

The Moroccan Diaspora and Public Policy

By Mahmoud Arbouch & Uri Dadush

Summary

The Moroccan diaspora contributes in major ways to Morocco's economic development. Moroccan migrants ease the country's chronic unemployment and underemployment problems, send remittances, invest in the home country, and typically visit Morocco frequently as tourists. In addition to that migrants usually retain close links with Morocco, and help in less direct ways to forge trade and third-party investment links between Morocco and their host countries. Drawing on the relatively small number of studies of the subject and the very sparse data available, this note examines the drivers of Moroccan emigration and the different ways the diaspora affects the economy. We then discuss what Moroccan policymakers can do to make more from the diaspora while minimizing the adverse effects of such large numbers abroad.

Introduction

The Moroccan diaspora, which includes migrants and their offspring and might amount to 20% of the country's population under the broadest definition, contributes in major ways to Morocco's economic development. Moroccan migrants ease the country's chronic unemployment and underemployment problems, send remittances, invest in the home country, and typically visit Morocco frequently as tourists. In addition to their contributions to the country's foreign exchange earnings, which may exceed 10% of Morocco's GDP, migrants and their offspring usually retain close links with Morocco, and help in less direct ways: they help forge trade and

third-party investment links between Morocco and their host countries. Those that return represent a minority, but one that adds significantly to Morocco's skills and entrepreneurial capacity. There are also downsides to the activities of Morocco's large diaspora, including appreciation of the real exchange rate and housing prices, and network effects that can encourage many of the most skilled to leave Morocco.

Drawing on the relatively small number of studies of the subject and the very sparse data available, this note examines the drivers of Moroccan emigration and the different ways the diaspora affects the economy. We then discuss what Moroccan policymakers can do to make

more from the diaspora while minimizing the adverse effects of such large numbers abroad.

The Moroccan Diaspora is Big

In 2019, about 3.1 million¹ Moroccan-born individuals were living abroad, making them the twenty-second largest emigrant population worldwide, according to the United Nations, and the second in the MENA region behind Egypt. From 1990 to 2019, the number of Moroccan emigrants almost doubled, from 1.7 million to 3.1 million. In the 1990s the stock of Moroccan emigrants increased by about 330,000, in the first decade of the 2000s by about 790,000, and by about 27,000 over the last decade, a very sharp decline in emigration according to these official—but not necessarily accurate—figures. The high rate of emigration reported during the first decade of the 2000s is likely to be related to the buoyant European economy in the period preceding the global financial crisis.

About 88% of Moroccan migrants live in Europe, and less than 5% live in North America. These two areas represent the main emigration destinations for Moroccans. In Europe, France is the leading host country with 33% of Moroccan emigrants, followed by Spain (26%) and Italy (16%). On the North American continent, the United States and Canada host respectively 2.5% and 2.25% of Moroccan migrants. The broad MENA region hosts 6% of Moroccan migrants, of which 0.5% are in the Gulf countries.

The Moroccan diaspora broadly defined includes these migrants, their offspring, and the offspring of their offspring who have retained Moroccan nationality. This total population is difficult to quantify, but, according to the Haut Commissariat au Plan, around 5 million Moroccan passport holders live abroad (Moroccans living abroad—MLA). However, given the long history of Moroccan mass migration, which dates back at least to the 1950s, the number of people living outside Morocco who are of Moroccan heritage and who identify with the country to a greater or lesser extent is clearly much larger.

1. United Nations data.

Moroccans Leave in Search of Jobs But Not Only in Search of Jobs

Young people are the most willing to move abroad permanently. According to a 2018 survey conducted by Rekrute², drawing on a sample of 1880 people, 91% of Moroccans would be ready to leave Morocco and settle abroad, and that share was higher still among young people. This high willingness to emigrate is related to Morocco's high unemployment and underemployment rates, especially among young people, and to low wages. However, job availability is not the only factor that drives emigration among Moroccans, especially the highly educated. According to the Rekrute survey conducted, Moroccans are inclined to work abroad to ensure a better quality of life, career development, and a better working environment. For those under 35 years old, career development comes first, followed by quality of life, and the working environment. For these young working people, professional success is the priority, while older Moroccans prize a better quality of life.

