

## AFRICA RISK CONSULTING

### Morocco Monthly Briefing January 2020

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#### Morocco Summary 15 January 2020

*The United States (US) embassy in Rabat and the US consulate general in Casablanca send out a security alert “strongly encouraging” US citizens “to maintain a high level of vigilance” in the wake of the assassination of top Iranian general Qassem Soleimani on 3 January in a US airstrike. Morocco’s Haut Commissariat au Plan (High Commission for Planning) forecasts the economy to grow by 2.3% in Q4 2019, exceeding the 2.1% growth in Q3, and expects economic growth to reach 3.3% in Q1 of 2020, exceeding the 2.5% growth of the same period in 2019. France-based telecommunications giant Orange opens up its operational headquarters for the Middle East and Africa in the new Casablanca Finance City Tower.*

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#### Escalated security concerns in the region

The **United States (US)** embassy in **Rabat** and the US consulate general in **Casablanca** sent out a security alert on 3 January “strongly encouraging” US citizens “to maintain a high level of vigilance” in the wake of the assassination of top **Iranian** general **Qassem Soleimani** on 3 January in a US airstrike. The airstrike has heightened concerns of terrorist attacks in **Africa**, particularly against **Western** businesses and nationals. Businesses and individuals in Morocco should tighten security procedures and monitor security events closely. ARC has reviewed Morocco’s terrorism threat, which is low relative to the **Middle East and North Africa (MENA)** region but there is still a major concern due to **Jihadi**-inspired extremist attack against two tourists in January 2019.

The US airstrike has heightened tensions in the wider MENA region and caused a spike in security incidents in **Iraq**.<sup>1</sup> While the US state department said there were no specific threats in **Morocco**, the caution was issued because of the increased threat in the wider region. Amid the escalating tensions, the **US Navy** cancelled its participation in the joint US-Morocco exercise, **African Sea Lion 2020**, with its assault ship, **USS Bataan**, now redirected to the Middle East.

The Moroccan government has not officially commented on the US-Iran crisis, but Moroccan **Shiites** have referred to the Iranian general as a “martyr” and many have denounced his death on social media.<sup>2</sup> Shiite association **Ressalis progressistes** president **Abderrahman Chougrani** described the day of the Iranian general’s death on **Facebook** as a “pivotal day” and wrote “the enemies are now known.”<sup>3</sup> Chougrani described the enemies as **Zionists, Wahhabis, Muslim Brotherhood** members and the rest of the **Sunni ISIS** factions.

The US state department increased Morocco’s travel advisory listing to ‘Level 2’ in April 2019, warning US citizens to exercise increased caution while in the country due to terrorism. The state department travel advisory said:

*“Terrorist groups continue plotting possible attacks in Morocco. Terrorists may attack with little or no warning, targeting tourist locations, transportation hubs, markets/shopping malls, and local government facilities.”<sup>4</sup>*

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<sup>1</sup> ‘Security Alert – US Consulate General Casablanca’, ma.usembassy.gov, 3 Jan 2020

<sup>2</sup> Yabiladi, 6 Jan 2020

<sup>3</sup> Yabiladi, 6 Jan 2020

<sup>4</sup> ‘Morocco Travel Advisory’, travel.state.gov, 2 Apr 2019

Morocco ranked 92<sup>nd</sup> globally (1<sup>st</sup> place has the highest impact of terrorism and 138<sup>th</sup> has lowest impact) in the **Institute for Economics and Peace's Global Terrorism Index 2019**, which is a 40-place downgrade from the previous year.<sup>5</sup> Morocco ranked 17<sup>th</sup> out of 20 in the MENA region.<sup>6</sup> Morocco and Iran were the only two MENA countries to deteriorate in the rankings. The downgrade was due to a terrorist attack in January 2019, its first since 2015 (*see ARC Briefing Morocco January 2019*). Two tourists were killed by jihadi-inspired extremists who pledged allegiance to **ISIL** in a video. Previously ISIL had not been present in Morocco.

