

AFRICA RISK CONSULTING

Morocco Monthly Briefing July 2016

Morocco Summary 21 July 2016

King Mohammed VI (1999-present) formally requests that Morocco rejoin the African Union (AU) in a message to the general assembly at its summit in Kigali, Rwanda. The king urges AU members to remove the Sahwari Arab Democratic Republic (SADR) from membership. Morocco left the AU in 1982 after it admitted the SADR, which claims to represent the people of the Western Sahara region. The Polisario Front, which operates the SADR government in exile, elects senior diplomat Brahim Gali as its new leader following the death of Mohammed Abdelaziz in May. The Moroccan economic outlook is mixed: growth remains low at 1.2%, foreign direct investment (FDI) remains strong, the public debt burden and consumer price index (CPI) inflation are both rising. Canada-based automotive parts manufacturer Linamar Corp announces plans to build a \$290m automotive plant in Tangier.

Morocco formally requests to rejoin African Union

King **Mohammed VI** (1999-present) formally requested that **Morocco** rejoin the **African Union (AU)** in a message to the general assembly at its summit in **Kigali (Rwanda)** on 17 July.¹ The move is an attempt to head off attempts by the **Sahwari Arab Democratic Republic (SADR)** to lay claim to the contested region of **Western Sahara**. It is also part of a power play by **North African** states to increase their influence in the regional body. The king's statement alluded to "*friends of Morocco*" that have repeatedly called on the country to rejoin the organisation.² Morocco left the AU in 1982, when it was the **Organisation for African Unity (OAU)**, after the assembly voted in the SADR as a member state.³ Morocco has lobbied the group to remove the SADR as a member state since it left, and has previously not shown any intention of coming back into the fold until the AU removed the SADR. However, a change in May at the top of the **Polisario Front**, the political group backing the SADR government in exile (see below), and a resolution by the AU that Morocco hold a referendum on the issue, appear to have caused Morocco to change tactics.⁴ According to Moroccan political sources:

"If we have our voice in the AU we can take on the SADR in their only international forum, they tell everyone that we delay the referendum, when they have refused our terms multiple times."⁵

Mohammed VI urged the AU to remove the SADR from membership:

*"This so-called state is neither part of the **United Nations (UN)**, nor is it a member of the **Arab League**. But most importantly, at least 34 African countries don't recognise it...institutional Africa can no longer bear the burden of the historical error and its cumbersome legacy."⁶*

The issue of Morocco rejoining the AU is highly divisive. Current AU chair, **Chad** president **Idriss Déby** (1990-present), reportedly refused to read the statement from Mohammed VI at the assembly.⁷ **AU Commission** chair **Nkosazana Dlamini-Zuma**, a former cabinet minister in **South Africa**, made a

¹ Le Matin, 18 Jul 2016.

² Le Matin, 18 Jul 2016.

³ Al Jazeera, 19 Jul 2016.

⁴ Al Jazeera, 19 Jul 2016.

⁵ Source, foreign ministry official, Rabat

⁶ Morocco statement to AU, in Quartz, 21 Jul 2016.

⁷ Mail and Guardian, 18 Jul 2016.

statement in February that “Africa will not be free, until the last of its colonies, Western Sahara, is liberated, free and independent.”⁸ Other countries at the summit criticised Morocco’s actions on Western Sahara, including **Namibia** and **Tanzania**.⁹ Moroccan diplomats have lobbied AU member states incessantly since the February resolution. Mohammed VI’s special envoy to the AU, **Taïeb Fassi-Fihri** met **Kenya** president **Uhuru Kenyatta** (2013-present) to persuade him to support the motion of entry. Moroccan ally **Senegal** put forward a motion at the Kigali summit that the AU expel SADR, but other states voted it down.¹⁰ According to analysts, the AU faces a difficult decision:

