Country Report

MOROCCO

A study of Morocco-Pakistan Trade Relations and Top Potential Items for Export to Morocco

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EXECUTIVE SUMMARY

Trade with Morocco has sufficient potential to pique the interests of exporters. Morocco is the world's leading phosphates exporter with a global market share of approximately 25%. Trade with Morocco is beneficial, not only because of its potential within the 'Look Africa' Plan for Pakistan to increase trade with African countries and take advantage of its geographical proximity and increasing demand, but also because the country lies at the nexus of Europe and West Africa, making it a key trading partner in the value chain.

Pakistan's exports to Morocco amount to USD 25mn, ranking it as the 159th largest trading partner of the country and 38th largest in the African region. During 2018, non-basmati rice, cotton woven fabrics, PSF woven fabrics and yarn exhibited the greatest increase in exports to Morocco due to currency depreciation and increase in demand for rice, lower AUP for yarn, cotton fabrics and PSF fabrics.

			USD '000
	2017-18	2016-17	Variance
Rice – other varieties	1,685	466	1,218
S/c yarn lf.dx.232.56-714.29	501	1	499
Cotton wov fab 3-4thread	2,252	1,929	323
Wov fab poly stap fib printed	513	248	265

The highest exports to Morocco were **cotton yarn**, **denim**, **cotton woven fabrics of 3-4 thread count**, and **non-basmati rice**. While the aforementioned items, were the highest exports to Morocco, analysis indicates that the markets for medicaments n.e.s. (HS 300490), surgical instruments (HS 901890) and denim fabrics (HS 520942) exhibit the greatest potential and the key to increasing Pakistan's exports to Morocco lies in exploring the export potential of these items.

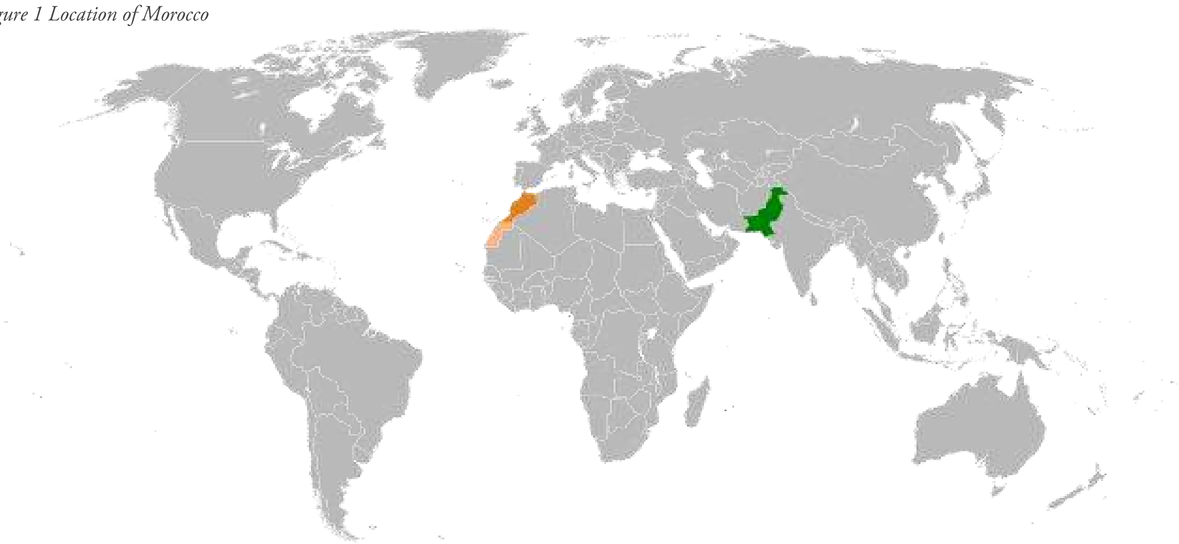
French is the official business language. Although a growing number of Moroccans speak English, local distributors and agents expect brochures and documentation to be provided in French. For them, it makes it easier to determine whether a product complies with local regulations and standards. Moroccan buyers generally respond better to phone calls and text messages as compared to emails. Therefore, Pakistani businessmen should use the former modes of communication more rather than the latter. Using a professional translator is not that efficient in the long run as face-to-face communication is important for business relations.

This report also recommends allocating more portion of SBP's Export Finance Scheme to new exporters and SMEs as this will increase export competitiveness and bring up the overall level of Pakistan's exports. A voluntary scheme should be introduced for quality certification requirements to bring repute to Pakistan's surgical instruments. This will help build a brand image for Pakistan instead of only competing on prices. Establishing cordial relations and visiting Morocco is recommended because it helps to develop face-to-face relations with Moroccans which is very important when doing business with them.

COUNTRY PROFILE

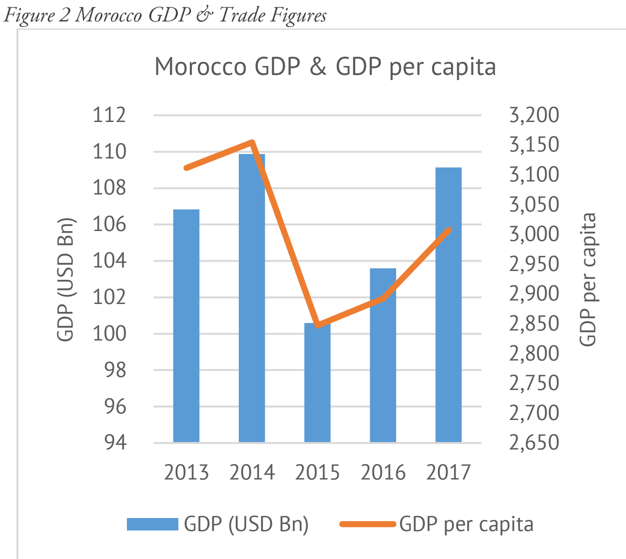
Morocco lies in the MENA region, south of Spain, across the Mediterranean Sea. The country borders the Mediterranean Sea to the north and Algeria to the east. The country's capital is Rabat, however the economic capital is Casablanca. The main cities are Fes, Meknes, Marrakech, Oujda, Agadir, Tangier, Dakhla and Layoune. Morocco's population is 34 million according to World Bank with 60% of the population living in cities and urban areas. Arabic is the primary language although French is also widely spoken especially in business and government circles.

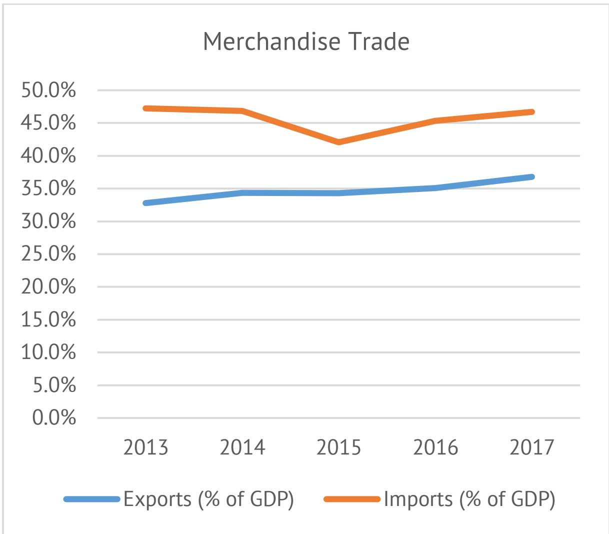
Figure 1 Location of Morocco



The country's currency is the Moroccan dirham (MAD), which is equivalent to 0.10 US dollars. Morocco's 2017 GDP was USD 109bn and inflation was 1.63% for the corresponding period. GDP per capita was USD 3,007 (World Bank, 2018).

Figure 2 Morocco GDP & Trade Figures

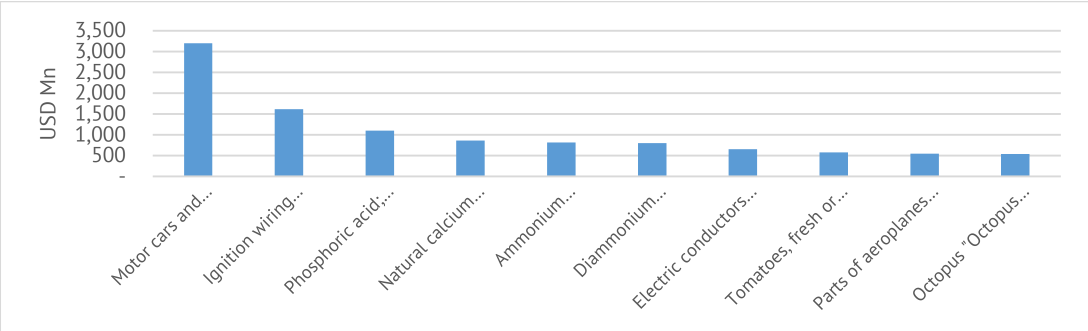




Exports stood at 37% of GDP while imports were 47% of GDP. Morocco's GDP is the 5th largest in Africa (World Bank, 2018). The country is geared towards the service sector which accounts for half of the GDP contribution. Tourism is a major contributor to Morocco's economy. Mining, food processing, leather, textiles, high tech electronics and construction are main industries as well.

Morocco's total exports amounted to USD 25.6bn in 2017 (International Trade Center, 2018). Major export items include motor cars, ignition wiring sets for vehicles, phosphoric acid, chemicals, vegetables and aeroplane parts. Morocco is the world's leading phosphates exporter with a global market share of approximately 25%.

Figure 3 Morocco major export items



Morocco's major export destinations were Spain, France, Italy and USA. All these client countries had geographical proximity to Morocco or free trade agreements.

