

AFRICA RISK CONSULTING**Morocco Monthly Briefing May 2019**

Morocco Summary 31 May 2019

The constitutional monarchy and its brand of managed democracy are under pressure. Political parties are fracturing and face “catastrophic” elections in 2021 as regular popular political disengagement increases. United Kingdom-based non-governmental organisation Amnesty International protests the decision of the Cour d’Appel de Casablanca (Casablanca Appeal Court) to uphold the 20-year sentences of 43 people involved in the Hirak El-Rif protests. The court decision also sparks a fresh bout of popular protests in Rabat. Protest actions have become more sophisticated and now include effective consumer boycotts. The government’s advanced regionalisation policy has shown few results. Fiscal reform to boost business and encompass the informal sector has stalled while the government addresses an urgent need to address a European Union tax governance ‘grey listing’.

Political malaise puts pressure on the palace ...

With just over two years to go until **Morocco’s** next legislative elections, political parties have split and are fracturing further into ‘clan groups’, raising fears among the political class that they will face a drubbing in the 2021 polls. General elections on 7 October 2016 gave the ruling **Parti de la Justice et du Développement (PJD)** 125 of the 395 seats in the house of representatives – 18 more than in the 2011 elections – but its lack of a majority necessitated a coalition government (see *ARC Briefing Morocco October 2016*). King **Mohammed VI** (1999-present) used his executive powers in March 2017 to end a five-month deadlock following then PJD leader **Abdelilah Benkirane’s** (2011-2017) inability to form a coalition.¹ King Mohammed sacked Benkirane and appointed fellow PJD member **Saad Eddine El Othmani** (2017-present) as prime minister, giving El Othmani just two weeks to form a government.

Morocco’s constitutional monarchy and “*managed democracy*” are under political pressure, although until now there have no public demonstrations in the form of regular protests as seen in **Algeria**. In terms of Morocco’s constitution, the king appoints the prime minister from the party that has won the most seats in parliament, in this case the PJD. Technically, executive power sits with the elected government and the appointed prime minister but the constitution also allows the monarch to fire and replace the prime minister. The prime minister has power to hire and fire cabinet, provincial governors and ambassadors as well as to develop and deliver a political and economic programme. In reality, the monarch has considerable sway, most notably because the king has exclusive control of the military and judiciary.

Evidence of the king’s control is apparent when political life and the judiciary meet, as two recent examples demonstrate. **United Kingdom**-based non-governmental organisation **Amnesty International** on 26 April criticised as a “*disturbing miscarriage of justice*” the decision of the **Cour d’Appel de Casablanca** (Casablanca court of appeal) to uphold 20-year prison sentences against 43 people for their involvement in the **Hirak El-Rif** protests that started in October 2016 in **Al-Hoceima (Rif Province)** when local fishmonger **Mouhcine Fikri** was crushed while trying to recover confiscated fish from a garbage truck (see *ARC Briefing Morocco June 2017*). At least 10,000 people demonstrated in the capital, **Rabat**, on 11 June 2017 against the allegedly heavy-handed treatment of

¹ See *ARC Briefing Morocco March 2017*

² *Le Matin*, 12 Jun 2017.

protesters in Al-Hoceima and against the ruling elite.² The **Hirak al Shaabi** ('Popular Movement') spread to other cities and shook the establishment. The appeal court's confirmation on 6 April of the sentences against the activists sparked an immediate response. Thousands marched in Rabat to protest in a "*March of the Moroccan people*", demanding the release of the activists, including Hirak Rif leader **Nasser Zefzafi** and journalist **Hamid El Mahdaoui**.³ Amnesty called on the judiciary

"... to investigate flaws that have been raised and conduct an independent and impartial review of the allegations of torture and other violations of the right to a fair trial".⁴

A second major case that demonstrates the influence of the monarchy on the judiciary is the ongoing trial of **Abdelali Hamieddine**, one of the best-known leaders of the PJD and a former Islamist youth leader. Supporters claim that his legal troubles started in July 2018 when he publicly declared that "*the monarchy is an obstacle to development of the country*". Local media reports state he was found guilty of involvement in the February 1993 homicide of a young left-wing student while at the **Université Dhar El Mehraz de Fez**. The family of the murdered student brought several further cases against the now prominent political leader in 2011, 2013 and then again in 2017. All attempts have been unsuccessful. Hamieddine – who was close to Abdelilah Benkirane – is now a parliamentarian, a member of the government's chamber of advisors, and a member of the PJD leadership. Despite his vocal critique of the ruling party and its coalition partners, he is seen by some as in line to assume the PJD leadership. However, since his criticism of the monarchy, his legal problems have resurfaced: in December the homicide case was re-opened and referred back to a court in **Fez** for mid-May, the results of which are as yet unknown. His legal case, which the PJD has funded and supports, rests on double jeopardy – the right not to be tried for the same offence twice.