### Economic outlook

The **Haut Commissariat au Plan** (High Commission for Planning) reported on 14 January that Morocco's economy grew by 2.3% in the last quarter of 2019 (October-December), exceeding the 2.1% growth of the third quarter (July-September), and said it expects economic growth to reach 3.3% in the first quarter of 2020 (January-March), exceeding the 2.5% growth of the same period in 2019.<sup>7</sup> While growth remains slow, the latest figures indicate that it is starting to pick up, bolstered by a rise in exports and new government measures to raise tax revenue and investment. The planning commission said the economy will grow 3.5% in 2020 from 2.3% last year.

The Moroccan government is actively attracting foreign investments by creating free economic zones while taking advantage of its proximity to **European** and African countries. In the latest agreement, minister delegate to the minister of foreign affairs **Mohcine Jazouli** signed an agreement in Rabat with **Japanese** state minister for foreign affairs **Suzuki Keisuke** on 8 January for the promotion and protection of investment. The agreement will protect and promote investment between both parties, achieve closer economic relations, promote the improvement of the investment climate in Morocco and increase Japan's investment in Africa. The number of Japanese companies set up in Morocco is steadily increasing and its investment in the future is expected to grow. At the **Seventh Tokyo International Conference on African Development (TICAD7)** held in August 2019, Japan's prime minister, **Shinzō Abe** (2012-present), encouraged private investment in Africa, which was worth \$20 billion over the past three years.

The government's efforts are desperately needed. The **Office des Changes** (foreign exchange office) released new statistics on 4 January on foreign direct investment (FDI), which show a drop in FDI of 46.1% to the year end of November 2019, at Moroccan Dirham (MAD) 17.7 billion (\$1.85 billion) compared to MAD 32.82 billion (\$3.43 billion) the previous year. The exchange office explained that the significant drop in foreign investment is due to the 30.9% fall in FDI receipts and a 12.9% increase in expenses. However, direct investment from Moroccans living abroad saw a significant increase by the same date, at MAD 59.687 billion (\$6.24 billion) at the end of November 2019 compared to MAD 59.887 billion (\$6.30 billion) the previous year.

The planning commission's latest figures show a small increase of 1.1% in foreign demand for Moroccan exports in the last quarter of 2019. The commission cites clothes, food, and agricultural products as the exports that decreased the most. On the other hand, Moroccan imports increased by 0.9% in the last quarter of 2019, recording a decline from 2.4% in the previous quarter. The decline in imports is due to a decrease in the imports of energy and raw materials, along with a drop in their prices. Imports of equipment, cars, plastic materials, copper and iron wires and edible products such as cereals and sugar is set to increase because of a rise in local demand.

The planning commission also said that the budget deficit will remain unchanged from last year at 3.7%, which means the government will not meet its budgeted deficit of 3.5% of gross domestic product (GDP). That said, the commission expects public debt to narrow slightly to 66% of GDP compared to 66.2% in 2019. The agency projected domestic demand to rise by 4% in 2020 from 2.4%

<sup>5</sup> Global Terrorism Index 2019, Institute for Economics and Peace, [visionofhumanity.org](http://visionofhumanity.org)

<sup>6</sup> Global Terrorism Index 2019, Institute for Economics and Peace, [visionofhumanity.org](http://visionofhumanity.org)

<sup>7</sup> Morocco World News, 6 Jan 2020

last year, and saw improving global economic conditions leading to a growth in external demand to 5.4% from 4.2%.

### Orange opens regional headquarters in Casablanca

**France**-based telecommunications giant **Orange** on 8 January opened up its operational headquarters for the **Middle East** and **Africa** in the new **Casablanca Finance City Tower**.<sup>8</sup> The decision illustrates Orange's high hopes for the African telecommunications market, and particularly in Morocco. Morocco's growing telecommunications sector is vital to attract investments, provide much needed jobs and improve competitiveness of the economy in international markets.