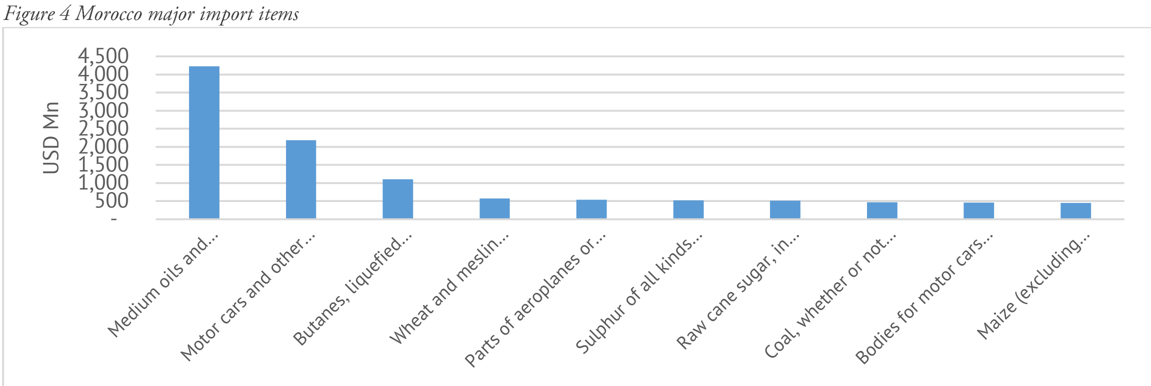
Table 1 Morocco's principal export destinations, 2017

Rank	**Country**	**%age of total exports**
1	Spain	24%
2	France	23%
3	Italy	5%
4	USA	4%
17	Pakistan	1%

(International Trade Center, 2018)

Morocco's total imports in 2017 amounted to USD 45bn. Major imports include petroleum, motor cars, liquefied butane, wheat, sulphur, sugar, coal and aeroplane parts.

Figure 4 Morocco major import items



France and Spain are key trading partners due to their colonial legacy and proximity. Around 500 French companies have subsidiaries in Morocco, employing more than 114,000 people and tens of thousands of French citizens have taken up residence in the country (RSM International, 2011). Spain is the second largest supplier to Morocco and hundreds of Spanish companies operate in the country.

Table 2 Morocco's principal import sources, 2017

Rank	Country	%age of total imports
1	Spain	17%
2	France	12%
3	China	9%
4	USA	7%
61	Pakistan	0.1%

(International Trade Center, 2018)

Due to a liberalized market and Free Trade Agreements with Turkey and USA, the textile clothing industry also utilizes many competitive advantages including easy access to EU and USA. Investors in the Moroccan textile sector benefit from various incentives, investment aid, technical assistance, aid financing and export promotions. Moroccan businessmen are also inclined to co-contracting with foreign investors.

The automotive sector has also witnessed strong development in Morocco over the last 5 years. The Renault assembly plant with a capacity of 400,000 vehicles gave a massive boost to the automotive sector of Morocco.

HOW TO EXPORT TO MOROCCO

BUSINESS TIPS FOR EXPORTERS

Most importers are situated in Casablanca and imports by container are mostly unloaded through the port of Casablanca. Pakistani exporters are advised to provide pictures, brochures, or even samples to Moroccan importers. Many of the local buyers require samples before making purchase commitments. Always begin the first meeting by asking about the person's health and wellbeing and that of the family. The first meeting would serve to introduce the exporters company and its products. It is good to have a good presentation and to be flexible about payment terms because Moroccans are used to obtaining credit facilities from their European and Arab suppliers. Other meetings can follow up if there is interest from the Moroccan company. Normally the second meeting is less formal than the first one.

French is still the predominant language used in commerce of Morocco. Exporters who can speak French or present promotional materials in French language will have a strong advantage. Although a growing number of Moroccans speak English, local distributors and agents expect brochures and documentation to be provided in French. For them, it makes it easier to determine whether a product complies with local regulations and standards (Department of Commerce USA, 2017).

Bargaining is an important aspect when dealing with buyers. In Morocco, buyers not only bargain about the price of a product but also on ancillary benefits that the company can offer such as assistance in marketing the product, after sales service and training. For example, in some cases companies agree to defer payments by 60-90 days instead of their usual payment terms to accommodate buyers.

Close working relationships are often vital to completing deals in Morocco. Moroccans establish business on trust and mutual respect developed over time. Pakistani exporters should strongly consider travel to the country to foster and fortify relationships. Working with a locally based agent or distributor enables Pakistani firms to sustain relationships and develop essential knowledge of key contacts, customs regulations, and niche opportunities. Pakistani firms should also fully understand the regulatory environment and procedures before jumping into the market to avoid unexpected hurdles. Utilizing the advice of a local representative may be useful in that aspect. Using a professional translator is not that efficient in the long run as face to face communication is important for business relations.

Moroccans have rapidly adapted to cell phone technology and generally reply to text messages or phone calls more quickly than emails (Mohamed Fardaoussi, 2017). Delays in email correspondence should not be interpreted as lack of interest. In case of delays, Pakistani exporters should consider communicating by phone or text. Follow up is a key action when conducting business in Morocco.

In all major airports and ports, the Ministry of Agriculture has one stop shops for importers to clear all types of agricultural products. The Quality Control Division, also known in Morocco as DCQ, is in charge of agri-clearance. It is the regional representative of the National Office of Food Safety (ONSSA). To clear customs, importers must present a sanitary certificate for all fresh fruits, animal or vegetable product they import. Sometimes an additional local laboratory analysis is required to clear customs (Mohamed Fardaoussi, 2017).

Regular Moroccan importers market their products via their own sales force, e.g. to hotels, supermarkets, wholesalers, as well as via well-established wholesalers e.g. to small shops, restaurants. In the case of selling consumer ready food or beverages, Pakistani exporters should find a local importer to access the retail market.

Goods transshipped through a third country port should be accompanied by (1) a bill of lading showing Morocco as the final destination of the goods and Pakistan as the point of origin; (2) invoices issued by the Pakistani company, addressed to the Moroccan importer; (3) a "certificate of non-manipulation" is also required by Moroccan customs.

REGULATIONS

Administrative and bureaucratic hurdles can delay business procedures. Pakistani companies should be prepared to handle the situation with patience and obtain the advice of local representative.

Exports to Morocco are regulated by the General Program of Imports (GPI) which is annually revised. 5 copies of the import license also need to be handed in, along with 5 copies of the proforma invoice, to the Ministry of Foreign Affairs and Cooperation. This Ministry then validates the license.

Certain legislation enables the Moroccan government to categorize some products which could potentially cause damage to the local population. This legislation empowers Morocco to submit these products to a Preliminary Import Declaration (emergency measure able to inspect massive imports, imports of subsidized products or products suspected of dumping).

CUSTOMS DUTIES

Morocco employs the Harmonized Customs System. Customs duties are calculated Ad valorem on the CIF value of goods. The Customs and Excise Department is responsible for implementation of customs duties.

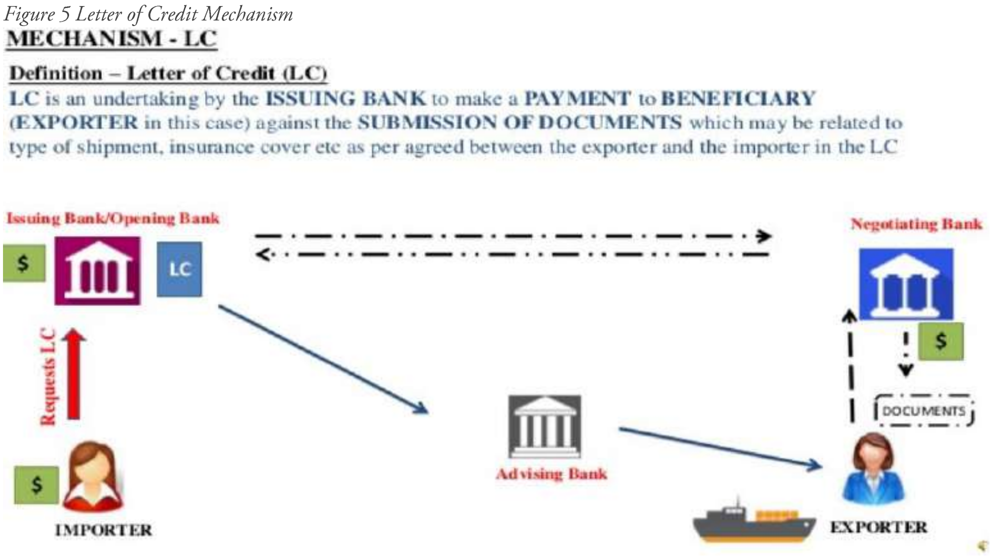
IMPORT TAXES

Besides customs duty, there are other main taxes for imports into Morocco. As per the PFI (Prélevement Fiscal d' Importation): general rate of 15% on the customs value of the goods (exception: 7.5% on some farm products and 12.5% on pharmaceutical products). There is an additional levy tax of 0.25% on imports into the country.

REGULATIONS GOVERNING PAYMENTS

Payment mechanism generally involves payment via LC (Letter of Credit) as detailed in figure 4. For capital goods, morocco allows its importers to prepay their suppliers up to the currency equivalent of 20,000 Moroccan dirhams or 2,118 US dollars. Prepayment can be an issue. Because the local government restricts foreign currency transfers, Moroccan buyers cannot make 100% advance payment. The current ceiling is 30%. A Moroccan company can only make 100% prepayments for orders under MAD 200,000 (USD 23,343). Letters of credit are often used to finance shipments (Department of Commerce USA, 2017).

Figure 5 Letter of Credit Mechanism



DISTRIBUTION

The Moroccan distribution market started to develop rapidly from the 1990s. in 2004, distribution market represented 12.9% of the country's GDP (Alibaba, 2018). The majority of retail sales occur via small traditional stores.

THE B2C MARKET

Distribution, especially in the food sector, is usually done by small family owned wholesale companies with low operating costs, with margins ranging from 3% to 4%. These companies are mainly located in Casablanca and other big cities. Some products are under State control e.g. tobacco while others like cement are not.