Analysts and local sources report that there is a popular crisis of confidence in political life in Morocco and in its institutions, where very little gets done, and where the ruling political class and the opposition are viewed as "*equal in value*" – a euphemism for poor, with little to offer in the face of regular and repeated manifestations of popular discontent. These include:

- the consumer boycott movement in which protesters used social media to organise damaging boycotts of a select few companies (see *ARC Briefing Morocco May 2018*);
- the Rif protests that have resumed;
- the teachers' protest against their contracts; and
- a rolling student doctor and doctors' strike.

In particular, they criticise the PJD government and its prime minister, which have been unable to implement any policies or reforms. According to an ARC source in Casablanca,

"[El Othmani] behaves as if he was in opposition. He is 'maladroite'⁵. He has a pedagogic style, which is not suited to the political needs of the moment."

Both the ruling PJD party and opposition **Parti de Istiqlal** and **Parti du progrès et du socialisme (PPS)** have in recent months called for a renewed national debate or dialogue to "*continue the reform trajectory*" started in 2011, but also to prevent what one analyst calls an "*electoral catastrophe*" in 2021. In particular, parties are looking to revision of the electoral law, laws governing political organisation and the *decoupage electorale* (constituencies) system, and most controversially, for a revision to article 47 of the constitution to end the king's power to nominate the head of government.

... as consumer boycott continues to bite

As elsewhere across **North Africa**, political activists are learning from each other. Algeria's diffuse and peaceful protest movement is now called *Hirak* after the Moroccan protests, while in Morocco

² Le Matin, 12 Jun 2017.

³ L'Actualité, 21 Apr 2019

⁴ Amnesty International, 29 Apr 2019

⁵ Translation: awkward

political protest has taken a different form to express “*hogra*”⁶ – a term used to describe the rage or feeling of exclusion people experience when on the receiving end of arrogant officialdom.⁷ The most successful strategy has been a consumer boycott, which hurts the establishment yet allows protesters to remain anonymous. In April 2018, anonymous cyber activists posted calls on social media outlets for a boycott that targeted three companies they alleged exercise an oligopoly in Morocco: la **Centrale Laitière** dairy, a subsidiary of France-based **Gervais Danone** group; Morocco-based bottled water company **La Société des Eaux Minérales d’Oulmes**; and forecourt retailer **Afrikaia Gaz** (see *ARC Briefing Morocco May 2018*).⁸ The aim of the consumer boycott was to highlight the dominance of the economy by large groups linked to Morocco’s business and political elite, or foreign brands.⁹

While the immediate objective of the boycott was to force the firms to reduce their prices, it has also become the tool of political engagement in a society where the avenues for political expression and pressure for change have narrowed again since the **Jasmine Spring** of 2011. The social movement under a slogan “*Let it Spoil*” has proved very effective. Centrale Danone issued a profit warning as its sales almost immediately plummeted by half,¹⁰ and noted the impact in its poor overall sales in its first quarter results in April 2019. The company has since succumbed to pressure and cut prices but there is no sign that the boycott has ended.

Government and business meet over fiscal law ...

King Mohammed VI’s response to the continuing disgruntlement has been to implement a new development strategy that he claims will address the country’s long-term problems, all the while protecting the monarchy. A policy of “*advanced regionalisation*”, intended to promote administrative and economic decentralisation, has had few results three years after its official launch. Many regions remain marginalised. Outside of the wealthy Casablanca-Rabat-**Kenitra** triangle, growth is low and insufficient to make a significant dent in the stubbornly high 10% unemployment rate, of which youth unemployment is 30%. Incomes remain persistently low and, combined with regional, gender and other inequalities, pose a long-term threat to the monarchy. The king has ordered experts and parties to compile a new development strategy to be unveiled during the course of 2019.¹¹

It is against this backdrop that the government, heads of political parties and business met over a two-day conference on 3-4 May to address the economic environment. The idea is for the government and business to address fiscal law and the law governing taxation. The government is looking to curb extensive and prevalent tax evasion. Sources report that the professions – particularly doctors and lawyers – have a very poor record of paying the taxes due. Formal business for its part is looking to government to handle the business side of the country’s significant informal sector, and a disproportionate concentration of taxation in formal sector business. The government has committed that this meeting’s decisions will be made law, but business and observers at month-end were still waiting to see the results of the meeting put into draft law.