Surveys such as the one carried out by Rekrute, combined with anecdotal evidence and press reports, suggest that most Moroccan migrants do not necessarily want to leave forever. Many would envisage returning after spending a few years abroad and building up enough savings. Many express a preference for living in Morocco, especially after retirement, close to their families, while taking advantage of whatever work or investment opportunities exist in Morocco. Young Moroccans who depart for study might also desire to return, but in practice the available data suggests that students are unlikely to return to Morocco, as they embark on professional careers abroad where they build new family networks.

Many Moroccan migrants express a strong desire to live in a culture where authority is seen differently, without cronyism. The highly educated want to work in an environment with a more progressive managerial culture, which recognizes their studies and abilities to the fullest. They also want to see their children grow up in open societies. That is an important reason for the departure of many and could—in the right circumstances—become a reason for their return: a dynamic, open society, in which they can find their place.

2. First employment website in Morocco.

Migrants Contribute to the Economic Development of Morocco in Major Ways

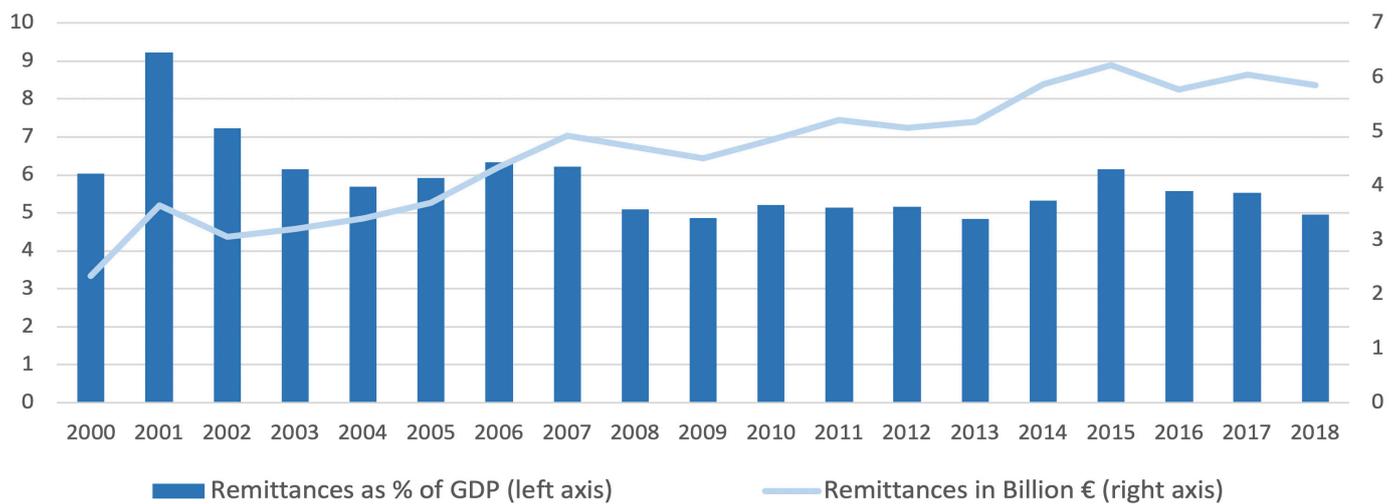
Through remittances, investment, tourism, networks that facilitate trade, and the skills and values they acquire abroad, Morocco’s migrants act as a transformational force in the economy.

