (€ m)
Casablanca	310	283	50,598	163	9,381.3	30.3
Tangier-Tetouan	129	113	60,454	468	11,824.1	91.7
Rabat-Sale-Zemmour-Zaer	64	55	22,058	344	4,496.8	70.2
Marrakech-Tensift-El Haouz	37	35	14,802	400	3,840.6	103.8
Souss-Massa-Draâ	21	20	3,327	158	863.8	41.1
Gharb-Chrarda-Béni Hssen	15	12	10,091	672	953.6	63.6
Fes-Boulmane	10	9	1,692	169	542.3	54.2
Laâyoune-Boujdour-Sakia El Hamra	9	7	1,045	116	861.8	95.8
Oriental	8	7	786	98	770.5	96.3
El Jadida	6	6	676	112	1,596.5	266.1
Other destination states	34	31	20,563	604	4,152.1	122.1
Not Specified	174	170	45,655	262	16,017.3	92
Total	**817**	**641**	**231,747**	**283**	**55,300.8**	**67.7**

In summary, this part examines the relationship between the competitiveness score and the number of inward foreign direct investment projects during years where variable data were available, without the intention of reaching statistical conclusions. A basic sample correlation of 0.87 is found between the number of FDI projects and the total infrastructure quality score, while 0.85 is found between property rights and FDI projects. The analysis demonstrates a correlation between inward FDI and competitiveness, although it is crucial to emphasize that correlation does not imply causation.

CONCLUSIONS

The study's conclusion emphasizes the complex processes that influence investment in Africa as well as the interdependence of diplomatic ties, regional integration, and their significant effects on bilateral commerce within the continent. Although trade can undoubtedly be hindered by poor political relations, diplomatic efforts play a crucial role in advancing trade, dismantling barriers, and encouraging collaboration. This research maintains its primary focus on South-South commerce within Africa while also providing a detailed analysis of the mutually beneficial relationship between regional integration and bilateral diplomacy.

A crucial point that needs to be investigated is how regional integration either supports or hinders diplomatic efforts. The African Union (AU), for example, has made great progress in fostering diplomatic collaboration among African countries. One diplomatic entity that has worked hard to prevent violence and preserve peace is the African Union's Peace and Security Council, which has made significant strides toward promoting international trade and economic cooperation. Another example of regional integration that has the potential to change the dynamics of trade on the continent is the Africa Continental Free Trade Area (AfCFTA), a flagship initiative of the African Union. The potential synergy between regional integration and diplomatic activities is demonstrated by the AfCFTA's commitment to promote economic cooperation and tearing down trade barriers. (African Union, "Peace and Security Council - African Union - 16 October 2023.)

Moreover, it is impossible to exaggerate the contribution that the private sector makes to trade and diplomatic ties. Projects such as the African Union of Railways (AUR) and the African Business Council (AfBC) demonstrate how business associations have collaborated with governments to improve trade networks and economic harmony. The private sector serves as a crucial middleman in these instances, which highlight the connections between trade facilitation, regional integration, and diplomatic ties [African Business Council, "African Business Council," - 16 October 2023.

The opportunities and difficulties that Africa's investment environment offers are a noteworthy additional dimension that this study examines. The continent's enormous natural riches, unexplored markets, and youthful, vibrant labor force all attest to its rising potential. But this promise contrasts sharply with the widespread problem of unemployment, especially among young people. In this setting, the necessity for innovative solutions to address social and economic concerns is emphasized.

Infrastructure investment is a crucial part of the work that governments throughout the continent do to promote economic success. By connecting landlocked Ethiopia to the port of Djibouti and promoting commerce and economic growth, the Ethiopian government's massive investments in infrastructure development—such as the building of the Addis Ababa-Djibouti Railway—have, for example, completely changed transportation networks. This instance emphasizes how crucial infrastructure initiatives run by the government are for boosting commerce and resistance to economic shocks (African Development Bank, "Ethiopia-Djibouti Railway," - 16 October 2023)

However, given the limited resources available and the increasing demands on the economy, creative problem-solving and prudent resource management are needed. One major issue is the interdependence of several industries, including agriculture and infrastructure. The relationship between infrastructure and agriculture in fostering economic growth is highlighted by programs such as the Comprehensive Africa Agriculture Development Programme (CAADP). These instances highlight the necessity of comprehensive strategies for economic growth as well as the significance of including local populations in these initiatives.

