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The Polisario Front (PF) demands that the United Nations (UN) take action against Morocco for allegedly violating the 1991 ceasefire in Western Sahara. The PF accuses Morocco of extending its military reach after it moved security personnel to the border with Mauritania, reportedly to counter smuggling operations. The International Monetary Fund (IMF) approves \$3.47 billion precautionary liquidity line (PLL) to underwrite the Morocco economy. The IMF is positive about Morocco's economic prospects and its commitment to economic reform. The Bank al Maghrib (BAM) (central bank) is reportedly considering widening the trading bands of the dirham as part of an IMF flexible exchange rate programme. The African Development Bank (AfDB) names Morocco as the third largest export economy in Africa. United Kingdom (UK)-based Sound Energy makes a major gas find at its onshore Tendirra licence; it is now applying for a production licence with partner France-based Schlumberger.

Polisario accuses Morocco of breaking ceasefire in Western Sahara

The **Polisario Front (PF)** demanded on 15 August that the **United Nations (UN)** take action against **Morocco** for allegedly violating the 1991 ceasefire in **Western Sahara**.¹ Tensions are high between the Moroccan government and the PF, which represents the so-called government in exile of the **Sahwari Arab Democratic Republic (SADR)**. The SADR claims to be the rightful government of the contested region, and is based in neighbouring **Algeria**. Morocco's interior ministry moved security forces and customs officials through Western Sahara to carry out a mission to dismantle smuggling rings and other illicit commercial trade on the border with **Mauritania**.² According to the government, a small number of personnel entered the town of **Guerguerat**, at the **Oued Ed-Dahab-Lagouira** crossing in the south of Western Sahara, at the border with Mauritania.³ However, the PF claims that the force included "armoured tanks with air force protection"⁴ which would constitute the movement of armed forces and weapons into the territory and is against the terms of the 1991 ceasefire.⁵ The PF claims that:

"Credible reports indicate that the final objective is the extension in the coming weeks of the military berm (the zone of military access in the region) to connect it to the Mauritanian borders...(PF) forces will be forced, in that scenario, to take the appropriate measures since it will be considered a clear violation of the cease fire."⁶

However, politically connected sources in Morocco say that movements of armed forces to the border are relatively common and that the PF statement is more connected to the political situation:

"The interior ministry has carried out exercises against border smuggling and against militants from Mauritania regularly for the past 20 years...the reason they (the PF) make such a fuss is the current tension."⁷

¹ Sahara News Service, 15 Aug 2016.

² Al-Arabiya, 15 Aug 2016.

³ Sahara News Service, 15 Aug 2016.

⁴ Sahara News Service, 15 Aug 2016.

⁵ Sahara News Service, 15 Aug 2016.

⁶ PF statement in Sahara News Service, 15 Aug 2016.

⁷ Source, academic with ties to the palace, Rabat

The **Mission des Nations Unies pour l'Organisation d'un Référendum au Sahara Occidental (MINURSO)**, the official peacekeeping mission to the region, will investigate the incident.⁸ UN deputy spokesperson **Farhan Haq** told the media that MINURSO would contact the PF and the government of Morocco about the alleged violation to determine the facts.⁹ It would then make recommendations to the **UN Security Council (UNSC)** based on its findings. MINURSO will only deploy its military capabilities if there is a clear violation – as set out in its mandate.¹⁰

Tensions between the PF and Morocco are high, as Morocco is attempting to re-enter membership of the **African Union (AU)** on the basis that members expel the SADR (see *ARC Briefing Morocco June and July 2016*). Morocco expelled the civilian MINURSO staff in April, and has yet to readmit over 50 staff members – weakening the capabilities of the organisation (see *ARC Briefing Morocco April 2016*).¹¹ This could lead to a situation where the cease-fire does break down:

“If Polisario attack Moroccan armed forces then the army will respond in kind...not to do so on the eve of an election would be disastrous.”¹²

However, security analysts are cautious about the risk of an outbreak of violence:

