

Abdellatif Jouahri: Economic integration in Africa - the path to a more prosperous future

Opening speech by Mr Abdellatif Jouahri, Governor of Bank Al-Maghrib (Central Bank of Morocco), at the International Days of Macroeconomy and Finance, on the theme "Economic Integration in Africa : The Path to a more Prosperous Future", Dakhla, 22 May 2024.

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Esteemed Minister of Industry and Trade,
Your Excellencies Ambassadors,
Honorable Wali of the Dakhla-Oued Eddahab Region,
Honorable President of the Dakhla-Oued Eddahab Regional Council
Presidents of the Economic and Social Councils,
University presidents,
Elected representatives and presidents of local authorities,
Prominent researchers and professors,
Dear friends and colleagues,
Ladies and Gentlemen,

First of all, I would like to thank you for accepting our invitation and welcome you to this meeting organized by Bank Al-Maghrib, Cadi Ayyad University of Marrakech and the University of Basel in Switzerland, in partnership with the Dakhla-Oued Eddahab Regional Council. It is an annual forum for reflection and debate on mere academic issues that, nevertheless, often have implications for public policy.

This year, we are particularly pleased that the conference is taking place in this exceptional city, which testifies to the rapid development of our southern provinces. These represent our country's African depth and link with the rest of the continent.

Thus, we could not think of a better place to discuss the chosen theme: "Economic integration in Africa: the path to a more prosperous future".

I would like to seize this opportunity to thank the local authorities, notably the Wali and the President of the Dakhla-Oued Eddahab Regional Council for their support, which has greatly facilitated the organization of this event.

I am also delighted by the participation of many brotherly countries and friends of the continent, both at the diplomatic level, through their Excellencies the Ambassadors present here with us, as well as public decision-makers and academic researchers.

Ladies and Gentlemen,

Surely you would agree that the importance of the issue we are debating today needs no justification. Economic integration fosters structural transformation, economies of scale, trade intensification, value chains development and the emergence of sufficiently large markets to attract investments.

The continent, however, is poorly integrated. The share of intra-regional trade in the total international trade of African countries remains limited, at just 12 percent, compared with a 60 percent average for Europe and Asia. As a result, Africa remains largely dependent on external markets, and consequently vulnerable to shocks, as we have seen during the Covid-19 pandemic and with the war in Ukraine.

And yet Africa has enormous development potential. Its greatest asset lies in its demography, with a young, fast-growing population, which, according to the United Nations forecasts, should account for a quarter of the world population by 2050.

Africa is also home to some of the world's most precious natural resources, fertile land and a rich biodiversity that is crucial to the future of the planet.

African countries are well aware of the benefits of integration. Several initiatives have been launched in this regard and were particularly conducive to the creation of Regional Economic Communities. Some of them have been successful, while others have not thrived yet, like the Arab Maghrib Union, unfortunately known as one of the least integrated regions in the world.

More recently, African countries launched the African Continental Free Trade Area, commonly referred to as the AfCFTA. This agreement offers a glimpse of hope in terms of its potential benefits. Indeed, although the assessments made of its impact are largely approximate, they point to substantial gains.

Simulations run by the IMF indicate that the creation of this area, should it be shored up by trade-easing reforms, could increase Africa's median trade with the rest of the world by 15 percent and with African countries by 53 percent, contributing to an increase in the median GDP per capita by over 10 percent. It would also, according to the same estimates, lift over 30 million people out of extreme poverty.

Ladies and Gentlemen,

Despite the political will, Africa's wider integration faces a number of structural obstacles that the continent must overcome. The first is undoubtedly the enormous human capital deficit. World Bank figures show that 2.9 million children under the age of 5 and 200,000 pregnant women die every year. In terms of education, 50 million children do not attend school, and those who do are not learning enough.

Economically, productive structures remain fragile, overburdened by the informal sector, which accounts for more than 80 percent of employment. Economic growth is volatile and largely insufficient to provide decent employment opportunities for the youth and a decent living standard for the population. The International Labor Office estimates that 26.1 percent of the African youth aged 15 to 24 years are neither in education, employment, nor training.

Under these conditions, it is clear that Africa has a long way ahead. It needs to make the most of its human capital to tap into its demographic dividend, carry out fundamental economic reforms to make better use of its wealth and offset its enormous infrastructure deficit. This requires substantial resources in a context marked by

shrinking budgetary margins and tighter financing conditions. For example, according to the African Development Bank, unmet financing needs for infrastructure range between 68 billion dollars and 108 billion dollars a year.