Orange CEO **Stéphane Richard** said at the inauguration: "*Africa is the future of Orange.*" Orange's fastest growth is in the MENA, at 6%. In the MENA region, Orange is active in 18 countries, has 125 million customers and received \$5.79 billion sales revenue for the year 2018. Orange is investing a reported \$1.11 billion in connectivity and network performance. The Casablanca headquarters is expected to accommodate 80 employees.

The telecommunications industry is excelling in Morocco, improving internet access, reliability and speed across the country. The **Agence Nationale de Réglementation des Télécommunications (ANRT)** (national telecommunications regulatory agency) expects the number of domestic telecommunications transactions to reach MAD 33 billion dirhams (\$3.4 billion) by the end of 2019, an increase of about \$208m from 2017.<sup>9</sup> The ANRT has also stated that the number of internet service subscribers in Morocco exceeded 26 million last year, distributed over **Maroc Telecom**, **Inwi** and **Orange**. Prime Minister **Saad Eddine El Othmani** has stressed the importance of the communications and information technology sector, considering it an important point of social and economic development. The **World Bank** provided a \$610m loan to Morocco in February 2019 to support digital transformation of the economy.

### Planner

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

2021 **(Morocco)** Scheduled legislative, regional and local elections;

### Chronology

14 Jan 2020 **Rabat (Morocco)** *Yabiladi*. Minister of industry, trade and green and digital economy **Moulay Hafid Elalamy** threatens to withdraw from a free trade agreement with **Turkey** after having a net trade deficit with Turkey of \$2.3 billion in 2019;

14 Jan 2020 **Rabat (Morocco)** *Morocco World News*. **Haut Commissariat au Plan** (High Commission for Planning) forecasts the economy to grow 3.5% in 2020 from 2.3% last year and the budget deficit to remain unchanged from last year at 3.7%;

13 Jan 2020 **Rabat (Morocco)** *The North Africa Post*. **United Kingdom**-based upstream **Sound Energy** says it has received approval from the ministry of energy, mines and environment to build and operate a 120km gas pipeline from **Tendrara** to **Gazoduc Maghreb**, connecting **Algeria** to **Europe** via **Morocco**;

13 Jan 2020 **Casablanca (Morocco)** *Ventures Africa*. **France**-based telecommunications giant **Orange** opens new headquarters for the **Middle East** and **Africa** in **Casablanca Finance City Tower**;

9 Jan 2020 **Rabat (Morocco)** *Associated Press*. **Moroccan** human rights activists warn of an assault on freedom of expression following the arrest over recent months of 15 journalists,

<sup>8</sup> Ventures Africa, 13 Jan 2020

<sup>9</sup> The Arab Weekly, 12 Jan 2020

bloggers, rappers and social media users;

9 Jan 2020 **Rabat (Morocco)** *Morocco World News*. State news agency says **Morocco** will spend \$12 billion on dam building, improving water consumption, preserving water resources and increasing supply in rural areas between 2020 and 2027 to meet increasing water demand;

31 Dec 2019 **Casablanca (Morocco)** *Associated Press*. An appeals court in **Casablanca** agrees to release on bail journalist-activist **Omar Radi** who defended anti-government protesters in a Tweet;

30 Dec 2019 **Casablanca (Morocco)** *Reuters*. Part government-owned **Cosumar's** CEO **Mohamed Fikrat** says Cosumar will start operating its sugar refinery, **Durrah**, in **Yanbu, Saudi Arabia**, in March;

17 Dec 2019 **Rabat (Morocco)** *Aawsat*. **International Monetary Fund** completes its second review under the precautionary and liquidity line arrangement and calls on authorities to step up tax reforms and contain wages;

16 Dec 2019 **Rabat (Morocco)** *Morocco World News*. Minister of energy, mining and environment **Aziz Rabbah** and his **Djibouti** counterpart **Yonis Ali Guedi** sign an agreement on cooperation in the field of energy and mineral resources;

12 Dec 2019 **Rabat (Morocco)** *Morocco World News*. **King Mohammed VI** appoints members of the new development committee with former interior minister **Chakib Benmoussa** set to be the committee head;

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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