Remittances

Families in Morocco are characterized by a high degree of cohesion, and many migrants send funds regularly

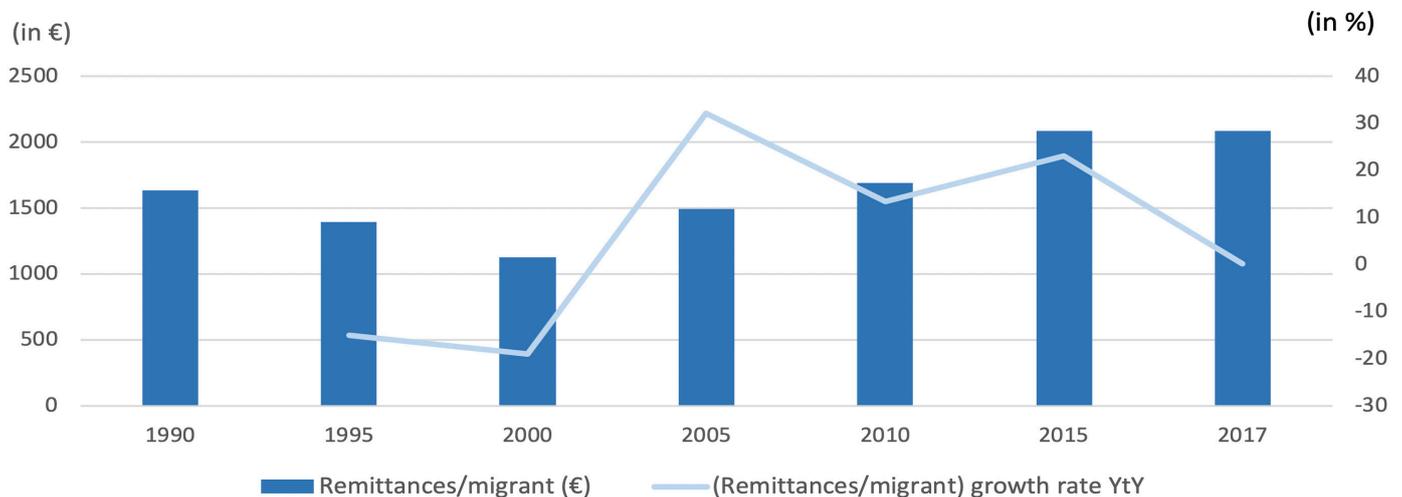
to their next of kin. Extensive research has shown that remittances flow to those in the greatest need, easing poverty, and facilitating improved education and health outcomes. Remittances surged during the first decade of the 2000s, reaching 8.5% of GDP in 2007 (Figure 1), but the momentum broke in the wake of the 2008-2009 global financial crisis, which hit France, Spain and Italy hard (Figure 2). Still, in 2018, remittances represented the second largest item of balance of payments revenue for Morocco after travel receipts, amounting to almost 6% of GDP. France is the largest source of remittances, followed by Italy and the Netherlands, with the Gulf countries far behind, in twelfth position.

Figure 1: Evolution of remittances, in billion dollars and in percentage of GDP



Source: WDI.

Figure 2: Remittances/migrant evolution (in €)



Source: WDI.

The MLA, especially those residing in Europe, are frequent visitors to Morocco. In fact, in 2018, MLA represented around 45%³ of total tourist arrivals. In that year, total tourism receipts amounted to \$8 billion, so it is likely that the MLA contributed somewhere between \$3 billion and \$4 billion to the balance of payments—equivalent to between 2% and 3% of GDP.

Trade

Because they know the country, and through their contacts, MLAs can be important facilitators of trade with Morocco, on both the import and export sides. Moreover, for some products, MLAs can stimulate Morocco's exports directly because they tend to keep their Moroccan consumption habits in the host country.

We estimated gravity models to assess the relationship between trade and migration in Morocco—one for exports and another for imports. The explanatory variables are the GDP of the host country (the size effect), the distance between Morocco and its partners, the stock of migrants in the host country, and a dummy variable to capture the common language effect—notably French and Arabic.