*“The AU is a fragile organisation which works on maintaining colonial borders to ensure widespread stability, it does not usually support separatist movements unless they are part of conflict resolution like with **South Sudan**. If the AU votes Morocco out then it will likely never recover membership of a key player and it will undermine its policy of accepting all states to the table. However, if it votes Morocco in then it loses leverage to force a vote on Western Sahara.”¹¹*

...after Polisario Front elects Gali as new leader

The Polisario Front elected **Brahim Gali** as its new secretary-general on 9 July, following the death from cancer in late May of long-time leader **Mohamed Abdelaziz**.¹² The group advocates for the independence of the region of Western Sahara from Morocco and forms the government-in-exile of the SADR, of which Gali is now the president.¹³ The Polisario Front and the government of Morocco fought a war from 1976-1991 over the region, which eventually resulted in a truce that the UN brokered.¹⁴ The Polisario Front has lobbied the international community, with the aid of ally **Algeria**, for a peaceful secession of the region from Moroccan control by a referendum, but the two sides have not found mutually agreeable terms.¹⁵

Gali is one of the founding members of the Polisario Front. He commanded parts of their military forces from 1973-1991 and has since served as one of their top diplomats to the UN and the AU (see above).¹⁶ According to a diplomat at the AU summit:

“Gali has been working the AU diplomatic channels for 20 years; he is a patient strategist and has won considerable support by appearing both moderate and reasonable...if Morocco wants to rejoin the AU to try and stop his influence they will have to try very hard.”¹⁷

Gali used his first speech in public to call for the resumption of negotiations over a referendum timetable via the **Mission des Nations Unies pour le référendum au Sahara occidental (MINURSO)** (UN mission for a referendum in Western Sahara).¹⁸ The government of Morocco announced it would allow 25 civilian workers from MINURSO to return to work on 18 June.¹⁹ Morocco and the UN have reportedly been in talks for months over returning the civilian staff to work, after Morocco expelled them from the country in March.²⁰ The negotiations have reportedly eased following the death of Abdelaziz.²¹ However, Gali has increased the pressure on Morocco by calling on

⁸ Dlamini-Zuma in Mail and Guardian, 18 Jul 2016.

⁹ Mail and Guardian, 18 Jul 2016.

¹⁰ Mail and Guardian, 18 Jul 2016.

¹¹ Source, diplomat, Cairo

¹² Le Matin, 9 Jul 2016.

¹³ Al Monitor, 9 Jul 2016.

¹⁴ Le Matin, 9 Jul 2016.

¹⁵ Le Matin, 9 Jul 2016.

¹⁶ Le Matin, 9 Jul 2016.

¹⁷ Source, AU delegate, Kigali

¹⁸ Al Monitor, 9 Jul 2016.

¹⁹ Le Matin, 18 Jun 2016.

²⁰ Le Matin, 18 Jun 2016.

²¹ Le Matin, 18 Jun 2016.

MINURSO to actively fulfill its mandate of organising the referendum, and not confining its actions to peacekeeping duties.²²

The economy: low growth, strong FDI, and rising debt and inflation

Morocco's economic state is mixed. Gross domestic product (GDP) growth forecasts sit between 1.2% and 1.6% for 2016.²³ However, foreign direct investment (FDI) inflows remain strong as manufacturing deals boost the economy.²⁴ The short-term impact of low growth, however, is to increase consumer price index (CPI) inflation to 1.9%, and to increase the public foreign denominated debt burden to 5.6%.²⁵ The **Bank al-Maghrib (BAM)** (central bank) revised its GDP growth forecast for 2016 down further to 1.2% on 21 June.²⁶ The BAM has revised its growth forecast steadily downwards across 2016 due to a poor harvest. The growth forecasts take into account agricultural production in March 2016, which is slightly better than the bank forecast.²⁷ It forecasts growth in 2017 to accelerate to 4%.²⁸ Projections for non-agricultural growth in 2016 are at 2.8%.²⁹ However, according to the state-owned statistics agency the **Haut Commissariat du Plan (HCP)** (high planning commission), growth currently sits at 1.6%.³⁰ The HCP cites the small, but growing, industrial sector as a reason that growth may not be as low at the BAM fears.³¹ It forecast on 11 July that it would increase to 3.6% on the strength of better crops and large-scale investments in industry.³²