Furthermore, it is impossible to ignore how internationally significant Africa's economic progress is. The research explores foreign direct investments (FDI) on a global scale and emphasizes China's substantial impact on Africa's economic development. A number of African countries have seen a dramatic transformation in their economies as a result of China's engagement in the continent through initiatives like the Belt and Road Initiative and large-scale investments in commerce and infrastructure. In order to determine Africa's economic trajectory, the study highlights the necessity of equitable growth, sustainable development, and cautious policymaking. It emphasizes how difficult it is to handle endogeneity and data accessibility concerns without the use of sophisticated analytical techniques and cautious interpretation.

The report promotes collaboration, strategy diversification, enabling environments, and talent development as policy suggestions for Africa's investment climate. The synthesis highlights the possibilities of big data, diversification, public-private partnerships, skill development, and support for SMEs in supporting equitable growth and prosperity by drawing lessons from Morocco's experiences.

A number of significant recommendations can be made in order to improve Africa's investment climate and economic prospects:

1. **Enhanced Regional Diplomacy:** To increase regional trust and cooperation, African countries should take a proactive diplomatic approach. Taking a cue from successful initiatives such as the Nairobi Agreement, political concerns impeding commerce could be resolved through bilateral and multilateral negotiations.
2. **Investing in Innovation:** To promote economic growth, governments should support R&D projects as well as innovation. Examples like "Silicon Savannah," Kenya's booming tech sector, highlight how innovation has the power to completely change economies.
3. **Infrastructure Investment:** To promote commerce, jobs, and economic growth, infrastructure development—particularly in the transportation and energy sectors—must be given first priority. In order to close infrastructure gaps, new financing strategies such as public-private partnerships should be investigated. This is demonstrated by the example of the Kribi Deep Sea Port in Cameroon.
4. **Education and Skill Development:** To empower the workforce and close the skills gap, funding for education and skill development initiatives is crucial. There is potential to increase access to education and skill training through initiatives like the online African Virtual University.
5. **Sustainable Resource Management:** Use sustainable resource management techniques to make sure those scarce resources are used wisely. Long-term economic stability depends on sustainable agriculture and prudent resource use. Sustainable agriculture initiatives are exemplified by the Nigerian Green Belt Initiative.
6. **Responsible FDI:** Promote ethical FDI that prioritizes mutually beneficial collaborations and is in line with Africa's economic development aspirations. One obvious example is the partnership in infrastructure development between General Electric (GE) and the Nigerian government.
7. **Data Accessibility and Analysis:** Investing in cutting-edge analytical techniques and encouraging transparency will improve data accessibility and analysis. Accurate and trustworthy data access is essential for well-informed policymaking. One of the best examples of initiatives to improve data accessibility is the African Development Bank's African Information Highway.

Encourage cross-sectoral cooperation in order to maximize the potential of different industries and promote comprehensive economic development. Promote cooperation amongst industries including technology, energy, and agriculture to develop synergies, as exemplified by the "Smart Africa" project.

Africa faces a difficult and varied road toward equitable and sustainable prosperity. It calls for a careful balancing act between appropriate foreign investments, innovation, infrastructure development, education, and regional integration. Africa's nations may unleash their latent potential for revolutionary economic growth and wealth by tackling obstacles and seizing opportunities.

In General; the study concludes by highlighting the complex web of variables influencing investment in Africa and emphasizing the relationship between regional integration and diplomatic connections and their significant impacts on bilateral trade. It becomes clear that diplomatic initiatives are essential to breaking down trade obstacles, encouraging cooperation, and furthering economic goals. Initiatives from the African Union, including the AfCFTA and the Peace and Security Council, demonstrate how regional integration and diplomatic efforts may work together.

Economic success is dependent on infrastructure development, as demonstrated by initiatives like the Moroccan Projects. The report highlights the necessity for creative solutions to problems like unemployment and the interconnectivity of sectors like infrastructure and agriculture.

The report also clarifies the importance of foreign direct investments to Africa's economy, with a special emphasis on China's influence. It underlines how crucial it is to direct Africa's economic course through equitable growth, sustainable development, and wise policymaking.

Enhanced regional diplomacy, investments in innovation, infrastructure development, education, sustainable resource management, responsible FDI, data accessibility and analysis, and cross-sectoral cooperation are just a few of the detailed recommendations that the research offers as its conclusion. These suggestions function as a road map for promoting fair and long-lasting development, acknowledging that Africa's journey necessitates a calculated and planned strategy to overcome obstacles and grasp possibilities.

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