

AFRICA RISK CONSULTING

Morocco Monthly Briefing July 2020

Morocco Summary 21 July 2020

Morocco cautiously reopens its land, maritime and air borders with a few selected destinations, but only to Moroccan nationals and foreign residents of the kingdom. Morocco stands to benefit as European firms, hurt by Covid-19, look to shorten their supply chains. The government commences construction of an economic zone that will consist of a series of customs warehouses to receive shipments of goods such as textile and food products from the nearby Tangier Med mega-port in the northern Moroccan town of Fnideq.

Morocco cautiously opens its borders after strict lockdown

Morocco partially reopened its borders on 15 July to allow its citizens to return to the country and foreign nationals to leave.¹ Morocco was one of the first countries in the **Middle East and North Africa (MENA)** region to implement strict lockdown measures by declaring a state of health emergency on 19 March, which it later extended until 15 July to protect its citizens from a second spike of the **Covid-19** pandemic.² The initial state of health emergency included the closure of borders, the shutdown of air and sea links, as well as the closure of a number of public spaces, namely schools, bars, mosques, and restaurants (see *ARC Briefing Morocco April - June 2020*).

The government's aggressive response to the pandemic has allowed Morocco to keep its confirmed cases at 17,236 with a 1.58% fatality rate, at time of writing, with a recovery rate of 14,921 and 2,042 active cases.³ At present Morocco's mortality rate is just under eight deaths per one million inhabitants, significantly lower than those observed in countries with better-recognised public health systems in the MENA region, including **Saudi Arabia** which has recorded 73 deaths per one million, the **United Arab Emirates**, which has 35 deaths per one million inhabitants, and **Qatar**, which has recorded 56 deaths per one million people.⁴

COVID-19 deaths per one million population ⁵			
	Confirmed deaths	Deaths per million	Population (millions)
Morocco	273	7.58	36.03
Qatar	157	56.44	2.78
United Arab Emirates	339	35.2	9.63
Saudi Arabia	2486	73.77	33.7

While the vast majority of the country eased its national lockdown regulations, local authorities in the northern city of **Tangier** were forced to place their city back under lockdown on 13 July. Tangier

¹ RFI News, 15 Jul 2020

² Morocco World News, 10 Jun 2020

³ Morocco World News, 16 Jul 2020

⁴ Statista, 20 Jul 2020

⁵ Statista, 20 Jul 2020

accounts for almost 20% of the Covid-19 infections in Morocco with cases currently numbering 2,966.⁶

Despite Morocco reopening its borders, foreign tourists are still not allowed to visit the country.⁷ This will continue to have a negative impact on Morocco's tourism industry. As in many countries across **Africa**, tourism plays a significant role in the Moroccan economy, particularly over the past decade.⁸ The sector is the second largest contributor to the economy, accounting for 11% of its GDP.⁹ The Covid-19 pandemic hit Morocco's tourism industry through the suspension of flights, closure of non-essential businesses, and limited movement as international tourist arrivals dried up.¹⁰ In 2019, nearly 13 million tourists visited Morocco. The number of tourists visiting Morocco from January to April fell by 45% compared with the same time frame in 2019.¹¹

Despite these sobering figures, there is optimism within Morocco that the tourism industry will recover within the first two quarters of the coronavirus crisis ending.¹² Economy, finance and administrative reform minister **Mohammed Benchaaboun** suggested in late April that the Moroccan economy is strong enough to withstand the blows dealt by the Covid-19 pandemic.¹³

"The fundamentals of the national economy are resilient enough to be able to absorb the short term shocks imposed by the crisis."¹⁴

The tourism ministry, in partnership with a number of philanthropists, is working to re-establish Morocco as a global tourist attraction in a post-Covid-19 world.¹⁵ Tourism minister **Nadia Fettah El Alaoui** announced a plan on 8 June to revive the industry and assist businesses that have been heavily affected by the pandemic (See *ARC Briefing Morocco June 2020*). For now, the plan aims to stimulate domestic tourism and to preserve employment, skills, and capacities of professionals in the sector. Industry minister **Moulay Hafid Elalamy** noted on 30 April that his department was working on the post-Covid-19 era and looking for new markets.¹⁶

European supply chain shortening presents opportunities for Morocco ...