“The PF threatens to resume attacks on Morocco every time the issue flares up, they are clever enough to know that pulling the trigger will probably work out badly for them in the long run. Amongst other things it will give Morocco a reason to move them out of the rest of Western Sahara.”¹³

IMF approves \$3.47 line of credit to backstop strong economy

The **International Monetary Fund (IMF)** approved a \$3.47 billion precautionary liquidity line (PLL) of credit for Morocco on 22 July.¹⁴ Morocco has successfully lobbied to renew this fiscal safety net as a backstop for ongoing economic reforms. The economy is in a strong position, despite lower growth figures for 2016, as Morocco grows in strength as an export economy. The finance ministry is drawing more direct investment and the **Bank al Maghrib (BAM)** (central bank) is considering widening Morocco’s currency bands in early 2017.¹⁵ The IMF believes that Morocco is unlikely to need to use the funds, but that they provide an important insurance policy against external shocks – such as a sharp increase in the price of oil.¹⁶ The IMF will grant Morocco access to \$1.73 billion of the PLL in the 2016/2017 fiscal year, and would gain access to subsequent portions from 2016 to 2019.¹⁷ The IMF describes Morocco as committed to reducing internal and external vulnerabilities and points to the development of renewable energy sources and ongoing labour and subsidy reforms as evidence of this.¹⁸ According to IMF deputy managing director **Mitsuhiro Furusawa**:

“Despite the difficult global and regional environments, Morocco has made significant strides in reducing fiscal and external vulnerabilities and addressing medium-term challenges, supported by the two successive Precautionary and Liquidity Line (PLL) arrangements.”¹⁹

One of the reforms that Morocco is implementing at the IMF’s request is the rebalancing of the dirham. This is part of a long-term programme to give the currency more flexible and adjustable exchange rates. The BAM adjusted its currency basket in April 2015 to weight it more equally against

⁸ Al-Arabiya, 15 Aug 2016.

⁹ Al-Arabiya, 15 Aug 2016.

¹⁰ Al-Arabiya, 15 Aug 2016.

¹¹ Al-Arabiya, 15 Aug 2016.

¹² Source, academic with ties to the palace, Rabat

¹³ Source, regional security analyst, Tunis

¹⁴ IMF press release, 22 Jul 2016.

¹⁵ L’Economiste, 8 Aug 2016.

¹⁶ IMF press release, 27 Jul 2016.

¹⁷ IMF press release, 27 Jul 2016.

¹⁸ IMF press release, 27 Jul 2016.

¹⁹ Furusawa, in IMF press release, 27 Jul 2016.

the dollar and the euro (see *ARC Briefing Morocco April 2015*). Media sources revealed on 8 August that the BAM is considering widening the currency bands for dirham fluctuation – the next step in the IMF programme.²⁰ The bands govern the fluctuations in value the currency can have towards any other currency. Sources within the BAM told the media that it was considering doubling the bands from 2.5% to 5% giving room for much greater speculation on the dirham as well as greater variation in price.²¹ However, it is unlikely that the BAM will make an announcement until early 2017. Currently Morocco is in a strong economic position as the price of its primary import – energy – remains low. However, larger bands mean that the currency could fall sharply if the economic circumstances shifted.²² The BAM is taking advantage of historically high foreign currency reserves of \$24.8 billion – equivalent to seven months of imports – to make the currency a more attractive trading option.²³

A more flexible currency will help Morocco's strength as an exporting nation. The **African Development Bank (AfDB)** released statistics on 1 August showing that Morocco is Africa's third largest exporter of goods in Africa.²⁴ Morocco has boosted its export economy by attracting international manufacturing firms in the automobile, aerospace, and pharmaceutical sectors to manufacture in country. It also is an exporter of grains regionally and internationally. It comes third after **Egypt** and **South Africa**.²⁵ New AfDB president **Akinwumi Adesina** visited Morocco in July and praised Morocco's economic strength. He also pointed out that 85% of Morocco's FDI is in Africa, making it one of the largest internal investors on the continent.²⁶ Adesina described the bank's investments in Morocco as "*one of the AfDB's strongest performing portfolios on the continent*".²⁷

