

# Tangiers' global bid

The city's new port is set to become one of the largest in the world – transforming the region into a competitive hub

BY Emilie Filou



**T**angiers looks Spain squarely in the eye. Poised on the Gibraltar Strait, with a mere 14 km separating the two countries at the narrowest point, the city in northern Morocco is at the crossroads between Europe and Africa, and the new port of Tanger-Mediterranean (Tanger-Med), scheduled to start operating in July, is set to become one of the largest in the world. After years of neglect – northern Morocco had fallen out of favour with the old king after rebel groups were involved in an assassination attempt – Tangiers is finally enjoying something of a renaissance and Tanger-Med is at the heart of it. The project was instigated by the new king, Mohamed VI, who came to power after the death of his father, Hassan II, in 1999; he sees the region's strategic location as central to the country's development.

The aim is that Tanger-Med will increase Morocco's competitiveness by attracting foreign investments and boosting the country's industries (textile and manufacturing). The port's container activities will be complemented by a series of free zones, which will develop the country's import and export capacity. "The philosophy is to take advantage of our geographical location, but the objective is to fuel the development of a real industrial platform for Europe, North America and

West Africa," says Saïd Elhadi, chairman of Tanger Mediterrannée Special Agency (TMSA), the governing body overseeing the development of Tanger-Med. "This is something new for Morocco."

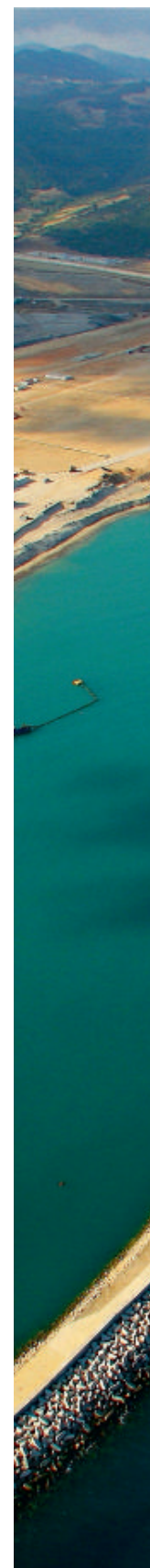
It comes at a good time. Morocco's trade with the EU is booming: exports rose from \$7.1 billion in 2001 to \$11.3 billion in 2006, while imports soared from \$11 billion to \$22.4 billion. Trade between Africa and Europe is also rising: African exports to the EU doubled between 1999 and 2006 to \$113 billion. The country also signed a free trade agreement with the US in January 2006 that is expected to lead to an increase in exports to North America. One in five container ships transits through the Mediterranean, so the increase in traffic is likely to be significant. As Tanger-Med sits on both the east-west and north-south shipping routes, and represents only a small detour for passing ships, it will focus on transshipment where containers are transferred from one ship to another for different legs of their journey.

As a deep-sea port, it will comfortably accommodate the latest generation of super container ships. "Experts forecast that container shipping will reach 60 million TEU [twenty-foot equivalent unit] by 2030-35 [current capacity stands at 25-26 million TEU]," says Elmostafa Almozani, director of Tanger-Med. "Yet, the container capacity in the Mediterranean is small. Gioia Tauro is 2 million TEU, Cagliari 1 million, Port Said 1 million and a bit. The only ports that have significant growth potential are Algeciras and us."

Under current plans, the port will have a capacity of 3.5 million TEU by 2010; a possible extension could add 5 million TEU, although plans have not been finalised. With a total capacity approaching 9 million, Tanger-Med would be among the 15 largest ports in the world (see box). In his office overlooking the port, Almozani points at a large world map and a ranking of the world's container ports. "When we're up there," he says, indicating the top of the table, "it will be great."

Morocco's northern coast is stunning: rugged and undeveloped. Tanger-Med, currently a vast building site, contrasts with the beautiful beaches nearby, but for the locals this is the first piece of good news to reach them in years. The port and the free zones will employ 150,000 people in the long run, a

Construction of the port contrasts with the rugged beauty and empty beaches of the northern coast of Morocco





Right: construction of the sea defences; below: the port with its container cranes



godsend for an area that has adjusted to its neglect by developing an extensive drug-trafficking industry. Morocco is the largest exporter of marijuana to Europe and most of it is grown in the northern Rif region. “There was a lot of thinking about how to preserve the coast,” says Jamal Mikou, director of the Tangiers Free Zone (TFZ). “But we had to make a choice: we couldn’t have the port without the concrete. Life was hard here for so long and drug money is easy. We have to win people’s trust back and give them a reason to stay.”