Retail distribution is a fragmented market where small family stores lead. Chain stores have recently opened up in cities like Casablanca, Rabat, Marrakech and a few other big cities and they represented 10% of sales in 2003 according to the data (Alibaba, 2018). The major players are:

- Cofarma (Marjane): a joint venture between I'ONA (Omnium Nord Africain) and Auchan. This group attained a turnover of EUR 260mn in 2004.
- Acima: a supermarket chain created in 2002 by Auchan and ONA.
- Aswak Assalam: A Moroccan brand that created a franchise system with the Casino group.
- Carrefour

- BIM
- Leader Price

These groups mainly sell local products (70% to 80% of their products are locally made). A few specific retail markets have developed rapidly; furniture, electrical home appliances and DIY sector are experiencing swift growth with success of businesses such as IKEA, KITEA etc. In 2004, 3 major French companies also entered the distribution market:

- Domaxel
- Bricolage
- Bricorama

THE B2B MARKET

Suppliers to Morocco usually use the services of an agent or importing distributor. Personal contacts play an important role and commercial distribution continues to be traditional and conservative. The franchise system has witnessed sluggish growth. There were 164 franchises and 709 retail outlets in 2003 (Alibaba, 2018). France is the main country of origin for franchise networks. 49% of all franchises originate from France. Casablanca hosts several trade fairs and exhibitions and these are generally organized by the Office of Fairs and Exhibitions (OFEC).

TRANSPORTATION OF GOODS

By Road

The Moroccan road network spans 57,221 km out of which 32,049 km are properly paved. There are 4 highways:

- Casablanca – Rabat (90 km)
- Rabat – Larache – Sidi Al Yamani (168 km)
- Rabat – Fes (182 km)
- Rabat – Setta (57 km)

80% of the cargo traffic and 95% of passenger traffic is via road transport.

By Rail

The Moroccan rail network spans 1,907 km out of which 1,003 km are electrified rails and 281 km are double tracked rails. The National Office of Railroad (O.N.C.F) is responsible for operating the rail network. The Fast Shuttle Train connects Casablanca and Rabat to Kenitra in 50 minutes several times a day. There is also a rail connection between Mohammad V airport and Casablanca and Rabat.

By Sea

The main operator of the ports of Morocco is a company known as MarsaMaroc. There are a total of 11 ports that meet international standards. The main ports are:

- Casablanca
- Agadir
- Safi
- Jorf Lasfer
- Nador
- Mohammedia

- Kenitra
- Dakhla
- Tangier-Med port with a capacity of 8 million containers

By Air

Morocco has 15 major airports which handle 80% of the passenger traffic. The most important ones are:

- Casablanca (Mohammad V airport)
- Marrakech
- Agadir
- Nador

DOING BUSINESS IN MOROCCO

There are several export and industrial free zones in main cities (Tangiers, Kenitra, Rabat, Nador, Fes, Layoune) that cater to various business activities. Companies located in the industrial free zones benefit from a tax exemption for the first 15 years, along with exemption from corporate income tax for the first 5 years of operations followed by a reduced rate of 8.75% for the next 20 years (Deloitte, 2018).

FREE TRADE AGREEMENTS

Morocco utilizes its position at the crossroads of international exchange routes linking USA, Europe, Africa and Middle East. For investors, Morocco offers duty free access to markets of 55 countries, representing more than 1 billion customers and 60% of the world's GDP.

The free trade agreement between Morocco and USA eliminates several trade barriers. A joint committee established by the FTA also agreed on three new initiatives: Trade Facilitation, Joint Principles for International Investment, and Joint Principles for Information and Communication Technology (ICT) Services (Office of the United States Trade Representative, 2018).

The Agadir free trade agreement between Morocco, Egypt, Jordan and Tunisia facilitates the relaxing of non-tariff barriers and the gradual establishment of a free trade area.

The free trade agreement between Morocco and Turkey enhanced trade between the two countries, reaching an annual volume of USD 900mn in 2009 versus USD 260mn in 2003 (RSM International, 2011). Morocco is also set to sign the trade and investment agreement with the West African Economic and Monetary Union which will lay the ground for further regional cooperation and establish Morocco as the gateway to West African markets.

The EU and Morocco established a free trade agreement in 2000 to deepen trade of agricultural products, agro-food and fisheries and to institute a dispute settlement mechanism. The Free Trade Agreement between EU and Morocco provides for:

- Tariff-free two-way trade of industrial products, together with a selective liberalisation of trade in agricultural, agro-food and fisheries products
- Rules and disciplines on non-tariff based trade measures
- A general right to establish businesses and provide services in the other territory
- Current payments and capital movements
- Common rules on competition and intellectual property

FREE ZONES AND OFF SHORING

The Tangier Free zone is a free trade environment where companies operate tax free. It consists of a vast container port which facilitates one of the biggest maritime routes in the world. Tangier also has the Free Trade Zone, different from the Free Zone, which is the most important business hub in the region. Over 475 companies supported by FDI from USA, EU, North Africa and Middle

East operate in the Tangier Free Trade Zone, involved in computer engineering, textiles, automotive and aeronautics sector.

The Nouasser Free Zone is a dedicated aerospace zone, including an electronics district, located near the Casablanca airport. The Atlantic Free Zone is a new industrial and logistics park located in Kenitra. It is a vast free trade zone covering more than 2 million square meters and offers various tax and customs benefits for companies residing in the free zone. AFZ is strategically located in Kenitra, 40 km away from Rabat and 130 km away from Casablanca, and is linked by highway and rail to the country's two main ports (Tangier-Med and Casablanca) and to the main international airports (Casablanca, Rabat, Tangier, Fez).

HALIEUTIS PLAN

Morocco has launched the Halieutis Plan to expand the country's fishing sector with a goal of increasing fishing exports to EUR 2bn by 2020. The plan aims to increase fish stocks and introduce better management. The new fisheries program comprises 16 projects, including 3 industry clusters based in Tangier, Agadir and Layoune-Dakhla that will attract investments of MAD 9bn.

RAWAJ PLAN

The Moroccan Department of Trade and Industry has developed the Vision 2020 Rawaj Plan for sector development and trade distribution. The plan has 4 aims:

- Large and medium distribution
- Independent commerce
- Trade network and franchise
- Wholesale markets, slaughterhouses and fish markets

The plan will increase shopping habits in Morocco and modernize shops and their distribution networks. It will implement 600 supermarkets and hypermarkets in 2020 and create 15 malls that will accommodate 3000 franchise stores.

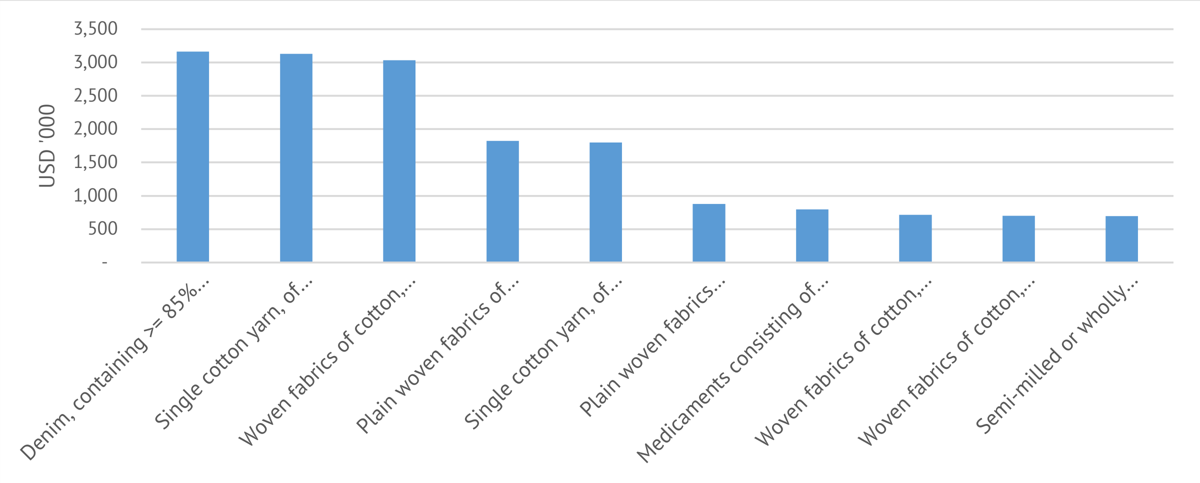
INDUSTRIAL ACCELERATION PLAN

Morocco has ambitious sectoral plans such as the Industrial Acceleration Plan 2014-2020. The Industrial Acceleration plan will create the momentum for the industrialization of Morocco. This will be done through the development of competitive clusters including tourism, energy, mining, agriculture, logistics, IT and LNG. Morocco will look to develop these sectors and invite investments to help them grow. An industrial fund of 20bn Moroccan dirham has been allocated for this project (Istanbul Sanayi Odasi, 2017). Morocco is also conducting training programs in these fields and easing financing in these sectors. The Plan will also help include their informal economy in the mainstream and increase vertical integration of MNCs. The aim is to rebalance Morocco's trade accounts by promoting their exports and substituting local sourcing instead of imports. Pakistan has much opportunity to learn from this program to rebalance their own trade deficit.

PAKISTAN'S MAJOR EXPORTS TO MOROCCO

Pakistan's total exports to Morocco amounted to USD 23mn in 2017. Major exports to Morocco consist of **denim**, **yarn**, **cotton fabrics** and **medicaments.**

Figure 6 Pakistan's major exports to Morocco



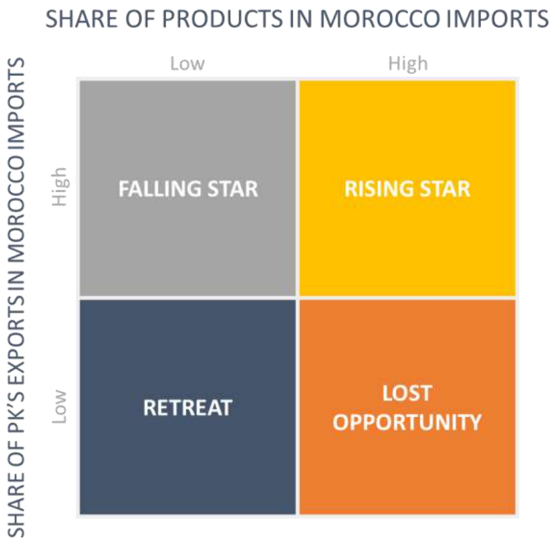
Denim exports to Morocco are over USD 3mn. Pakistan's top producer, Artistic Milliner brand their denim products as "Performance denim" – denim with enhanced strength, marketed as being near 'indestructible'. However, Morocco has moved to their own marketing strategy for denim as ecological denim wear as part of their overall 'green economy' strategy (IAFnet.eu, 2017). The demand for yarn is also high as the textile industry booms in Morocco and requirement for raw materials soar. Around 1,200 textile and leather companies exist in Morocco with Fruit of the Loom and Decathlon being the largest groups.