Sound Energy announces major gas find

United Kingdom (UK)-based oil and gas company **Sound Energy** announced a significant discovery onshore in Morocco on 8 August.²⁸ Morocco has significant oil and gas exploration activity, but this has only revealed minor gas finds in its onshore fields. A major gas find increases the energy resilience of the country that relies on imported energy and renewables for power. Sound Energy confirmed a find at the **TE-6** well at its **Tendrara** licence in eastern Morocco.²⁹ The company found a stabilised flow rate of 17 million standard cubic feet per day (mmscf/d), which it describes as a "*highly commercial rate*".³⁰ Sound CEO **James Parsons** told the media that:

*"I believe Tendrara [has] the potential to be a material hydrocarbon producer on a regional scale and transform the Moroccan gas industry."*³¹

Sound Energy owns a 27.5% operating interest in Tendrara; other partners are **France**-based oil and gas company **Schlumberger**, which is working with Sound Energy in further exploration on the site.³² Sound will now apply for a production concession from the department of mineral resources. According to regional sector analysts, the find may spark further exploration interest:

*"This is the break-through that the oil and gas industry has been waiting for, it will encourage other companies involved in exploration to continue when some of the companies operating there were considering pulling out."*³³

²⁰ L'Economiste, 8 Aug 2016.

²¹ L'Economiste, 8 Aug 2016.

²² L'Economiste, 8 Aug 2016.

²³ L'Economiste, 8 Aug 2016.

²⁴ Morocco World News, 1 Aug 2016.

²⁵ Morocco World News, 1 Aug 2016.

²⁶ Morocco World News, 1 Aug 2016.

²⁷ Morocco World News, 1 Aug 2016.

²⁸ Sound Energy press release, 8 Aug 2016.

²⁹ Sound Energy press release, 8 Aug 2016.

³⁰ Sound Energy press release, 8 Aug 2016.

³¹ Parsons in Rigzone, 8 Aug 2016.

³² Rigzone, 8 Aug 2016.

³³ Source, MENA oil and gas analyst, London

Implications

The game of brinkmanship over Western Sahara continues – Morocco moves forces through the region as it has done many times before but the PF goes to the UN and the media. The message of the PF is clear – the steps Morocco has taken in 2016 to weaken MINURSO to try to push the SARD out of the AU will meet with resistance. However, it is unlikely that this is deliberately pushing towards conflict. The PF faces a better armed and resourced Moroccan military, and cannot necessarily count on its primary ally Algeria for direct support. Algeria's military is more committed to fighting Islamist militants in the south and east of the country than joining a long fight with Morocco on its north-western border. If local events escalate and there is an outbreak of violence, both sides will likely appeal to the UN to censure the other. However, if it escalates further MINURSO currently lacks vital tactical support to prevent a wider conflict.

Morocco is pushing for economic power in the region, attracting more direct investment from manufacturers in **Europe** (see *ARC Briefing Morocco July 2016*) and exporting more goods across the continent. It is one of the few countries in Africa where the government has implemented an IMF programme of fiscal reform and remained popular. The ruling **Parti de la Justice et du Développement (PJD)** has overseen cuts to subsidies, currency adjustment and controversial reforms of the state pensions system. However, current polls place it alongside challengers the **Parti Authenticité et Modernité (PAM)** and **Istiqlal** at the upcoming October general election. Much of Morocco's good fortune is due to the low price of oil and gas, but the current government has taken full advantage of it and has won international acknowledgement and investment as a result.

The discovery of a major gas well in Morocco is likely to extend efforts to find an offshore oil well worth exploiting. However, it may pass to smaller companies, like Sound Energy, to carry on the work as oil majors lose money and interest. The find is relatively small when compared to neighbouring Algeria, but could help provide stable energy for power generation alongside Morocco's ambitious renewable energy programme.