The TFZ is a pioneer of what is set to become a crucial part of Tanger-Med’s success. Started in 1999, the TFZ was designed to attract foreign investors to Morocco through a comprehensive package of incentives: no import tax, no benefit tax for the first five years (8.75% thereafter), no custom duty, business conducted in home currency (no exchange rate) and state subsidies for industrial estates in priority industries such as automobiles, aeronautics and electronics.

TFZ also pioneered the management concept of ‘facilitator’ that TMSA now uses: it is a private company with state prerogatives. In other words, companies wishing to set up shop in the TFZ are able to avoid all the usual bureaucratic and red tape obstacles. In a country such as Morocco, ranked 115 out of

175 on the World Bank’s index on ease of doing business, this is a major selling point. “Investors usually allow a year to get everything off the ground,” explains Mikou. “Here, we can deliver building permits, so we give them the parameters. If their architect works fast, it can be done in a week. I then get the plans; the next morning it’s signed.”

There are now 254 companies in the TFZ, mostly from southern Europe (although a couple of large Japanese investors use TFZ as their European hub), with a strong emphasis on automotive and aeronautics: they have generated \$330 million worth of investment and created 28,000 jobs. “Some EU companies now come here so that they can sell their products to the US without being affected by the WTO restrictions between the EU and US,” says the director. “If it’s produced here, the product becomes ‘made in Morocco’ and can go through under the free trade agreement.”

TFZ provides a number of high-end services to its clients, such as running errands (anything from paying a phone bill to picking up visitors at the airport) or cleaning premises. Mikou would also like to develop offshoring activities. Many Tangérois speak Spanish; the area would therefore be an ideal back-office platform for Spain’s booming finance sector.

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### TANGIER EXPO 2012

Tangiers' candidacy for the 2012 International Exhibition (Expo) is highly political. It is the first application from an African country, and an Arab Muslim one at that. Its symbolism is high. "It would crown everything we have been working on," says Souad Hassoun, who is leading Tangiers' bid.

The \$6.42 million project, including post-exhibition conversion costs to turn the facilities into a convention centre, has been designed to be integrated into the city. The theme, *Routes of the world; cultures connecting for a more united world*, draws on the city's history of mixed influences and its ambitions as a geopolitical centre.

Hassoun says that her team has worked hard to ensure that the technical aspects of their bid are bullet-proof. "We have the best expertise in each field. So if people don't vote for us, it will be for other reasons than the feasibility of the project."

Tangiers is up against Wroclaw in Poland and Yeosu in South Korea. If selected, the event is forecast to attract 6 million visitors and significantly boost Tangiers' reputation. "I think we will gain 15 years in terms of development," says Hassoun.

TMSA is now a shareholder of TFZ and is likely to capitalise on this to develop two more industrial free zones in the port's hinterland. Tanger-Med will also benefit from a logistics free zone, Medhub: located behind the container terminals, it will focus on light, value-added activities and process container goods in transit. Third-party logistics companies that specialise in distribution, such as TNT or UPS, will use the zone as a distribution platform.

The concept was tried and tested in Dubai with immense success and it was a logical step for the parent company Jebel Ali Free Zone (Jafza) to run Medhub. "Dubai was built around the port and its free zone," says M'bouirik Mouilek, general manager of Medhub. "Jafza brings 20 years' experience to Medhub, so Morocco is buying itself time. There's no point in reinventing the wheel; it just needs to be customised."

As with TFZ, Medhub clients will benefit from a worry-free environment, proximity to large markets, low-cost logistics and cheap labour. But Mouilek says that it is the possibility of working 'just-in-time' with Europe that constitutes the biggest draw. "Take a retail business such as a consumer goods supermarket chain. It consolidates orders at Shanghai out of products originated from China and neigh-

bouring Asian countries. The order preparation is labour-intensive. If you ordered directly from China, it would be cheap, but it would take a month. If you did it from here, you could have your order sent directly to the supermarkets at a competitive labour cost. We can deliver anywhere in Europe within 12 to 48 hours."

Medhub already has 11 clients, with another 30-40 ready to book, and plans to start operating at the end of the year. The first container terminal will be operated by APM Terminals Tangier, part of the AP Moller-Maersk Group, and the second by EuroGate Tangier, a consortium comprising leading terminal operator Eurogate, Italian shipping line Contship Italia, Moroccan shipping line Comanav, and MSC and CMA CGM, two of the world's biggest shipping lines. Maersk, MSC and CMA-CGM alone could fill the port's capacity.

Almouzani says that it took a while for people to take the port seriously, even though it had serious financial backing and all the right support. TMSA was given \$200 million by the Hassan II Fund, which promotes socio-economic projects in Morocco. The company also received a \$100 million grant from the Abu Dhabi Fund, a UAE development fund that finances major infrastructure projects with strong social



The old port will be turned into a yachting marina as the city undergoes a facelift

Elmostafa Almouzani, director of Tanger-Med

impacts in the Middle East, and a further \$200 million loan at a subsidised rate. This capital of \$500 million paid for the port's main infrastructure. "At first, we didn't want to promote the port. We just wanted to build the infrastructure regardless of concessions. But as soon as we got Bouygues Construction [which built the port's main sea defences] on board, things moved fast," says Almouzani.