Medicaments have witnessed explosive growth in Morocco. The Moroccan pharmaceutical sector is entirely controlled by the private sector from imports to retail distribution, production and wholesale distribution. 80% of the medicines are supplied by wholesalers-distributors. The rest are supplied directly by pharmaceutical companies. The Moroccan pharmaceutical industry is the third largest in Africa in terms of revenue after South Africa and Algeria. According to one report, in 2013, this industry generated revenues of MAD 9bn every year or EUR 900mn (Zerhouni & Al Fellousse, 2013).

EXPORT PRODUCTS DYNAMICS MATRIX

The Export Products Dynamics (EPD) Matrix is an analysis tool that divides exports into 4 categories:

Figure 7 Export Products Dynamics Matrix

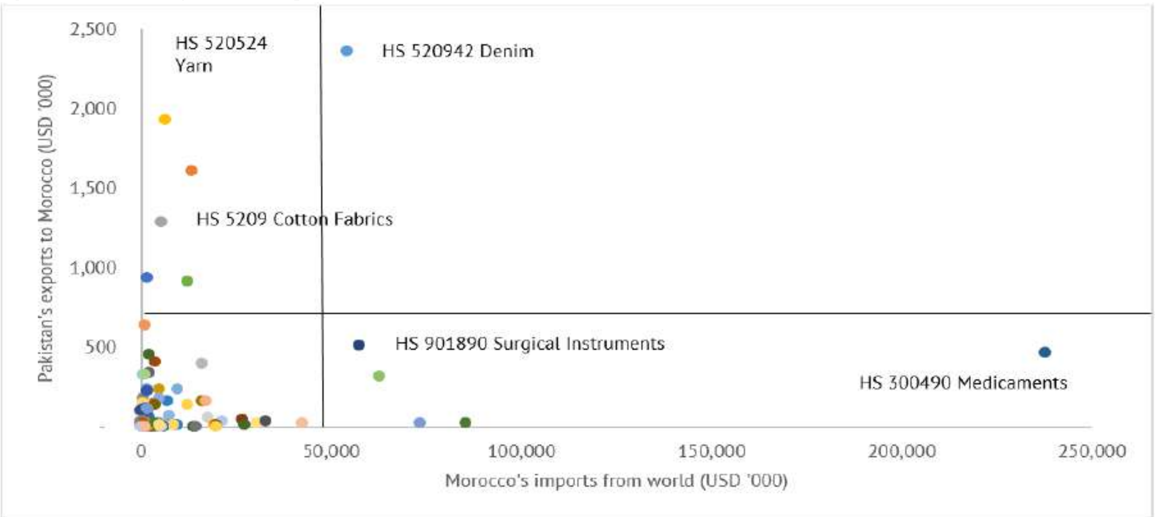


(Source: Estherhuizen, 2006)

By taking Morocco's imports from the world on the x-axis and Pakistan's exports to Morocco on the y-axis, we can plot the exports of different Pakistani products and see their performance in relation to their demand in the Moroccan market. Consequently, items which are high in demand among Moroccan imports and high in Pakistan's exports to Morocco are called Rising Stars. Items which are high among Pakistan's exports to Morocco but low among Morocco's imports are Falling Stars. Items which are high in demand among Morocco's imports but have a low share in Pakistan's exports to Morocco are labeled lost opportunities and therefore every effort should be made to boost them up to the Rising Stars category by branding, marketing and more trade fairs featuring such products. Items which are low among Morocco's imports and low among Pakistan's exports to Morocco are labeled retreat. While trade fairs and promotional activities may push such items into the Falling Stars category, they will still not be able to move into the Rising Stars category due to low demand in the Moroccan market.

Using the EPD matrix tool, the top 200 products that Pakistan exported to the Moroccan market were plotted to see how they fared. Average of 3 years of export value data was taken for Pakistan's exports to Morocco. The results are given in Figure 8.

Figure 8 EPD Matrix of Pakistan's exports to Morocco



As evident from the EPD matrix, **HS 300490 Medicaments** lies in the 'Lost Opportunity' segment. This indicates that there lies potential for **Medicaments** to move up in the 'Rising Star' segment. Morocco's imports of **HS 300490 Medicaments** have averaged USD 238mn over the past 3 years whereas Pakistan's exports to the Moroccan market have averaged USD 460,000 over the corresponding time period. Therefore, exporters should make efforts to promote their medicaments exports towards Morocco and increase their market share of these products in the Moroccan market to push them up in the 'Rising Stars' segment.

Exports which seemingly perform high in the Moroccan market, such as various items from **HS 5209 cotton fabrics** and **HS 5205 yarn** items are classified as 'Falling Stars' because Morocco's total imports from the world for these items is very low. Due to the distance factor, the majority of cotton fabrics imported in to Morocco come from Egypt or Spain which are in much closer proximity to Morocco than Pakistan, giving them a competitive advantage for these items. Nevertheless, Pakistan remains one of the top 10 suppliers of cotton fabrics to Morocco due to the lower AUP offered by Pakistan's exporters.

The majority of Pakistan's exports to Morocco fall in the 'Retreat' category due to low imports by Morocco and low exports of said items by Pakistan. These include export items such as **HS 610510 men's cotton shirts**, **HS 620332 men's jacket of cotton**, **HS 580430 lace**, **HS 550959 yarn**, **HS 621600 gloves of all textile materials** and **HS 610349 men's cotton trousers**. The 'Rising Star' category consists of one item i.e. **HS 520942 cotton denim**. Morocco's imports of denim amount to USD 54mn, whereas Pakistan's exports of denim to Morocco amount to USD 2mn. Product wise market share details are given in Appendix 2.

POTENTIAL ITEMS

Using the EPD matrix as an analysis tool, the following items were identified as having potential to increase Pakistan's exports as they have high demand in Morocco and Morocco's imports of these items from the world are well over USD 100mn.

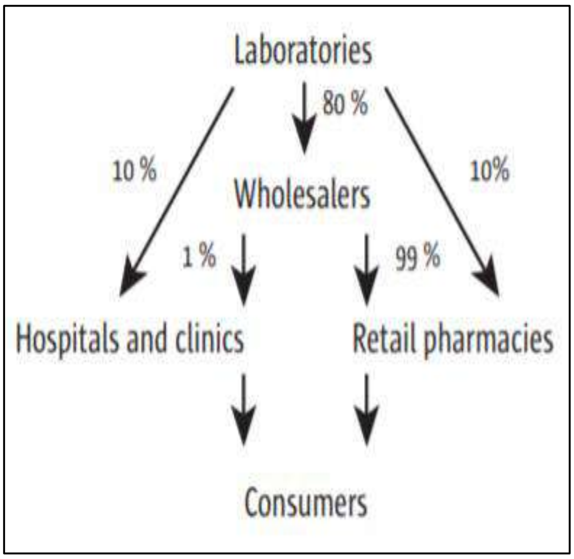
1. HS 300490 Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes.
2. HS 901890 Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.
3. HS 520942 Denim, containing >= 85% cotton by weight and weighing > 200 g/m², made of yarn of different colors.

HS 300490 MEDICAMENTS N.E.S.

The Moroccan pharmaceutical sector is entirely controlled by the private sector from imports to retail distribution, production and wholesale distribution. The industry is highly dependent on foreign suppliers who control the allocation of the active substances in capsules, pills, syrups, ointments etc. the Moroccan pharmaceutical industry depends on raw materials price fluctuations according to their origin and quality. Even in the case of local manufacturing, since Moroccan companies manufacture under license, usually the company that grants the license requires the Moroccan license holder to get his raw materials from the licensing party.

Wholesalers-distributors buy and sell medicines, supplying 80% of the demand. The rest is supplied by pharmaceutical companies themselves. Government institutions purchase from these channels and stock medicine in the warehouse of the Supply Chain division. The division supplies health provincial delegations, which in turn supply health centres, and semi-autonomous hospitals known as SEGMA. The supply chain distribution is given in Figure 9**Error! Reference source not found.**. Control of importations falls in the jurisdiction of Direction of Medicine and Pharmacy. Morocco is the only Arab country to impose VAT payment on medicines. Custom duties and taxes are imposed on the import of several pharmaceutical products.

Figure 9 Morocco Pharma Supply chain model



Market Share & ECI

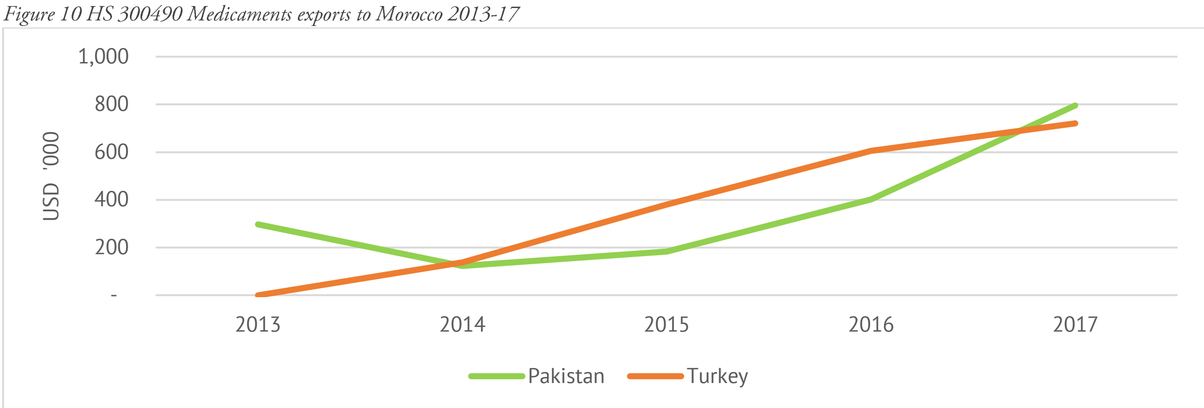
Table 3 Export Competitiveness Index for HS 300490 Medicaments n.e.s.