... as EU pushes its law on unfair tax

While the government seeks to work with business to improve local taxation, of far greater concern is Morocco’s status on the **European Union (EU)**’s taxation grey list.¹² Morocco is one of 34 jurisdictions working to comply with the **EU Commission**’s directives on tax abuse and unfair tax, including an EU blacklist that made its first appearance in December 2017. The EU Commission reports that it compiled this list after screening 92 jurisdictions, using internationally recognised good governance criteria. Of most concern is the “*offshore zone status*” in Morocco’s flagship **Casablanca Finance City**, where the corporate tax rate drops from 30% to zero for the first five years

⁶ Africa Confidential, 3 May 2019

⁷ Amnesty International

⁸ Telquel, 20 Apr 2018.

⁹ Aljazeera.net

¹⁰ FT, 7 Jun 2018.

¹¹ Africa Confidential

¹² http://europa.eu/rapid/press-release_MEMO-19-1629_en.htm

of operation. Although the goal of the Finance City – which has successfully attracted some 160 new companies since its launch in December 2010 – is mainly to encourage investment in the rest of **Africa**, it is nevertheless situated on the EU's southernmost borders and today most infrastructure links are with southern **Europe**.

The risk to corporates is falling foul of the EU good governance laws. First, sanctions will apply: the list is now linked to EU funding under new financial regulation provisions in the **European Fund for Sustainable Development (EFSD)**, the **European Fund for Strategic Investment (EFSI)** and the **External Lending Mandate (ELM)**. Funds from these instruments cannot be channelled through entities in listed countries. Secondly, there is a direct link to the EU list in other relevant legislative proposals. Under the new EU transparency requirements for intermediaries, a tax scheme routed through an EU-listed country will be automatically reportable to tax authorities. The public country-by-country reporting proposal includes stricter reporting requirements for multinationals with activities in listed jurisdictions. Further, the commission is examining legislation in other policy areas, to see where further consequences for listed countries can be introduced.

Zero-tax jurisdictions like Morocco's offshore structure are inherently outside the provisions. Morocco will only be removed from the list once it has brought its tax system fully into line with EU required good governance criteria which are linked to those of the **Organisation for Economic Co-operation and Development (OECD)**.

Planner

10-11 June 2019 **Amman (Jordan)** Morocco-Jordan Economic Forum;

2019: Scheduled election of the president of the **Chambre des Représentants** (house of representatives, lower house of parliament);

October 2019: National congress of **Parti Authenticité et Modernité (PAM)**;

2019: Energy and mining minister will introduce a roadmap for the energy sector;

2021: **Marrakech (Morocco) International Monetary Fund** and **World Bank** annual meetings to take place in Morocco;

2021: Scheduled legislative, regional and local elections

Chronology

29 May 2019 **Rabat (Morocco)** *Xinhua*. Parliament approves a draft law to set up the headquarters of the **African Union's African Observatory for Migration and Development in Rabat**;

28 May 2019 **Rabat (Morocco)** *Reuters*. Mining company **Managem** says it retrieved 241kg of confiscated gold from **Sudan**;

27 May 2019 **Rabat (Morocco)** *Morocco World News*. **Royal Air Maroc** opens a new air base in **Laayoune**;

23 May 2019 **Rabat (Morocco)** *Morocco World News*. The **United Nations (UN)** predicts a reduced crop output in May due to irregular rainfall;

22 May 2019 **Rabat (Morocco)** *Morocco World News*. **France**-based renewable energy company **EDF Renouvelables** wins the bid for the **Noor Midelt I Solar Plant**;

22 May 2019 **Rabat (Morocco)** *Morocco World News*. **OCP Group** earns first quarter revenues in 2019 of \$1.31 billion, up from \$1.13 billion in the same period in 2018;

22 May 2019 **Rabat (Morocco)** *Morocco World News*. Morocco ranks 13th in **Ernst & Young's** renewable energy country attractiveness index.

20 May 2019 **Rabat (Morocco)** *Morocco World News*. The **French** government announces that it plans to support Morocco's tech industry;

9 May 2019 **Rabat (Morocco)** *Morocco World News*. **Guernsey**-registered **Chariot Oil & Gas** announces its upgrades to its **Anchois** gas resources have increased output;

9 May 2019 **Rabat (Morocco)** *Morocco World News*. **France**-based vehicle manufacturer **Peugeot Société Anonyme** will open a car factory in **Kenitra** valued at \$620m;

5 May 2019 **Rabat (Morocco)** *Reuters*. The unemployment rate eased to 10% at the end of March from 10.5% a year earlier;

1 May 2019 **Rabat (Morocco)** *Fitch Solutions*. **United States**-based **Fitch Solutions** downgrades a forecast of Morocco's 2019 inflation to 1.1% from 1.3%;