The results show that migration has a mild positive impact, on Moroccan exports and imports after controlling for other variables. The elasticity of both Moroccan exports and imports to the stock of migrants is 0.03 (an increase of the stock of migrants of 1% will induce an increase in both exports and imports of 0.03%). Moroccan migrants attract home-country exports through the consumption preferences effect, and also foster Moroccan trade via the information/networking effect. The positive migration effect on exports is about half that of the positive effect of country size and one-third that of the negative effect of distance, and is similar to that of the language effect. Since France was Morocco's largest export market over the estimation period, home to the largest Moroccan diaspora and shares a language with Morocco, it is difficult to disentangle these different effects. We believe that the migration effect on trade with France is larger than suggested by the regression.

This result is in line with previous research. For example, one study showed that a large diaspora is significantly associated with a higher intensity of bilateral trade between the countries of origin and destination (Rauch and Trindade, 2002). An additional and important finding

from that study is that the effect of the diaspora on trade is much more pronounced for trade in heterogeneous or differentiated products, than for homogenous products such as primary commodities. Morocco's exports are increasingly heterogeneous, and diasporas are especially important in the case of heterogeneous products because they are well placed to bridge information asymmetries in specific sectors.

Investment

There are four main channels through which the Diaspora boosts investment in Morocco: returnees who invest the savings they accumulated abroad; non-migrants who invest a part of the remittances they receive; MLAs who invest directly in Morocco; and MLAs who facilitate investment by third parties in Morocco. Unfortunately, the magnitude of these different channels cannot be known with precision based on the available data. The balance of payments records all transfers from MLAs as current transfers, and does not separate out investment flows. Nor do commercial banks provide information on how MLAs' transfers and deposits are used.

Based on the available data, return migrants contribute significantly to investment and entrepreneurial activity in Morocco, even though their contribution is difficult to quantify. They also bring back skills and the values or mores they acquire abroad, contributing in other ways to the country's modernization. Data on return migration to Morocco, and on activities undertaken by returnees, is sparse and of dubious quality, as in other countries. Based on the 2004 census, surveys, and various historical data sources, Hamdouch and Wahba (2012) estimated that, on average, about 1% of the Moroccan stock of migrants returns each year, amounting to about 30,000 people per year. The number of returnees was much larger when migration to Europe was circular before about 1970. European migration policies became far more restrictive in the 1970s and forced migrants to make effectively a binary choice, to stay in their host countries or to leave, with nearly all choosing to stay. Returnees tend to be older than the Moroccan population, though the vast majority is below the age of 60. They have fewer children, and tend to be more active and better educated, with many more having received higher education (38% compared to 5% on average for the Moroccan population). Defining entrepreneurs as those who invest in activities outside real estate, Hamdouch and Wahba (2012) found that nearly 47% of returnees were entrepreneurs, compared to 32% of the Moroccan population.

3. Moroccan Ministry of Tourism.

There is anecdotal evidence in Morocco, and evidence from other countries, that a significant part of the remittances received by Moroccans is spent on investment in real estate and other businesses. For example, a study by World Bank experts (Plaza, Navarrete and Ratha, 2011), based on surveys, concluded that investment in real estate and other businesses accounted for about half of remittances received in Nigeria and Kenya.

MLAs also contribute to investment in Morocco while residing abroad. Surveys suggest that MLAs invest primarily in real estate and less frequently in family enterprises or small/medium-sized companies. Over 85% of investment by MLAs was channeled to the real estate sector in 2005 (last survey conducted, *Les Marocains Résident à l'Étranger*, INSEA, 2005). Other studies (for example Schuttler, 2007; and Schulte, 2008) have shown that Moroccan and Turkish migrants living in Germany tend to invest in their countries of origin because of familiarity (Leblang, 2010).