	Morocco Imports from Countries (USD Mn)		ECI		Rank		
	2013	**2017**	**2013**	**2017**	**2013**		**2017**
France	167.18	115.64	0.865	0.794	1	⇨	1
India	13.08	16.28	0.041	0.072	9	⇨	9
Saudi Arabia	1.33	2.43	0.010	0.023	17	⇧	13
Pakistan	0.30	0.80	0.001	0.004	24	⇧	19
Turkey	-	0.72	-	0.005	30	⇧	18
Jordan	-	0.23	-	0.006	30	⇧	16
Singapore	-	0.06	-	0.002	30	⇧	21
Malaysia	-	0.03	-	0.000	30	⇧	28

Among Pakistan's export basket to Morocco, **Medicaments** scored the highest in terms of Morocco's imports of the item from the rest of the world. Morocco's total import market size of **medicaments for therapeutic or prophylactic** is approximately USD 238mn. Out of all the items, exported by Pakistan to Morocco, it emerges as having the highest demand in the client country. Pakistan's exports to Morocco amounted to USD 796,000 in 2017. Pakistan's market share of **HS 300490 Medicaments** imported in Morocco is 0.2% of the USD 238mn market indicating an opportunity for Pakistani exporters to capitalize and capture further market share.

The Export Competitiveness Index (ECI) reveals that Pakistan's export competitiveness of medicaments to the Moroccan market has increased over the past 5 years from 24th rank to 19th rank.

Figure 10 HS 300490 Medicaments exports to Morocco 2013-17



Turkey, Malaysia and Singapore, while having 0% market share in 2013, realized the potential of medicaments exports to Morocco and consequently made moves to increase their market shares and by 2017, they had increased their exports as indicated in the table above. As a result of this, Turkey is now fast catching up to Pakistan in Morocco's medicaments market. India has already maintained a substantial presence in the Moroccan medicaments market from before. Pakistan ranks 19th in ECI rankings for exports of medicaments to Morocco while India ranks 9th despite having the same distance factor.

Turkey's Strategy

Morocco's free trade agreement with Turkey is instrumental in Turkey's increase in supply of medicaments to Morocco. Due to the FTA, tariffs are rated 0% for supply of medicaments to Morocco by Turkey. The advantage for Turkey is its nearer distance to the destination market i.e. Morocco, meaning less freight cost. Raw material sourcing is easy for Turkey due to its nexus at the crossroads of Europe, Africa, Asia, Commonwealth of Independent States (CIS) and the Middle East. Knowledge transfers and investments in medical equipment enable Turkey to develop its medicaments and pharmaceutical industry. According to the Economist Intelligence Unit (EIU) forecasts, the healthcare sector in Turkey is expected to grow at a CAGR of 5.6% from 2013 to 2017 meaning more attractive opportunities for investment in medicaments and surgical instruments. The rise in production of these items enables the consequent increase in exports of medicaments from Turkey to other countries including Morocco.

India's Strategy

India's policy towards generic medication has allowed them to manufacture medicaments at a much lower cost and therefore have an appeal to foreign buyers in its low AUP. In a country like Morocco, where the cost of medicine is very high due to the control from the private sector and licensing requirements, India's low cost, generic medicines have made their way into the generics market which are high in demand by the lower SEC segment of the population. With the Industrial Licensing Policy Statement of 1991, India abolished the industrial licensing requirement for most drugs, freed up the import restriction for drugs and adopted a product patent system under the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the WTO (Bose, 2017). After 2000, the Indian pharmaceutical exports witnessed phenomenal growth in part due to its import liberalization and development of the generic drug industry.

India's export promotion schemes such the Merchandise Exports from India Scheme (MEIS). Under this scheme, manufacturers are eligible for Duty Credit Scrips. These scrips can be used for payment of Basic Customs Duty (Mahtani & Joshi, 2017). The Duty Credit Scrips promote exports by giving tax incentives to exporters. It allows the holder to import commodities by not paying a specified amount in import duties. The amount varies from 3% to 5% of FOB value (Jose, 2015).

India has also allowed exemption against Transitional Product Specific Safeguard Duty for imports against Advance Authorization (Synthetic & Rayon Textiles Export Promotion Council, 2017). Advance Authorization Scheme and Duty Free Import Scheme allows duty free import of inputs which are physically incorporated in the resultant exports.

India has also formed a Committee on Quality Complaints and Trade Disputes to resolve any trade disputes between exporters and buyers. This enables the Moroccan buyers to purchase with confidence and assurance that any discrepancy in volume shipped, or quality compromised will be easily resolved.

As a measure of ease of doing business, landing documents of export consignments can be digitally uploaded. Any exporter can upload a scanned copy of Bill of Entry under his digital signature. Exporters have been allowed facility to set up warehouses to help reduce lead time. Exporters with a turnover of INR 100mn and above have been allowed the facility of fast track clearances of import and domestic clearance.

Table 4 Additional information for export of HS 300490 medicaments

Juxtaposition		
Pakistan	India	Turkey
Distance (km)		
10,239	12,483	4,889
AUP (USD/Ton)		
32,087	84,702	102,357
Tariffs		
3.04%	3.04%	0%
Non-tariff requirements		
13	13	13

Non-tariff requirements

Morocco requires fulfilment of 13 non-tariff measures for import of HS 300490 Medicaments n.e.s. into the country. Details of non-tariff requirements are provided in Table 5.

Table 5 Non-tariff measures for HS 300490

UNCTAD, TRAINS NTMs database through Integrated Trade Intelligence Portal (I-TIP)				
Your query covers 13 measures				
Measures:	Sanitary and Phytosanitary [SPS] [A], Technical Barriers to Trade [TBT] [B], Pre-shipment inspection [INSP] [C], Contingent trade protective measures [CTPM] [D], Quantity control measures [QC] [E], Price control measures [PC] [F], Other measures [OTH] [G,H,I,J,K,L,M,N,O], Export-related measures [EXP] [P]			
Country(ies) imposing:	Morocco			
Product(s):	HS codes: 300490			
Country imposing	**Partner affected**	**Requirements**	**Phase**	**Measures**
Morocco	All Members	Export-related measures	In force	3
Morocco	All Members	Pre-shipment inspection	In force	1
Morocco	All Members	Price control measures	In force	1
Morocco	All Members	Technical Barriers to Trade	In force	8

HS 901890 SURGICAL INSTRUMENTS

Market Share & ECI

The market size for surgical instruments in Morocco is USD 62mn. Pakistan's exports of surgical instruments amounted to USD 490,000 in 2017 representing a market share of 0.8%.

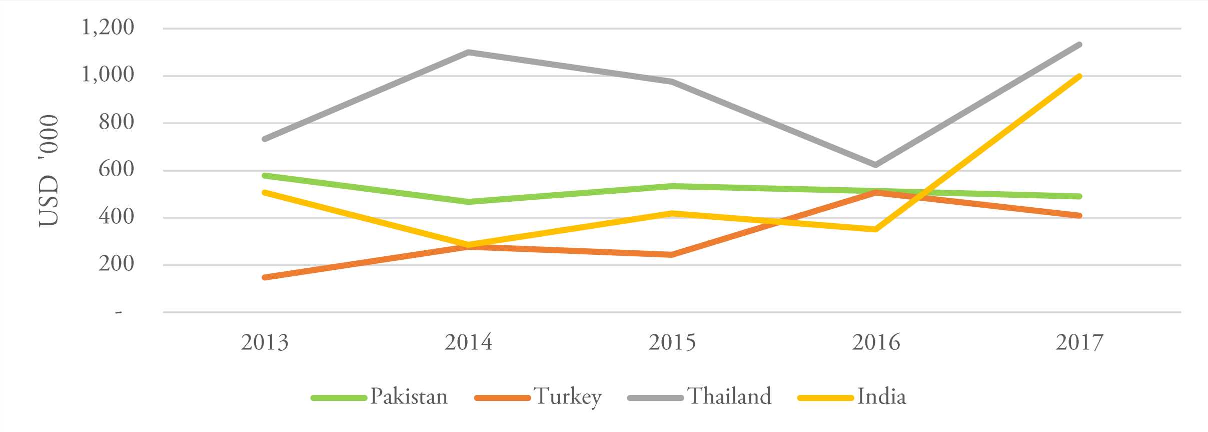
Analysis of ECI reveals Pakistan's ranking is 21st amongst the various suppliers of surgical instruments to Morocco. Competition is high among supply of surgical instruments due to the lucrative nature of the market. Pakistan's exports of surgical instruments to Morocco decreased by 15% over the past 5 years. The greatest increase in supply of surgical instruments was witnessed by Turkey, India and Thailand, at 178%, 97% and 55% respectively, due to increase in FDI in surgical instruments' sector in the aforementioned countries.

Table 6 Export Competitiveness Index for HS 901890 Surgical Instruments

	Morocco Imports from Countries (USD Mn)		ECI		Rank		Market Share	
	2013	**2017**	**2013**	**2017**	**2013**	**2017**	**2013**	**2017**
Germany	11.44	19.04	0.936	0.660	2	2	26.5%	31.0%
Thailand	0.73	1.13	0.065	0.041	15	13	1.7%	1.8%
India	0.51	1.00	0.023	0.027	25	17	1.2%	1.6%
Pakistan	0.58	0.49	0.035	0.015	22	21	1.3%	0.8%
Turkey	0.15	0.41	0.012	0.014	29	22	0.3%	0.7%

Most of the market share is captured by countries which have free trade agreements with Morocco such as the USA and EU members. Pakistan has a strong opportunity to supply surgical instruments due to its low AUP compared to the current suppliers to Morocco.

Figure 11 HS 901890 Surgical instruments exports to Morocco 2013-17



India and Thailand showed exponential growth over the past 5 years while the growth of Pakistan and Turkey tapered off over the corresponding period. Previously countries such as Germany and France were able to register surgical instruments imported from Pakistan as part of their products in Morocco. However, according to Pakistan's Commercial Counselor, new laws are prohibiting traders from registering products manufactured in other countries as part of their portfolio. This means that countries who are original equipment manufacturers can register products as their own. According to Pakistan's Commercial Counselor, importing trends from Europe will be shifting to countries like Pakistan, China and India.

