

A Gateway to Africa? Economic Opportunities in Israel-Morocco Relations

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Morocco's development needs, combined with the ambitions of Israeli companies to expand beyond the domestic market, can make cooperation beneficial to the two countries in both the economic and the diplomatic sphere. It can also advance their interests with countries in Western and Central Africa.

At the conclusion of the Negev Summit in late March, the participating countries – The United Arab Emirates (UAE), Bahrain, Morocco, Israel, and the United States – declared their intention of convening a similar meeting once or twice a year in desert cities as a symbol of the issues currently of concern to the region, all of which have economic significance: the challenge of recovery from the Covid-19 crisis; lack of water and the climate crisis; and – in view of the war in Ukraine – the food and energy crises. Following the summit, Moroccan Foreign Minister Nasser Bourita said that the countries “must build a dynamic according to concrete steps that the people feel.” While the security aspect of Israel and Morocco's relations is indeed strategically important, as indicated by the defense cooperation agreement signed by the countries, the development of economic ties is likely to have a more tangible impact for both countries and is thus a significant shared interest. Additionally, these ties entail considerable political potential.

The World Bank describes Morocco as a medium-to-low-income economy. According to figures for 2020 from [Trading Economics](#), Morocco exports primarily electrical and electronic equipment, vehicles, fertilizers, fruit, vegetables, nuts, and clothing, as well as tourism and transportation services. Morocco imports mainly fuel; industrial, electrical, and electronic equipment; vehicles; and grains, in addition to transportation services, technical services, and services provided by government agencies.

Although Europe is an important trading partner for both Morocco and Israel, the export destinations and goods exported to Europe by the two countries are not identical. According to figures for 2020 from the Israeli Ministry of Economy, exports of goods from Israel to Europe totaled \$13.8

billion (36% of total exports), mainly to the UK, the Netherlands, Germany, France, and Belgium. The bulk of these exported goods consisted of chemicals, electrical and mechanical machinery, rubber, plastics, and medical and optical devices. According to figures from Trading Economics, exports of goods from Morocco to Europe totaled \$18.9 billion in 2020 (69% of Morocco's total exports). The main destinations were Spain and France, and most of the exported goods consisted of electrical equipment, transportation equipment, food and agricultural products, as well as clothing and textiles.

Since Israel and Morocco renewed their relations in December 2020, trade between them has markedly expanded. According to figures from the Israel Central Bureau of Statistics, Israel's exports to Morocco rose from \$3.9 million in 2019 to \$30 million in 2021. Although the Israel Export Institute estimates the annual export potential from Israel to Morocco at \$250 million, this still amounts to less than 1% of Israel's total exports of \$143 billion in 2021, according to figures from the Ministry of Economy. From the standpoint of economic potential, besides tourism services, another promising sector for trade is the auto sector. Over the past decade, with the entry of foreign companies into the country, the auto industry in Morocco has expanded, with vehicle exports from Morocco totaling \$8.5 billion in 2020, according to figures from the Moroccan Ministry of Industry and Trade. At the same time, Israeli demand for vehicles keeps growing: Imports of vehicles to Israel rose 24.9% in 2021 compared to 2020, according to figures from the Central Bureau of Statistics. The main potential for imports to Morocco from Israel, on the other hand, lies in tourism and advanced technology, especially in agriculture, water, and renewable energy.

Economic cooperation between the two countries could also contribute to their interests with African countries. Morocco is making strenuous efforts to foster relations with Africa, as evident from the dozens of visits by King Mohammed VI to the African continent over the past 20 years and Morocco's rejoining the African Union five years ago, after withdrawing from the organization in 1984. These diplomatic efforts have an economic aspect as well: Although only 7.7% of Moroccan exports in 2020 were destined to Africa according to Trading Economics figures, Morocco aspires

to increase this percentage and become an economic hub in the continent. To advance this goal, Morocco has signed dozens of economic agreements with African countries. Morocco's trade potential with Africa is substantial, even if not in the immediate term, particularly in view of the African Continental Free Trade Area (AfCFTA) agreement. As the agreement went into effect in January 2021, the UN Conference on Trade and Development ([UNCTAD](#)) estimates Morocco's potential exports as part of it at \$130 million.

By utilizing Israeli technology and know-how, especially in agriculture, Morocco can introduce it to African countries, thereby enabling the North African country to play a significant role in African development – an ambition that is evident, for example, in Morocco's national and regional [development plans](#).

For Israel, strengthening economic relations with Morocco can open a gateway to Africa, especially to countries with which Israel has no diplomatic ties, while relying on Morocco's experience and infrastructure. In recent years, Morocco has been developing financial and business infrastructure in Sub-Saharan Africa, mainly in the Francophone countries of Western and Central Africa, where Moroccan banks are active, and where traffic connectivity between these countries and Morocco is highly developed. In addition to economic potential in the form of exports to markets to which Israel currently has no access to, opening a gate to West and Central Africa also holds political potential, in the form of strengthening ties with African countries. This development could prove useful to Israel in international forums, especially vis-à-vis votes in the UN General Assembly and Security Council.