Terminal 1 is set to start operating in July this year and is due to reach full capacity by October. Terminal 2 will open in 2008 and the hydrocarbon terminal at the end of that year. All terminals will be multi-user facilities (although Terminals 1 and 2 are likely to see most of their business come from their shareholders) and will reserve part of their capacity for import and export activities. Tanger-Med also features a dry bulk and general cargo terminal, and a passenger and a roll-on roll-off terminal for trucks and trains, capable of handling 6 million passengers a year. Construction has just started and if all goes to plan, it will be ready by summer 2009.

A remarkable fact is indeed that things have gone so well. Most of the ports' sections will finish more or less on schedule, a testimony to TMSA's efficiency. Everyone involved agrees



that had it not been for TMSA's unusual status – a private company with public prerogatives – it would have taken at least 10 years to complete the project. Outside of this framework, Morocco is still chaotic to navigate. "There is TMSA and then there is the rest of Morocco," observes Domenico Bagalà, director of EuroGate Tangier.

Corruption and bribery are still rife and attitudes will be difficult to shift. On the beaches of Tangiers, couples stroll and tourists go on camel rides. The seafront is an eclectic mix of beautiful old buildings, apartment blocks and sad-looking discotheques: it's impossible to tell what is being built and what has fallen into disrepair. But it will soon change. Tanger-Med will be able to absorb the entire container and passenger traffic currently using the old port in Tangiers, and so the city is looking forward to a major facelift.

Tangiers is already the third biggest tourist destination in Morocco, and a number of projects will increase the hotel capacity from its current 15,000 beds to 40,000 by the end of the decade. Market research firm Euromonitor International predicts that the number of tourists will rise steadily from 5.1 million in 2006 to 5.8 million in 2009, a figure boosted by low-

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cost flights and cheaper crossings. Tangiers is also bidding for the International Exhibition of 2012 (*see box*), an event that would significantly boost the city's infrastructure and strengthen its appeal as a tourist destination.

A number of challenges remain, but Elhadi is realistic: "We have shown that we can implement this project in a due manner. Now we have to show that we are as efficient in operating it." First on the list is the workforce: the local population is poorly educated, even by Morocco's low standards. The literacy rate was just 53.5% in 2005, and many of the workers on site are from the better educated south. Finding the required level of skills for the 150,000 or so jobs will be difficult; Sylvain Gimenez, project director for Bouygues Construction, says that it's at supervisor level that skills are lacking.

TMSA and the port's contractors have been investing heavily in training. TMSA has developed mobile training units with the local university and the Office de Formation Professionnelle (the centre for professional training) to train people in remote areas. It is also planning to open a maritime institute to train personnel on all port-related activities. Terminal operators APM Terminals Tangier and EuroGate

#### THE WORLD'S TOP CONTAINER PORTS

Country	Port	Capacity 2006 (TEU m)
Singapore	Singapore	28.7
Hong Kong	Hong Kong	26.1
China	Shanghai	19.1
China	Shenzhen	17.9
S Korea	Busan	12.7
Netherlands	Rotterdam	11.8
Belgium	Antwerp	11.2
UAE	Dubai	10.4
Germany	Hamburg	10.1
Taiwan	Kaohsiung	9.4
US	Los Angeles	9.3
China	Qingdao	9.2
US	Long Beach	8.6
Malaysia	Port Kelang	7.9
Malaysia	Tanjung Pelepas	6.7

Source: Drewry Shipping

Tangier have both developed training programmes for system and equipment operators in their existing facilities across Europe. "We'll have 700 people by the end of the year and 90%-95% will be Moroccan," says Etienne Rocher, managing director of APM Terminals Tangier. "Transshipment is a new activity in Morocco and we'll have an important responsibility in terms of training the people we hire."

Another key factor will be security: drug trafficking is a problem because of the site's proximity to the cannabis-producing region, and illegal immigrants are also a concern, but TMSA's security system is ISPS-compliant (the standard required to trade with the US). However, many of the perpetrators of the recent bombings in Casablanca were Tangérois, and several of the Madrid and 9/11 bombers had connections with the Tangiers-Tetouan region. But TMSA dismisses the idea that Tanger-Med might be any more vulnerable than any other strategic site in the world.

Tanger-Med has to live up to its billing. "There is a strong understanding that you never get a second chance to make a good impression," says Rocher. This is Morocco's chance to boost its global credentials. ■