Thailand's Strategy

In 2004, Thailand announced its strategy to become the Medical Hub of Asia (Thailand Board of Investment, 2016). In line with the announced strategy, Thailand's Board of Investment began their one window strategy to welcome FDI in the medical sector. Thailand is the second largest healthcare market in Southeast Asia after Indonesia. FDI in the Thai medical sector amounted to USD 122mn. Cost effective production led to many major international manufacturers locating their plants in Thailand. As a result of this, Thailand now houses several large brand names in medical instruments manufacture such as Bausch & Lomb, Baxter Healthcare, Boston Scientific, Carl Zeiss, Johnson & Johnson, Roche and Siemens Surgical Instruments. Thailand's major exports are low tech, single use devices such as syringes, catheters, tubes, cannulae, gloves etc. they have also branched out into auxiliary services such as pharmaceuticals and medical foods etc. and have started to offer them as bundles together with surgical instrument thereby increasing the overall exports of both surgical instruments and pharmaceuticals. The package deals that are offered using this strategy is attractive to hospitals as they are able to procure both items from a singular source with less hassle. Thailand has also made sure that its 7 laws relating to Intellectual Property Rights meet international standards. Their Medical Device Control Division issues licenses to surgical instrument manufacturers thereby ensuring quality equipment for interested buyers. The Medical Device Control Division also sees that the standards set by the Thai Industrial Standards Institute are met.

India's Strategy

Manufacture of surgical instruments and medical devices is termed as a *'sunrise segment'* in India denoting its importance as a growth industry and India's growing focus towards increasing exports of this segment. The major clusters of surgical instruments are located in Ahmedabad, Rajkot, Bangalore and Delhi NCR. However, the industry is fragmented. In 2015, the National Medical Device Policy was devised to focus on R&D, testing and quality for domestic manufacture of surgical instruments. India Brand Equity Foundation (IBEF) and EEPC India, under the aegis of the Indian Ministry of Commerce and Industry have identified medical devices as one of the four focus sectors under the 'Brand India Engineering' (India Brand Equity Foundation, 2017). Brand India Engineering is an initiative to highlight the *Made in India* products and their capabilities.

The Indian government has launched a voluntary scheme known as ICMED (Indian Certification of Medical Devices) to bring international respect to medical devices made in India. India has also cancelled the No Objection Certificate requirement previously demanded by their Ministry of Health for exports to developing countries. 100% FDI has been allowed to promote world class manufacturing in the surgical instruments industry. In order to encourage startups, India also diluted barriers to entry, earmarked seed funds and provided tax benefits to budding entrepreneurs. To encourage domestic manufacturing, the government of India withdrew earlier concessional import duty. Currently custom duties on Chapter 90 items have been increased from 5% to 7.5%. India is pursuing an import substitution strategy to develop its local surgical instrument manufacturing industry. To boost the R&D mechanism, India's Ministry of Commerce and Industry have started an initiative for technological upgradation. The government has also announced opening of 3 medical devices parks in Andhra Pradesh and Maharashtra (India Brand Equity Foundation, 2017).

Turkey's Strategy

Morocco's free trade agreement with Turkey is instrumental in Turkey's increase in supply of surgical instruments to Morocco. Due to the FTA, tariffs are rated 0% for supply of surgical instruments to Morocco by Turkey. The advantage for Turkey is its nearer distance to the destination market i.e. Morocco, meaning less freight cost. Raw material sourcing is easy for Turkey due to its nexus at the crossroads of Europe, Africa, Asia, Commonwealth of Independent States (CIS) and the Middle East. Knowledge transfers and investments in medical equipment enable Turkey to develop its surgical instruments and pharmaceutical industry. According to the Economist Intelligence Unit (EIU) forecasts, the healthcare sector in Turkey is expected to grow at a CAGR of 5.6% from 2013 to 2017 meaning more attractive opportunities for investment in medicaments and surgical instruments. The rise in production of these items enables the consequent increase in exports of surgical instruments from Turkey to other countries including Morocco.

Table 7 Additional information for export of HS 901890 surgical instruments n.e.s.

Juxtaposition		
Pakistan	India	Thailand
Distance (km)		
10,239	12,483	15,372
Non-tariff requirements		
2	2	2
Tariff		
2%	2%	2%
AUP (USD/Unit)		
4.65	0.35	1.03

Tariffs

While tariffs for supply to Morocco are 2% for surgical instruments, countries which have FTAs with Morocco such as Turkey supply at zero rated tariffs.

Non-tariff requirements

Morocco has only 2 non-tariff requirements for import of HS 901890 Surgical Instruments n.e.s. which makes it an ideal potential item for Pakistan to supply to this country. Details of non-tariff requirements are given in Table 8.

Table 8 Non-tariff measures for HS 901890

UNCTAD, TRAINS NTMs database through Integrated Trade Intelligence Portal (I-TIP)				
Your query covers 2 measures				
Measures:	Sanitary and Phytosanitary [SPS] [A], Technical Barriers to Trade [TBT] [B], Pre-shipment inspection [INSP] [C], Contingent trade protective measures [CTPM] [D], Quantity control measures [QC] [E], Price control measures [PC] [F], Other measures [OTH] [G,H,I,J,K,L,M,N,O], Export-related measures [EXP] [P]			
Country imposing:	Morocco			
Product(s):	HS codes: 901890			
Country imposing	**Partner affected**	**Requirements**	**Phase**	**Measures**
Morocco	All Members	Pre-shipment inspection	In force	1
Morocco	All Members	Price control measures	In force	1

HS 520942 DENIM, CONTAINING >= 85% COTTON

Market Share & ECI

Morocco's market size for HS 520942 Denim is USD 51mn. Pakistan's exports of products under this HS category are worth USD 3mn indicating a market share of 5%. Analysis of ECI reveals Pakistan's ranking to be 6th in the Moroccan market. Pakistan's ranking improved from 8th in 2013 to 6th in 2017 indicating improvement in export of denim to Morocco.

It is interesting to note that while Pakistan's brand image of denim is that of 'Performance denim' - denim with enhanced strength, marketed as being near 'indestructible', Morocco's exports of denim to EU are branded as 'ecological denim' as part of their overall green economy strategy. Majority of supply is conducted by Spain and Turkey due to geographical proximity and trade agreements. However, the major supply of raw materials i.e. yarn to these aforementioned countries is done by Pakistan, India and Vietnam. Therefore, Spain and Turkey procure yarn from India, Vietnam and Pakistan, convert it to products such as denim and export it further to countries such as Morocco, thus completing the global supply chain.

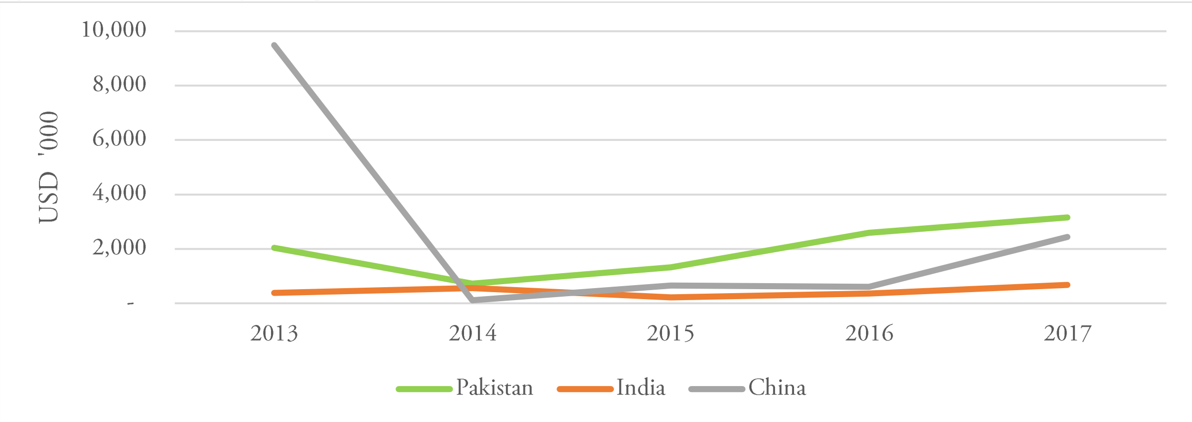
Pakistan's own supply of denim to Morocco amounts to USD 3mn. Pakistan's competitors India and China supply USD 0.7mn and USD 2.5mn respectively. India's ranking has improved from 15th in 2013 to 10th in 2017, increasing its market share from 0.5% to 1% over the corresponding time period. Pakistan also managed to increase its market share from 2.8% to 4.7% over the same period indicating increasing demand for denim from Morocco. There exists high potential for Pakistan to increase supply of denim to Morocco by increasing trade exhibitions and connections in order to boost denim sales to the target country.

Table 9 Export Competitiveness Index for HS 520942 Denim fabric

	Morocco Imports from Countries (USD Mn)		ECI		Rank		Market Share	
	2013	**2017**	**2013**	**2017**	**2013**	**2017**	**2013**	**2017**
Turkey	29.88	33.16	1.000	1.000	1	1	41.2%	49.8%
Italy	18.11	13.95	0.687	0.491	2	2	25.0%	20.9%
Egypt	2.09	7.87	0.067	0.220	7	3	2.9%	11.8%
Spain	6.10	3.33	0.270	0.138	3	4	8.4%	5.0%
Pakistan	2.05	3.16	0.049	0.067	8	6	2.8%	4.7%
China	9.48	2.44	0.168	0.039	5	8	13.1%	3.7%
India	0.39	0.69	0.007	0.011	15	10	0.5%	1.0%

Pakistan's major markets for exports of denim include Bangladesh, Turkey, USA, EU and Egypt. The denim market comprises 10-15% of total textile exports of Pakistan. Denim fabric to garment ratio is in the 30:70 mix.

Figure 12 HS 520942 Denim fabrics exports to Morocco 2013-17



Pakistan's denim production capacity is estimated to be approximately 500mn sq. metres annually. 75% of this production is completed by tier 1 and tier 2 manufacturers. Pakistan's denim garments are wholly exported to the international market. Being the final product, denim garments spur higher margins compared to the fabric segment. Appendix 3 lists the major denim fabrics and garments producers of Pakistan.

The use of e-commerce has increased accessibility and improved distribution channels of denim sales for all exporters. The main demand drivers for denim are better quality, durability, comfort level and low maintenance requirements. With growing disposable income and preference towards western fashion trends, Moroccans are shifting their consumer patterns towards denim jeans as part of their casual wear.