Data on FDI inflows support the theory that the manufacturing sector is keeping growth levels up. FDI flows to Morocco were \$3.2 billion in 2015, according to the **United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2016**.³³ Morocco has attracted significant investment as a manufacturing base for investors in Africa and countries delivering to the **Eurozone**, and from investors from the **Middle East** and **Asia** in its real estate sector.³⁴ Morocco's FDI has remained high despite a poor investment climate – FDI flows to Africa fell 7% to \$54 billion in 2015.³⁵ Morocco has also increased its outward FDI into **sub-Saharan Africa** in the financial services, telecoms and manufacturing sectors.³⁶ However, bilateral deals between Morocco and the governments of other countries decreased from 38.7% to 28.2% of GDP from 2014 to 2015.³⁷

Despite increased trade inflows, low growth and the rising price of grains have resulted in consumer price index inflation increasing to 1.9% in May, up from 1.6% in April.³⁸ The cost of food increased by 3.6%, compared to 2.9% in April.³⁹ Non-food price inflation remained unchanged at 0.5%.⁴⁰ The BAM sees the current economic climate as stable, and its monetary policy committee (MPC) voted on 21 June to keep its benchmark interest rate stable at 2.25%.⁴¹ Low growth has also increased the public debt burden. The finance ministry released figures showing Morocco's foreign-denominated debt

²² Al Monitor, 9 Jul 2016.

²³ L'Economiste, 21 Jun 2016.

²⁴ Morocco World News, 22 Jun 2016.

²⁵ Reuters, 22 Jun 2016.

²⁶ L'Economiste, 21 Jun 2016.

²⁷ L'Economiste, 21 Jun 2016.

²⁸ L'Economiste, 21 Jun 2016.

²⁹ L'Economiste, 21 Jun 2016.

³⁰ Morocco World News, 11 Jul 2016.

³¹ Morocco World News, 11 Jul 2016.

³² Morocco World News, 11 Jul 2016.

³³ Morocco World News, 22 Jun 2016.

³⁴ Morocco World News, 22 Jun 2016.

³⁵ Morocco World News, 22 Jun 2016.

³⁶ Morocco World News, 22 Jun 2016.

³⁷ L'Economiste, 6 Jul 2016.

³⁸ Reuters, 22 Jun 2016.

³⁹ Reuters, 22 Jun 2016.

⁴⁰ Reuters, 22 Jun 2016.

⁴¹ Reuters, 22 Jun 2016.

burden increased 5.6% in the first quarter of 2016.⁴² Total foreign denominated debt increased to \$32 billion at the end of March, up from \$30.4 billion in December 2015.⁴³ The total figure now represents 32.3% of GDP, an increase of 45.5%, as a percentage of GDP, from 2011.⁴⁴ The stake of debt owned on the financial markets increased from 9.2% to 26.3% of the total foreign denominated debt burden.⁴⁵ Morocco's debt burden decreased sharply during 2014 and 2015 due to the relatively low price of energy products – primarily oil and gas.