But perhaps the most important, and most difficult to quantify, channel through which MLAs affect investment in Morocco is foreign direct investment by third parties. MLAs are important contacts for Moroccans seeking to sell their businesses or to expand by drawing on foreign investment. Similarly, foreigners seeking to invest in Morocco will often draw on the knowledge of Moroccan migrant contacts. This has been seen in other countries. For example, Choi (2003) showed how FDI into Korea was first spurred by the Korean diaspora in Japan. In a comprehensive study using an augmented gravity model of investment, Leblang (2010) showed that diasporas have a positive and significant effect on foreign direct investment coming from countries that host diasporas to the countries of origin. Leblang (2010) also showed that the effect on FDI is stronger than on portfolio flows. This finding is in line with that of Rauch and Trindade (2002) on trade, since FDI is likely to be more demanding of familiarity and specific information than portfolio flows.

The Downside of a Large Diaspora

Although Morocco derives large benefits from its diaspora, as the preceding discussion has shown, there are also some negative effects that need to be recognized and—insofar as possible—mitigated by a policy response. Because the diaspora tends, directly or indirectly,

to invest disproportionately in real estate, it biases Morocco's investment even more in the direction of a sector that, in Morocco, is already privileged by favorable fiscal treatment. Real-estate investment is also favored by Morocco's capital account restrictions, which greatly reduce the opportunities for Moroccan residents to invest abroad. One effect is to raise the price of housing which many Moroccans, especially young entrants into the labor force who struggle to find jobs, can already not afford.

The large remittances dispensed by MLAs also contribute to appreciation of the real exchange rate, rendering tradable sectors less competitive and biasing the economy even more in the direction of non-tradables and real estate in particular. Remittances can also cause excess liquidity in the banking sector and—given Morocco's fixed exchange rate regime—impede the workings of monetary policy.

Extensive research has shown that a large diaspora network can itself be a magnet for new migration, so that migration from one region can itself encourage more migration from that region. This can lead to significant de-agglomeration effects—the depopulation of certain regions, which can lead to declines below the critical mass needed to provide public services and various types of private-sector services. Crucial sectors, such as agriculture, require a minimum amount of physical and social infrastructure, such as schools and hospitals, to be sustained. In agricultural communities where productivity is very low, remittances can encourage inactivity and the outright abandonment of farms. This phenomenon has been observed in the rural areas of the North-East (Eastern Rif) and South-West (Souss) regions. The network effects associated with a large diaspora can also facilitate the emigration of highly qualified workers. This 'brain drain' effect can be seen, for example, in the departure of a good part of new graduates from the Moroccan engineering schools, who have trained in information technologies. Taking all fields together, about 600 engineers leave Morocco each year, according to a statement by the Moroccan Minister of Education in the Moroccan parliament⁴. This represents both a cost in educating people, and the loss of the special contribution the highly skilled can make in a developing-country context. Remittances from these skilled migrants

4. See Yousra Amrani, 'Said Amzazi : Plus de 600 ingénieurs quittent le Maroc chaque année', *Le Matin*, January 15, 2019, available at <https://lematin.ma/journal/2019/plus-600-ingenieurs-quittent-maroc-annee/308713.html>.

could be considered as a kind of partial compensation for the loss of human capital (Ben-David, 2007; Pettersson, 2008; Hunter et al(2009).

This list of the potentially negative effects of a large diaspora should not obscure the benefits that Morocco derives from emigration. But it should encourage decision makers to consider how policies can be modified to maximize the benefits of the diaspora, while minimizing its costs.

Policies

Aware of the importance of the Moroccan diaspora as a lever for the country's development efforts, the authorities have set up mechanisms to encourage and support MLAs' investment initiatives. The objective is to identify key sectors in which MLAs with innovative projects and ideas can invest, especially outside the real-estate sector. The second and third generations of Moroccans abroad are probably readier to embark on innovative ventures than their parents, but need help to identify projects and establish partnerships.