India's Strategy

The Indian denim industry is driven largely by local demand due to its large population. India benefits from its indigenous supply of suitable cotton and state of the art production plants. Exports of denim account for one third of local production. Total denim production capacity is 1.2bn metres per annum. Utilization levels are 75% out of which 28% of the product made is exported (Choangalia & Aziz, 2018).

The Indian government has announced several initiatives to support the growth of textiles sector, including denim, as part of its 'Make in India' strategy. The Technology Upgrade Fund Scheme is aimed at modernization and upgradation of technology in the textile sector by providing credit at reduced rates and capital subsidies (Suryalakshmi Cotton Mills Limited). The Indian government also initiated a scheme for Integrated textile parks where world class infrastructure would be provided to new textile units. Until 2017, 57 textile parks have been sanctioned with an investment of INR 60bn. The government also sanctioned INR 5bn for the Integrated Processing Development Scheme for sanctioning processing parks. Indian manufacturers believe that the future of Indian denim industry lies in product intelligence and investments in greater technological enhancements.

China's Strategy

China's denim production has been on the decline due to increase in labor wages in Xintang Hub of Textile Manufacturers in China. However, easy access to local raw materials, multiple robust supply chain distribution channels and lower freight costs due to local shipping lines have resulted in low costs for China to supply denim to the rest of the world including Morocco. While wages have increased, the factory gate price was reported as being the lowest in China and up to 20% higher in Tunisia and Turkey (World Bank, 2006). A recent survey report also stated that Chinese textile manufacturers are going green by installing waste water treatment on site, reducing water use, recycling water and using environment friendly chemicals (China Water Risk, 2017). This has been spurred by the development of an understanding of a circular economy by textile manufacturers. Circular economy emphasizes a harmonious environment between social and economic system and natural system. This emphasis on circular economy also resonates with Morocco's own green economy policy.

Table 10 Additional information for export of HS 520942 Denim fabrics

Juxtaposition		
Pakistan	India	China
Distance (km)		
10,239	12,483	20,952
Non-tariff requirements		
5	5	5
Tariff		
10%	10%	10%
AUP (USD per ton)		
5,481	5,284	5,762

Tariffs

Morocco's tariff for HS 520942 Denim is 10% for countries that do not have trade agreements with Morocco. For EU countries and Arab countries, the tariff is zero rated thereby making competition on prices much more difficult for Pakistan. In order to compete in the Moroccan market, Pakistani manufacturers would have to develop a brand image and use established distributors to sell their products.

Non-tariff requirements

There are a total of 5 non-tariff measures for supply of denim fabrics to Morocco. Details of NTBs are given in Table 11.

Table 11 Non-tariff measures for HS 520942 Denim fabrics

UNCTAD, TRAINS NTMs database through Integrated Trade Intelligence Portal (I-TIP)				
Your query covers 5 measures				
Measures:	Sanitary and Phytosanitary [SPS] [A], Technical Barriers to Trade [TBT] [B], Pre-shipment inspection [INSP] [C], Contingent trade protective measures [CTPM] [D], Quantity control measures [QC] [E], Price control measures [PC] [F], Other measures [OTH] [G,H,I,J,K,L,M,N,O], Export-related measures [EXP] [P]			
Country(ies) imposing:	Morocco			
Product(s):	HS codes: 520942			
Country imposing	**Partner affected**	**Requirements**	**Phase**	**Measures**
Morocco	All Members	Pre-shipment inspection	In force	1
Morocco	All Members	Price control measures	In force	1
Morocco	All Members	Technical Barriers to Trade	In force	3

TRADE MISSION INFORMATION

The Trade mission, also known as the Commercial Counselor, is located in Casablanca, Morocco. The commercial counselor is responsible for trade promotional activities as well as serving as a liaison between exporters and buyers. Interested exporters can approach the Commercial Counselor for trade related inquiries, trade facilitation and visa processing, information on potential buyers as well as requests to setup meetings with buyer contacts in communication with the Commercial Counselor.

The trade mission in Casablanca, Morocco can be approached at the following address:

Mr. Muhammad Waqas Azeem	Embassy of Pakistan, Commercial Section, 57, Rue Mohamed Abdou, L'Orée du Parc B, 7éme étage, Quartier Palmier, Casablanca, Morocco
Ph: 0021-2-522981864 Fax: 0021-2-522981950	Email: pakcom.mar@tdap.gov.pk Waqas.azeem@msn.com parepcasa@gmail.com

TDAP EXHIBITION CALENDAR

As per the TDAP Exhibition calendar, there are two events scheduled for 2018 in Morocco:

S.No	Details of Event	Dates	Products
1	Maroc Sourcing and Maroc Mode in Morocco	October 2018	Textile Fashion and knitting
2	Morocco Medical Expo	N/A	Healthcare

Interested exporters can also approach TDAP to arrange exhibitions in Morocco or to invite Moroccan buyers to visit Pakistan to see locally arranged exhibitions.

SWOT ANALYSIS

STRENGTHS

Pakistan's strength lies in the following sectors:

- High Quality Basmati Rice
- Surgical Instruments
- Strong Textile Sector
- Sports Goods

By leveraging its strengths and positioning its brand image as the world's top quality supplier of the aforementioned items, Pakistan can place itself as the first choice for procurement of these items from buyers from all over the world.

In Morocco specifically, Pakistan's strength lies in its denim exports. The Moroccan population is rapidly adapting to western culture and jeans are preferred by young people.

WEAKNESSES

The following weaknesses are viewed by buyers as obstacles to approaching Pakistani suppliers when procuring items such as textiles:

- Institutional Instability
- Low Value Added Products
- Low Product Diversification
- Low Use of Man Made Fibers (MMF)

  In Morocco specifically, Pakistan's weakness will be the preference of French as a language of communication rather than English. Agents prefer to use French when communicating with sellers and exporters may struggle in that aspect. Other than that, Pakistan's weakness is its low presence in Morocco meaning not many contacts are established among distributors and agents. Pakistan also heavily relies on cotton fabrics for exports however Moroccan demand for MMF fabrics is increasing. According to Pakistan's Commercial Counselor, obtaining visas by our business community is also a major hurdle in exploring the Moroccan market.

OPPORTUNITIES

As identified in this report, Pakistan has the opportunity to enhance exports in the following segments to increase exports to the Moroccan market:

- HS 300490 Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes.
- HS 901890 Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.
- HS 520942 Denim, containing >=85% cotton.

THREATS

Threats to exports mainly come in the form of high energy costs, fluctuating lead times which are a big concern for buyers and the emergence of strong regional competitors such as Bangladesh which takes advantage of its LDC status to increase its quota, India which has well developed linkages all over the world and low AUP, Vietnam, Malaysia, Indonesia, Thailand etc. which take advantage of low production costs and procurement from the region due to ASEAN regional agreements.

- High Energy Costs
- Fluctuating Lead Times
- High gas costs
- Law & Order situation deters buyers.
- Emergence of strong competitors
- More demand for MMF
- Skewed nature of the denim industry towards jeans poses a substantial challenge. Higher concentration towards one products paves the way for substitutes for example yoga pants. Concentration towards denim jeans will adversely impact the business risk profile should demand patterns change.

In Morocco specifically, threats are present from established suppliers from France and Spain due to geographical proximity and colonial legacy. However, using its price advantage Pakistan can still leverage its position by offering similar items at lower costs. Most of the threats are anticipated to come from other low cost suppliers such as Vietnam, Malaysia, Indonesia and Thailand. In terms of supply of cotton fabrics, Egypt is considered a threat because of its world renowned supply of Egyptian cotton fabrics and distance factor, meaning lower freight costs for Egyptian supplied cotton items.

CONCLUSION & RECOMMENDATIONS

Connecting with the right distributors is key for exporting to Morocco. Personal contacts play an important role and commercial distribution continues to be traditional and conservative. Majority of the distributors are small family owned companies. Therefore, it is important for Pakistani exporters to develop deep relationships with distributors. Obtaining visas by our business community is a major hurdle in exploring the Moroccan market, as per the reports of Pakistan's Commercial Counselor. Ministry of Commerce and Ministry of Foreign Affairs should investigate and discuss this subject with the relevant authorities in Morocco to ensure ease of visa issuance for Pakistani businesses.

French is the official business language. Although a growing number of Moroccans speak English, local distributors and agents expect **brochures and documentation to be provided in French**. For them, it makes it easier to determine whether a product complies with local regulations and standards. Since the majority of Moroccans speak French, it would be beneficial for Pakistani exporters to converse with agents and distributors in the French language as this will make communications easier and develop relationships which can be useful later on. Moroccans generally respond quicker to phone calls and texts as compared to emails, therefore Pakistani exporters should prefer the former when making contact for sales.

The **products identified in this report** are in high demand in Morocco. The recommended products are backed by data from Morocco i.e. import demand of said products by Morocco and Pakistan's exports to Morocco for each item. To enhance exports in the Moroccan market, Pakistan should look to export the items identified in this report. The absence of name brands and dependence on OEM orders restrain Pakistani manufacturers from expanding profit margins. Manufacturers need to start establishing their own brands to create demand and increase profit margins. More exhibitions should be arranged for sales of medicaments, surgical instruments and denim to Morocco as the market for these items is substantial.

In order to establish credibility, Pakistan's medicaments and surgical instruments industries should have **quality certification requirements** to assuage the quality concerns of buyers. The Indian government has launched a voluntary scheme known as ICMED (Indian Certification of Medical Devices) to bring international respect to medical devices made in India. It would be beneficial for Pakistan to launch a similar voluntary scheme as this is will help establish credibility and quality standards for Pakistan's products.

Establishing cordial relations is also important to create business contracts. Sri Lanka, for example, try to invite businessmen and buyers to visit their country not just for business purposes but for tourism as well. This enables the buyers to view the country, its production processes and its market. Buyers can judge lead times and manufacturing costs by visiting the country and seeing an overview of what the country has to offer. In this regard, Pakistan should not only invite buyers but also develop its tourism industry. Make the country more appealing to foreigners like South

East Asian countries have done. This will benefit Pakistan indirectly, such as future possible contracts and FDI which will help increase exports.