In addition to financial resources, the successful implementation of such a reform agenda requires primarily an environment of political stability and security, which is lacking today in some regions of our continent.

Ladies and Gentlemen,

Economic integration is not always a guarantee of widespread prosperity. One only has to look at the rise of globalization, the most important trade integration movement in history, to realize this.

Since its inception in the 1980s, globalization has brought substantial gains in terms of lower production costs, trade development, economic growth, and poverty reduction.

But, at the same time, it has also led to widening inequalities between and within countries, leaving large swathes of world's population on the margins of development, particularly on our continent.

Today, its undesirable consequences, worsened by growing geopolitical tensions, result in a rejection of this phenomenon, the emergence of a reverse movement coupled with doubt-casting over the rules of world trade and multilateralism, as well as a rise in economic sovereignty and protectionism, leading to an unprecedented increase in industrial policy measures. Thus, an avalanche of new concepts is gradually replacing those of globalization and free trade. These include relocation, nearshoring, backshoring, friendshoring, etc.

This geo-economic fragmentation is only part of the paradigm shifts, which we have been witnessing in recent years and which are inducing exceptional levels of uncertainty, further complicating the making and implementation of public and private decisions. These particularly include the acceleration of climate change whose consequences are severely impacting the continent, as well as digitization and artificial intelligence, which, according to the IMF, would affect 40 percent of employment worldwide. Today, Africa has neither the infrastructure nor the skills to fully tap into this revolution and mitigate its risks, which could further widen the gap with the developed countries.

For Africa's economic integration to induce the desired prosperity, we need, besides the aforementioned conditions, to ensure that it is inclusive, mutually beneficial, and that it does not, above all, come at the expense of the most vulnerable countries and populations.

Ladies and Gentlemen,

In Morocco, this has always been the preferred approach. Believing in the virtues of free trade and market rules, the country has opted since the 1980s for openness and informed economic liberalism, where the quest for efficiency and competitiveness is not to the detriment of social considerations and solidarity.

In this respect, Morocco's geographical and historical proximity to Europe has not diverted it from forging partnerships throughout the world, and has, above all, never been at the cost of its African identity. His late Majesty Hassan II used to say that "Morocco is a tree whose roots are deeply anchored in Africa and whose branches extend into Europe". The continent has always been at the heart of the country's strategic orientations, as reflected in many speeches made by His Majesty King Mohammed VI over the last quarter of a century.

His Majesty has often called for a win-win co-development and rolled out major projects like the Morocco-Nigeria Gas Pipeline, which should help diversify energy supplies for many countries on the continent, the contribution in ensuring food security on the continent, as well as the Atlantic Initiative, which aims to facilitate the commercial integration of several landlocked countries.

Our public policies on trade and investment generally dedicate a largely tailored and favorable treatment to relations with the rest of the continent, hence facilitating the establishment of several Moroccan groups in financial services, mining, telecoms, real estate, etc.

The development of Casablanca Finance City also falls within this approach and strives to create a regional financial and multiservice hub geared toward Africa. The country is also home to the headquarters of Africa50 and is working on its development to promote and facilitate investment in infrastructure.

Ladies and Gentlemen,

At Bank Al-Maghrib, our international relations fall within this global vision charted by His Majesty. We have encouraged and supported the banking sector to develop its external growth drivers in Africa. We ensure that this expansion makes a real contribution to the development of host countries. Moroccan banks are now present in over thirty countries on the continent, where they generate almost 23 percent of their business. As a central bank, we maintain close experience and expertise-sharing ties with many of the continent's regulators, both bilaterally and through bodies such as the Association of African Central Banks, the Economic Commission for Africa, and the African Union. Areas of cooperation are not limited to the conventional missions of central banks, but include cross-cutting issues such as climate change and gender.

Ladies and Gentlemen,

Despite the difficult international context, Africa is expected to emerge and find its place on the world stage. The African Union's 2023 accession to the status of permanent member of the G20, and the recent decision to grant the continent a third seat on the IMF's Executive Board, are but a few signs that Africa will ineluctably achieve its rightful status on the international scene. Investing in this dynamic in favor of economic and social development remains a medium- and long-term endeavor. In order to rise to the challenge, "Africa needs to trust Africa", as His Majesty King Mohammed VI emphasized in Abidjan in 2014, and African countries are called upon to work together for a win-win co-development. As the African proverb goes, "Alone, we go faster; together, we go further".

Finally, I would like to wish you every success in the proceedings of this conference, and hope that you will have the opportunity to enjoy the treasures of the pearl of the South, where the sea and the desert blend harmoniously.

Thank you all very much.