With this objective in mind, the Marocains Du Monde (MDM) investment fund, endowed with 1 billion dirham by the state, helps launch projects. The fund offers 10% of the amount of the MLAs' share in the project, in the form of a non-refundable contribution, with a ceiling of 5 billion dirhams (source: MDM invest fund, CCG). The sectors eligible for this mechanism include manufacturing and services such as education, tourism, and health. However, without a detailed mapping of projects at the regional level, MLAs willing to invest will have limited visibility. The Ministry of Moroccans Living Abroad and Migration Affairs partners with development agencies, including the Agence Française de Développement (AFD), which, however, has allocated only a modest €1 million. A joint project aims to support the implementation of a national strategy to attract investment from MLAs and to provide support in France and Morocco for 100 Moroccan promoters. Also notable is the '13th Moroccan region' initiative, which enables entrepreneurial MLAs to access the various services offered by the General Confederation of Moroccan Enterprises (CGEM)⁵. This initiative aims to develop a networking space including MLAs and various economic players in Morocco. Several programs have also been organized for the benefit of

5. Private association of Moroccan entrepreneurs.

the children of MLAs, including cultural and academic exchanges.

Skilled Moroccan migrants are especially targeted, being considered agents of change both in Morocco and in their host countries. Initiatives including the Moroccan-Spanish Forum on Immigration and Integration, and Maghrib Belgium Impulse, aim to mobilize and support MLA project leaders and to establish an entrepreneurial ecosystem spanning Morocco and the host country. These skilled Moroccan migrants can play important roles directly by transmitting expertise and best practice to SME managers in Morocco. They can help promote a culture that resists corruption and cronyism.

More can be done to forge closer links with the Moroccan diaspora⁶. Consider, for example, the Philippines, which has what is probably the most elaborate and sophisticated approach to diaspora relations of any country. A precondition for good diaspora management is to know who makes up the diaspora and where they are—underscoring the importance of better data. The Philippines counts about 10% of its population as residing abroad. Workers from the Philippines are recognized and appreciated as part of the nation, as contributors to its development, and as its ambassadors, representing an important base on which engagement can be built. The Philippines' engagement with its diaspora is covers ten areas, which can be roughly separated into two main categories: what the Philippines mainly 'gets' from the diaspora and what it mainly 'gives' to the diaspora. The first category includes diaspora philanthropy (which includes person-to-person remittances and local-level community development), tourism initiatives, diaspora investment and business advisory circles, technology sharing and 'brain gain', the encouragement of return migration or exchange by the highly skilled. The second category, of greatest interest to the migrants, includes return and reintegration, global legal assistance and advocacy, medical missions and coordination, and cultural exchange. Within these general areas of engagement, many different instruments are deployed, from global diaspora summits to promote cultural ties, and development initiatives, to local community programs in specific provinces designed to prepare workers for migration (including education and training), and securing their continued links with local communities (Ernesto Pernia, 2006). Like Morocco, the Philippines permits dual citizenship, and makes

6. This paragraph draws from Dadush (2015).

provisions for overseas voting. Perhaps most important, in order to promote the circular migration of its citizens, ensure their safety and fair treatment abroad, and to facilitate the portability of pensions, the Philippines has worker-mobility agreements with about 80 countries.

Policies aimed at Morocco's large diaspora should also seek to address and mitigate the negative effects. Thus, the adverse competitive effect of large remittances, and the tendency of MLAs to invest in the real-estate sector, can be alleviated by reducing domestic taxes and other incentives that artificially favor investment in that sector. Reducing restrictions on capital outflows and allowing greater exchange rate flexibility would also help restore the competitiveness of the tradable sector, provide a safety valve in the event of external shocks, and prevent large scale exchange-rate misalignment. The tendency of certain regions to become depopulated as a consequence of emigration is perhaps less pronounced today given tighter European restrictions on immigration. Nevertheless, regional policies are important to ensure that public services remain adequate throughout the national territory. Policy also needs to address the challenge of the brain drain. In that respect, there is no substitute, ultimately, for an investment environment that is conducive to providing good jobs for everyone, including the best qualified.