Pakistan also needs to implement structural changes to enhance export competitiveness. A significant portion of **Export Finance Scheme** should be made available to SMEs and new exporters. Large corporations should be encouraged to borrow from conventional sources, leaving Export Finance Scheme for SMEs and new exporters. The low borrowing rates would help finance the funding needs of these smaller exporters and improve overall export competitiveness.

Lead times are a big concern for foreign buyers. They want consistent lead times and Pakistan should look to upgrade their warehousing technology to improve reorder levels and keep inventory levels sufficient to cater to demand. **Improvements in warehousing technology** can lead to costs savings by maximizing available space in an optimum fashion. Other savings will include costs cut from keeping optimum inventory levels which will ensure sufficient quantity available for supply without excess inventory which leads to raising inventory holding costs. Several foreign and local companies such as TCS, Abu Dawood and other foreign firms offer warehouse upgradation on a Build Operate Transfer model.

Exporters should also be made **aware of the country's Non-tariff requirements**. Compliance with non-tariff requirements is one of the biggest roadblocks for Pakistan's exporters. Lack of knowledge of the rules and requirements for exports to the target country lead to lower than potential exports. Exporters need to be made aware of non-tariff requirements before export to the target country. This report attempts to identify the non-tariff requirements for the top in-demand products recognized in the Moroccan market. The non-tariff requirements for various other products are also detailed at the UNCTAD website (https://trains.unctad.org). Potential exporters can easily view the list of required non-tariff compliance measures and can decisions accordingly.

Pakistan also needs to **reduce its electricity tariffs**. The electricity tariff for Bangladesh is 7.3 cents per kilowatt hour versus Pakistan's 11 cents per kilowatt hour (Ahmed, 2017). This leads to lower production costs for Bangladesh as compared to Pakistan.

Utilizing the potential of CPEC, Pakistan should also look to **become part of the regional supply chain**. This will also help Pakistan move forward in the direction of becoming part of the global value chain. Local businesses should ask their Chinese counterparts to involve them in manufacturing parts and accessories as 3rd party contractors.

In order to increase exports, Pakistan will need to **focus on high-value Ready Made Garments (RMG)** as opposed to low value RMGs and try to penetrate premium market segments. Pakistan should look to establish and cement its reputation as a superior manufacturer in surgical instruments, sports goods, medicaments, jerseys and food preparations. Pakistani industries should improve their image as being top quality suppliers, with consistent lead times and better customer service. The industries also need to position their image as innovators with improved execution, logistics and compliance with ethical standards. Pakistani business owners need to raise their core competencies in order to survive and expand. They should consider the existing system in their firms including logistics, finance, marketing, production, costs, price, and knowledge management in order to remain competitive. According to Pakistan's Commercial Counselor, RMGs are being imported to Morocco under brand names such as Zara, Mango, M&S, H&M, Pull & Bear etc. Textile garments from Bangladesh are increasing in the Moroccan market as the brand franchise have to import the specific products from Bangladesh. It is the opinion of the Commercial Counselor that Pakistani manufacturers should also look to produce for these brands which are operating in Morocco.

Whether trying to penetrate into the premium segment or utilizing the bottom of the pyramid strategy (a strategy used to target consumers in the mass market as opposed to the premium segment), Pakistani exporters need to have a clear, distinct brand image which is easy to convey to the customers. Having a brand image that does everything, e.g. try to cater to premium segments as well as the mass market is not helpful as it detracts and confuses the buyers. A clear, effective brand identity helps conceive product awareness, express brand association and grow loyal customer bases. A strong, clear, rich identity will help Pakistani companies by making it easier to sell their products worldwide. Several companies around the world use the same strategy. For example, when Swatch started selling their watches, a brand identity of a low cost watch with Swiss engineering and a brand association with fine arts helped them develop their identity. BMW and Mercedes developed their own brand image as manufacturers of reliable quality cars backed by German engineering. Japanese automobile manufacturers fostered their own identity of selling budget cars in the 1960s. The Moroccan textile sector, specifically the denim segment, have developed their own brand image of 'eco-friendly' denim, processed with chemicals less harmful to the environment, to cater to the nearby European markets which voice similar concerns over the environment. Having a brand image and customers identifying Pakistani products with that image make it easier for exporters to compete in the international market on touch points other than pricing. It even allows Pakistani exporters to charge a premium over the rest of the market if their brand image justifies it. Therefore, developing a brand image, along with well-established distributor networks is essential for every Pakistani exporter to help develop their customer base and sell in the foreign markets including Morocco.

To sum up, connecting with the right distributors, making deals primarily in the French language, fostering a unique brand identity, focus on high value added products, increase of foreign visits to Pakistan and structural changes identified will lead to export competitiveness in Pakistan. In addition, for exports to Morocco, the products identified in this report are in high demand in Morocco; therefore, Pakistan should focus on increasing market share in these items as this will lead to higher exports towards Morocco. The identified items are reiterated below for exporters' convenience:

1. HS 300490 Medicaments
2. HS 901890 Surgical Instruments
3. HS 520942 Denim, containing >= 58% cotton

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APPENDIX 1

TOP PAKISTAN EXPORTS TO MOROCCO

Pakistan's Top 30 exports to Morocco

HS Code	Product Description	Qty unit	Qty	Rs. '000	USD '000
52051200	S-COT.YARN UCF.D-232.56-714.29	KG	1,010,507	352,518	3,196
52094200	COTTON WOV FAB DENIM>200G/SQM	SQM	2,138,083	308,061	2,793
52091200	COTTON WOV FAB 3-4THREAD UN-BL	SQM	2,797,102	248,405	2,252
52052400	S/C YARN COM.FIB.125-192.31-DX	KG	343,960	170,092	1,542
52102100	W-FAB COT MIX-MMF WT 200G/SQM	SQM	1,650,161	126,053	1,143
52092200	COT WOV FAB 3/4THRD W>200G/SQM	SQM	1,084,697	109,451	992
55134100	WOV FAB POLY STAP FIB PRINTED	SQM	767,865	56,630	513
52052200	S/C YARN LF.DX.232.56-714.29	KG	146,547	55,236	501
52101100	COT W-FAB MIX MMF W200G/SQMUNB	SQM	477,300	47,502	431
52083100	WOV FAB COT WT 100G/SQM DYED	SQM	456,993	45,087	409
90189090	OTH INST,APP MEDICAL/SUR/VETEN	NO	131,981	42,941	389
52051100	SIN.COT.YAR.U.COM.FIB.D-714.29	KG	135,378	39,701	360
63026010	TOWELS OF COTTON MILL-MADE	KG	60,492	35,213	319
52092900	OTH COT WOV FAB BLE W>200G/SQM	SQM	229,028	29,039	263
52114200	W-FAB COT DENM,MX MFW>200G/SQM	SQM	264,698	28,673	260
52113900	OTH W-FAB COT,MMF W>200G DYED	SQM	234,904	22,638	205
55133100	WOV FAB SYN STAP FIB COLOUR YR	SQM	221,740	22,623	205
55132100	W-FAB SYN STA FIB MX COT DYED	SQM	229,985	22,429	203
55121900	OTH WOV FAB OF SYN STAPLE FIB	SQM	100,742	21,147	192
55095300	OTH YRN OF POLYESTER MIX COTTN	KG	61,553	20,366	185
12119000	OTH PLANTS AND PARTS OF PLANTS	KG	133,710	20,053	182
52122200	OTH COT WOV FAB BLEAC>200G/SQM	SQM	192,166	17,701	160
52112000	W-FAB COT WT<85% MIX MMF-BLEA	SQM	151,885	15,640	142
52103100	COT WOV FAB MX-MMF200G/SQM DYE	SQM	143,429	10,901	99
52122300	OTH COT WOV FAB DYED>200G/SQM	SQM	225,350	10,561	96
52093100	COTTON WOV FAB DYED>200G/SQM	SQM	107,514	10,457	95
52081200	WOV FAB COT WT>100G/SQM UNBLEA	SQM	97,305	9,365	85
52121200	OTH COT W-FAB BLECH W 200G/SQM	SQM	96,370	8,397	76
55142200	W-F POLY STAP FIB 3/4THRD DYED	SQM	53,960	6,233	57
12130000	CEREAL STRAW & HUSKS,IN PELLET	KG	149,860	1,049	10
	Sub Total		**13,895,265**	**1,914,162**	**17,356**
					(Pakistan Bureau of Statistics, 2018)

APPENDIX 2

MARKET SHARE OF PAKISTAN'S TOP 15 EXPORTS IN MOROCCAN MARKET

Unit : US Dollar thousand

Product code	Product label	Pakistan's exports to Morocco 2017	Morocco imports from world 2017	Market share
'TOTAL	All products	22,811	45,083,310	0.05%
'520210	Cotton yarn waste, incl. thread waste	32	35	91.43%
'521212	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, other than those ...	172	201	85.57%
'521021	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed ...	1,108	1,877	59.03%
'521011	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed ...	372	873	42.61%
'620319	Men's or boys' suits of textile materials (excluding of wool, fine animal hair or synthetic ...	78	190	41.05%
'620329	Men's or boys' ensembles of textile materials (excluding of cotton or synthetic fibres, knitted ...	47	121	38.84%
'521222	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, other than those ...	178	481	37.01%
'520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 ...	184	500	36.80%
'521211	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, other than those ...	33	91	36.26%
'630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or ...	80	243	32.92%
'610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	26	84	30.95%
'520912	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m², in three-thread ...	2,214	7,583	29.20%

(International Trade Center, 2018)

APPENDIX 3

MAJOR DENIM PRODUCERS

Tier 1 (Loom > 250)
Artistic Milliner Pvt Ltd
Soorty Enterprises Pvt Ltd
US Denim Mills
Tier 2 (Looms 150 – 200)
Rajby Textiles Pvt Ltd
Naveena Exports Ltd
Artistic Denim Mills
Kassim Denim Mills
Siddiqsons Ltd
Tier 3 (Looms <150)
Denim International
Classic Denim
Pak Denim Ltd
Rana Tex
Karim Denim Mills
(Choangalia & Aziz, 2018)

MAJOR DENIM GARMENT PRODUCERS

Artistic Milliners Pvt Ltd
Soorty Enterprises Pvt Ltd
US Apparels
Rajby Enterprises
Artistic Denim Mills
Nishat Apparels
Kassim Denim Mills
Siddiqsons Denim Mills