Promising Channels for Cooperation

According to assessments by leaders of the business sector in both countries, promising areas for fruitful cooperation between Israel and Morocco include tourism, health, industry, agriculture, water, and renewable energy. Against the backdrop of the COVID-19 pandemic, the war in Ukraine, and the climate crisis, the last three have become increasingly salient. Indeed, these sectors were highlighted as having especially great potential at a business conference held in Tel Aviv in late

March, attended by leaders of the business and industrial sectors from both countries.

The agricultural sector is highly important to the Moroccan economy: It is one of the largest employers in the country (as one-third of Morocco's labor force is employed in agriculture) as well as a substantial export sector (accounting for about 20% of the country's exports and 12% of its domestic output). The agricultural sector, however, is also highly vulnerable to climate conditions, and it suffers from low productivity, as reflected in the gap between the sector's share of employment and its output. A substantial part of agriculture in Morocco still relies on traditional methods, and the country has set a goal of making this sector industrialized and productive. The low productivity in agriculture is reflected in World Bank figures for 2019, according to which the added value per worker is the lowest of any country in the region.

Potential for cooperation in agriculture lies mainly in exporting and applying know-how and technology from Israel. Over the past decade, Israel's agricultural technology sector has experienced significant growth and has increasingly turned to the international arena. Exports in the sector (excluding fertilizers and chemicals) have grown consistently, reaching \$1.9 billion in 2019, according to figures of the Israel Export Institute. Israeli AgroTech companies have also expanded at a rapid pace in recent years and are developing technologies in a wide range of areas, which according to figures from [Startup Nation Central](#), include irrigation, water treatment for agriculture, greenhouses, the dairy industry, and marine agriculture. Morocco's desire to advance its agricultural sector, not least in order to provide its people with food security, can constitute a basis for fruitful cooperation between the two countries.

Another promising field for cooperation is renewable energy. According to figures from the Moroccan Ministry of Energy Transition and Sustainable Development, Morocco imports about 90% of its energy needs. To reduce its dependence on imports, Morocco is concentrating its efforts on increasing production of renewable energy, and these efforts are yielding results: As of 2020, renewable energy accounted for about 37% of the country's production capacity, and it appears that it is on target to meeting the government 2030 goal of reaching 52% of total production capacity.

According to figures of Startup National Central, Israel is home to over 100 energy technology companies, and these companies are striving to expand beyond the domestic market. Applying Israeli technologies in all stages of renewable energy production can enhance Morocco's competitiveness in this sector, cut costs, and increase production, consumption, and exports – especially to Europe. Initial signs of cooperation appeared last March, when the Israeli company Marom Energy acquired 30% of the shares in Moroccan renewable energy company Gaia Energy, which operates in a number of African countries in partnership with IFC, a member of the World Bank Group. The price paid by Marom Energy for the shares is believed to be NIS 70–80 million. The Israeli company thereby acquired a foothold in the Moroccan renewable energy sector, which has great potential, thanks to the abundance of space and suitable climate conditions.

Policy Recommendations

Morocco's needs for development and modernization of infrastructure for agriculture, water, and energy, combined with a fairly good business environment, along with its geographic location between Africa and Europe, make cooperation between Morocco and Israel attractive and with economic and political potential. This cooperation can also contribute to the interests of both Israel and Morocco in their economic and diplomatic relations with countries in Western and Central Africa.

To further this cooperation, Israel should take action in three ways. First, it should continue expanding the regulatory infrastructure for these economic relations. One of the difficulties in doing business in Morocco is the country's legal system, which is widely distrusted by businessmen and investors. A practical way of dealing with this issue is through the two countries' investment agreement that is now in negotiation. Care should be taken so that this agreement will provide investors with access to international arbitration in cases of investment disputes, as included the investment agreement that Israel signed with the UAE in 2021.

Second, Israel and Morocco should create frameworks for concrete cooperation between governments. As part of the economic framework agreement, it was decided to establish a joint committee composed of Israel's Ministry of Economy and Morocco's Ministry of Industry and Trade,

which will be responsible for overseeing the implementation of the agreement. The establishment of similar joint committees between the Israeli Ministry of National Infrastructure, Energy, and Water; Ministry of Agriculture and Rural Development; and Ministry of Regional Cooperation with their Moroccan counterparts should be considered. These committees can explore opportunities for cooperation, propose solutions for problems, and provide sponsorship for business sector conferences.

Finally, Israel should assess the possibility of joint ventures with third countries. One prospect is cooperation with the UAE. Morocco and the UAE have been strengthening their relations in recent years, as reflected in political support on key issues and the tightening of trade ties. Israel and the UAE's tightening relations, particularly in the economic field, could facilitate tripartite cooperation that will combine Israeli technology and experts and trained manpower from all three countries.