Appendix :

A gravity model to assess the relationship between trade and migration in Morocco:

We tested two gravity models, to assess the relationship between trade and migration in Morocco: one for exports and another for imports. The partner countries taken into consideration were the top ten destinations for Moroccan migrants: France, Spain, Italy, Netherlands, Germany, Belgium, the United States, Canada, the United Kingdom, and Switzerland (actually Israel counts in that top ten, but it was omitted because of lack of trade data). The explanatory variables used were the following:

- The gross domestic product of the host country, GDP. This variable represents the economic weight of the partner country, and is expected to have a positive impact on both Moroccan exports and imports.

- The distance between Morocco and its partners, DIST. Obviously, the further a country is from Morocco, the weaker the trade links.
- The stock of Moroccan migrants in the host countries, MIG. The aim objective of the model is to look at the sign of this variable, to see how migration impacts trade relationships.
- A dummy variable, LANG, which is 1 if the partner country speaks French or Arabic, and 0 otherwise.

All the variables used in the model are expressed in Napierian logarithm, and the series covers the following years (1995, 2000, 2005, 2010, 2015, 2017, 2019), which is the available data in the United Nations database for migration.

The cross sectional regression estimation results are:

$$\text{Exports} = 2,07 + 0,07 * \text{GDP} - 0,1 * \text{DIST} + 0,028 * \text{MIG} + 0,03 * \text{LANG}$$

$$\text{Imports} = 2,5 + 0,06 * \text{GDP} - 0,07 * \text{DIST} + 0,027 * \text{MIG} + 0,02 * \text{LANG}$$

All the explanatory variables described above are statistically significant.

We conclude that migration has a positive and significant impact on both Moroccan exports and imports. The elasticity of both Moroccan exports and imports to the stock of migrants is 0.03 (an increase in the stock of migrants of 1% will induce an increase in both exports and imports of 0.03%). Hence, Moroccan migrants attract home-country exports via the network effect (consumption preferences effect), and also foster Moroccan imports via the information effect.

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About the authors

Uri Dadush

Uri Dadush is a Senior Fellow at the Policy Center for the New South, previously known as OCP Policy Center in Rabat, Morocco and a non-resident scholar at Bruegel. He is based in Washington, DC, and is Principal of Economic Policy International, LLC, providing consulting services to the World Bank and to other international organizations as well as corporations. He teaches courses on globalization and on international trade policy at the OCP Policy School and at the School of Public Policy at the University of Maryland. He was previously Director of the International Economics Program at Carnegie and, at the World Bank, Director of the International Trade, Economic Policy, and Development Prospects Departments. In the private sector, where he was President of the Economist Intelligence Unit, Group Vice President of Data Resources, Inc., and a consultant with Mc Kinsey and Co.

Mahmoud Arbouch

Mahmoud ARBOUCH is a Research Assistant at the Policy Center for the New South. He is a graduate engineer from the National Institute of Statistics and Applied Economics (INSEA). He is currently working on topics related to infrastructure development and financing in Sub-Saharan Africa. He previously worked on the economic aspects of migration, the middle class development in the world and in Morocco, as well as some sectoral policies in Morocco. Mahmoud is also interested in macroeconomic policies and long term development. Before joining the economic research team at the Policy Center for the New South, his research focused on monetary policy at Bank Al-Maghrib (Central Bank of Morocco).

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Policy Center for the New South

Suncity Complex, Building C, Av. Addolb, Albortokal Street,
Hay Riad, Rabat, Maroc.
Email : contact@policycenter.ma
Phone : +212 (0) 537 54 04 04 / Fax : +212 (0) 537 71 31 54
Website : www.policycenter.ma