Linamar to open \$280m engine plant

Canada-based automotive parts manufacturer **Linamar Corp** announced on 4 July plans to build a \$290m automotive plant in Morocco.⁴⁶ Morocco's automotive and automobile assembly sector has grown rapidly, supporting the industrial sector's steady contribution to GDP growth. The Linamar factory will produce engine parts to support **France**-based **Peugeot Citroen**'s new \$630m, 200,000 vehicle per annum assembly plant in **Tangier** that Peugeot Citroen unveiled in 2015.⁴⁷ The plant's investment plan included drawing a number of automotive companies to Morocco to set up operations supporting the factory.⁴⁸ **United States (US)**-based auto parts maker **Delphi** will launch a second factory in Morocco specialising in electrical distribution systems and research and development to support the new plant.⁴⁹

The government expects the auto industry to reach \$10.2 billion per annum in exports by 2020.⁵⁰ This is projected to increase the contribution of the industrial sector to GDP to 20%, up from 16% in 2015.⁵¹ The majority of the projected growth increase is from the Peugeot-Citroen factory and will create an estimated 500,000 jobs.⁵² The investment came shortly before Mohammed VI oversaw the signing of a further \$780m in direct investment in the country, which is managing to capitalise on its reputation as a safe investment destination in a more volatile region.⁵³ According to an industry source:

*"Morocco is the natural location for automotive businesses that want to contribute to vehicles destined for the **European** or African markets. The combination of major manufacturing plants, security and a reasonably competent judicial system is appealing."*⁵⁴

Implications

Morocco and the Polisario Front both believe that they have the upper hand in the struggle for the Western Sahara. The government believes that it can now push the SADR out of the AU, after showing the UN that it was able to oust MINURSO employees in March and April. The Polisario Front believes that Morocco has lost international sympathy and support and is buoyed by the AU's resolution in January that a referendum should happen as soon as possible. It is unlikely that either will get the outcome they want. Morocco will find AU nations highly reluctant to remove the SADR from membership. Even if 34 states do not recognise it officially, the AU is the one channel that they have to communicate with SADR officials and closing that channel makes no sense. However, it is likely that Morocco will re-enter the AU as important regional powers see the political and economic benefits of having the country on-side. Once within the framework of the AU, Morocco will exercise exactly the

⁴² L'Economiste, 6 Jul 2016.

⁴³ L'Economiste, 6 Jul 2016.

⁴⁴ L'Economiste, 6 Jul 2016.

⁴⁵ L'Economiste, 6 Jul 2016.

⁴⁶ Reuters, 4 Jul 2016.

⁴⁷ Reuters, 4 Jul 2016.

⁴⁸ Reuters, 4 Jul 2016.

⁴⁹ L'Economiste, 5 Jul 2016.

⁵⁰ L'Economiste, 5 Jul 2016.

⁵¹ L'Economiste, 5 Jul 2016.

⁵² L'Economiste, 5 Jul 2016.

⁵³ Reuters, 4 Jul 2016.

⁵⁴ Source, automotive industry analyst, United Kingdom

same kind of tactics it uses within the UN to stall any motions towards a referendum. Gali is an experienced diplomat who is unlikely to seek any other channels than diplomacy, but cannot compete with Morocco's economic and political strength. Important voices such as that of South Africa may loudly preach the importance of holding the referendum, but are locking themselves into trade deals with Morocco – actions, in this case, speak louder than words.

Morocco's economy is undergoing a period of re-balancing. The excellent performance of 2015 was a convergence of the bumper harvest and the low price of oil, now it is back to a more representative state. The government has to move parts of the country away from a reliance on agriculture, and find ways to spread the benefit on increased FDI manufacturing investment in order to increase overall growth. Increases in the debt burden and inflation are marginal and again reflect a readjusting of the economy rather than a notable decline in performance. However, the picture is poor at first glance and this may devalue the ruling **Parti de la Justice et du Développement's (PJD)** legacy of economic prudence in the run up to the general election on 7 October.

The Linamar plant is further evidence that the government and Peugeot-Citroen's plan to develop an ecosystem around the manufacturing plant is working. The trade and industry ministry has convinced auto manufacturers to use Morocco as a low cost manufacturing base for Europe and Africa. It is now drawing the parts manufacturers with them – just as it drew aeronautics companies after US-based **Boeing** moved its manufacturing base to the country in 2001. More auto parts manufacturers will follow.

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