

Incentives for the Development of the Automotive Sector in Morocco and the Truth of Local Stakeholders

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Abstract: *The automotive sector is one of the carriers globally competitive sectors and Morocco wants to be an actor and served with distinction due to its geographical position. The paper analyzes the Moroccan policy of encouraging from the point of view of industry suppliers in particular with the set up of the National Industrial Emergence Pact. Did This very ambitious policy of encouraging really affects local manufacturers in their specific problems of the Moroccan automotive sector? Proposals are made to upgrade businesses operating in a sharp technology sector.*

Keywords: automotive sector, equipment suppliers, SMEs, industrial development strategy, moroccan industry.

1. Introduction

The vehicle components sector is very promising; its global positioning requires competitive niches where Morocco would assert its comparative advantages, particularly geographical ones. (Department of Financial Studies and Forecasts, July 2008).

In Morocco, the National Pact for Industrial Emergence 2009-2015, launched on February 13, 2009 by King Mohammed VI, sets up the program for implementing the industrial development strategy. The Pact focuses on the efforts needed to revitalize sectors where Morocco has competitive advantages, including the automotive sector. (AFD, September 2013).

Scalded by the collapse of the European market and encouraged by the Emergence pact, some manufacturers seized the opportunity to flourish in Morocco, as a future privileged point of automotive equipment supply. The sector is witnessing a great metamorphosis but does not benefit the Moroccan suppliers already set. This is due to the fact that the benefits and encouragement granted to international suppliers for their installation in Morocco, added to their expertise accumulated worldwide, have allowed these suppliers to master performance and competitiveness. Still, the question is: how to align suppliers and benefit the fabric Moroccan industry from the sector's dynamism?

2. Context

A booming industry in Morocco

As one of the oldest industrial sectors in Morocco, since the creation of Somaca in the 60s, the car industry received a new impetus with the Renault factory - Tangier. Taking advantage of its geostrategic position, the Moroccan automotive sector has experienced, in the last decade, a strong development both as regards manufacturers and

equipment suppliers, as evidenced by the dramatic increase in its export turnover with a yearly average of 30% over the period 2004-2011. (MEF, 2013)

Authorities have implemented measures to "make of Morocco a future global car industrial base". In this regard, they have benefitted manufacturers, builders, and skilled assemblers from offers and benefits as well as a training program «à la carte», and an integrated industrial platform to support the development, with a view to establishing a true global automotive industry in the world.

Morocco has also worked to attract the second constructor, a major actor worldwide. (MEF,2013).

Actors of the value chain in the car industry

The value chain can be organized globally with the support of leading businesses (car manufacturers and tier 1 suppliers) which have a strong influence on the entire chain development. In this case, manufacturers specify, directly or indirectly, the productions to be made, where, and by whom. These companies constantly choose between production internalization and externalization and between space integration and disintegration (grouping certain types of production in the same place, or breaking them).

In a more comprehensive way, the car industry, as we see it in this study, brings together all the institutions that contribute immediately to motor vehicle production: Industrial actors involved are usually giant manufacturers (multinationals), equipment suppliers (classified according to their proximity to the manufacturers), and services providers.

Automotive components account for 53% of the total introduction of new cars on the market. Equipment suppliers are involved in 75% of the manufacturing cost of a vehicle (AEF, 2009) and the number of components of a car can

reach up to 1600 pieces (Renault, 2009), from different suppliers worldwide. These figures indicate the position of upstream logistics in the car industry.

Recently, car manufacturers are tending towards internationalizing (buying in new countries) and globalizing (buy identical products in several continents) their purchases, but also dealing with an increasingly limited number of suppliers. These providers must particularly be able to develop side by side with entire assemblies to which they entrust full responsibility of development, industrialization and quality. (CGEM 2003)

Challenges of equipment suppliers and recommendations

Since the sector incentive policy provided for in the Emergence pact is far from reaching local manufacturers, the latter have to be placed in an economic logic without any support or benefit whatsoever on the local market or the international market, given their increasingly harsh competitive requirements. In addition, all national programs for the development of local businesses set up by the Ministry of Industry, Trade and New Technologies: *Moussanada, Imtiaz, INMAA* ... failed to meet the requirements of this particular sector, which requires more appropriate measures.

Indeed, equipment suppliers of SMEs need an integrated program under the supervision of the Ministry of Industry, which covers the problems affecting the sector. In order to provide the necessary support and get them out of their difficulties, the following measures are worth considering:

- Create an institution capable of providing the sector with accurate data and statistics, enabling businesses to have visibility into their logistical performance and to compare themselves to competitors;
- Reduce the pressure using the method of consolidation through concentration which is essential regarding the power relationship with the sector's customers. The latter are increasingly demanding about the size of their suppliers. In fact, the concept of the size is crucial for investment capabilities both for the geographic expansion of the company and for financing R&D and innovation. (BOIREAU, March 2011);
- Support research and development transfer to equipment suppliers, as many industry players may have difficulties in absorbing the increased delegation of competences in R&D, since it requires large investments, which these companies are not necessarily able to provide by themselves. This cash mobilization generally prevents SMEs from conducting several projects simultaneously and continuing to be competitive;
- Collect in clusters innovation strengths, skills, tools and strategies. The lack of managerial capacity and human resources necessary to work internationally, combined with insufficient responsiveness due in particular to an inefficient bureaucracy, are all factors that penalize the development of innovative projects; (Djama, October 2013)
- Support the industry by opening the dialogue between manufacturers, equipment suppliers and institutional investors. If there is one thing that the crisis demonstrated

in France for example, it is the importance of state intervention to regulate sectors;

- Support the Amica (Moroccan Association for Car Industry and Commerce) and give it more notoriety by involving it further in various missions such as: Benchmarking, and information and communication monitoring ...

3. Conclusion

Equipment suppliers must now understand and grasp the necessity of values in guiding its innovation towards products that are extremely precursors and value holders. He must control the externalities, find a fast learning logic, reinvent product marketing and acquire new innovation process.

The few Moroccan Industrials who have, until now, resisted and fought to survive, deserve to be supported as they constitute the true potential of our countries in this increasingly important sector in our economy.

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