Changes in the global economic trajectory as a result of Covid-19 are opening up new opportunities for Morocco.¹⁷ The coronavirus pandemic has demonstrated the overdependence of **European** firms and their governments on **Chinese** imports – including pharmaceuticals and other health-related products.¹⁸ The pandemic has exposed the vulnerability of long supply chains, including access to labour, delays at ports, increased distribution costs, and a shortage of raw materials and subcomponents.¹⁹ European firms including **United Kingdom**-based automotive parts manufacturing company **Cube Precision Engineering** are looking for shorter and more reliable supply chains, bringing their manufacturing capacity closer to home and reducing overdependence on Chinese imports.²⁰

The **European Commission** on 15 July expressed the need for governments within the **Euro**-zone to consider diversifying supply chains.²¹ Morocco's geographical location and political stability make it a

⁶ Worldmeters, 20 Jul 2020

⁷ RFI News, 15 Jul 2020

⁸ Source, analyst, Pretoria

⁹ Morocco World News, 5 Jun 2020

¹⁰ RFI News, 15 Jul 2020

¹¹ Morocco World News, 11 Jun 2020

¹² Agence de Presse Africaine, 17 Jul 2020

¹³ L'economiste, 23 Apr 2020

¹⁴ L'economiste, 23 Apr 2020

¹⁵ Agence de Presse Africaine, 17 Jul 2020

¹⁶ DW, 18 May 2020

¹⁷ Source, analyst, Pretoria

¹⁸ Source, analyst, Pretoria

¹⁹ DW, 18 May 2020

²⁰ Agence Marocaine de Presse, 18 May 2020

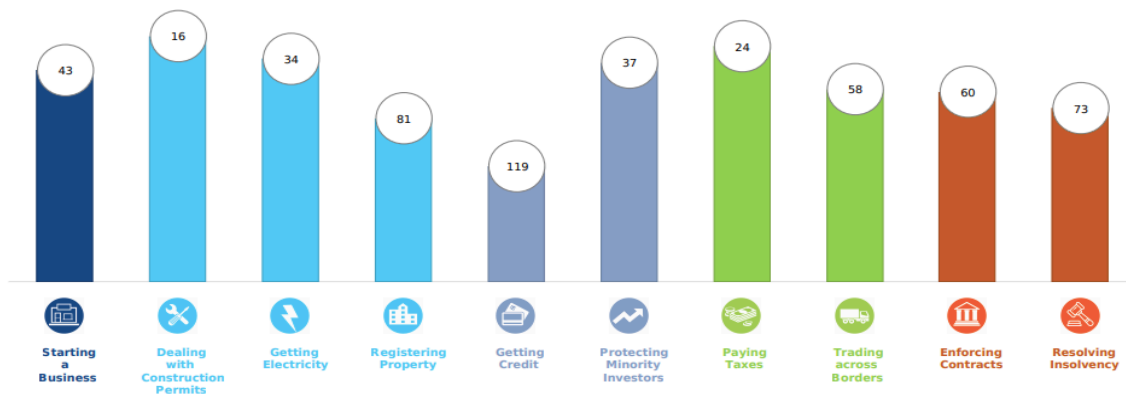
²¹ Agence Marocaine de Presse, 18 May 2020

good choice for firms looking to shorten their supply chains.²² **Guillaume Van der Loo**, a researcher at **Brussels**-based think-tank **Center for European Policy Studies**, said Morocco will benefit from its attractive investment climate, geographic location and political stability.²³ **United Nations Conference for Trade and Development (UNCTAD)** economist **Alessandro Nicita** noted:

“Morocco is very well positioned because of its proximity, because it’s part of the [European Union] EU’s regional trade agreements, its rules of origin are kind of integrated with those of the EU.”²⁴

Government incentives such as tax breaks have allowed Morocco to develop into an investment friendly destination, while its large and relatively cheap labour force make it competitive with the Chinese market, giving it an edge over central and eastern European nations.²⁵ Morocco is touted as a gateway for foreign investment in **Africa** and is one of very few countries to have established free-trade deals with both the **United States** and Europe, both of which are currently in talks for more substantial and comprehensive trade deals.²⁶ Morocco ranked 53rd out 190 economies surveyed in the **World Bank’s 2020 Doing Business** report, released in October 2019, moving up seven places from its previous ranking of 60th in the 2019 report.²⁷ Morocco maintains its lead in **North Africa** ahead of **Tunisia**, which ranks 78th, Egypt 114th, and neighbouring **Algeria** ranking 157th.²⁸

Rankings on Doing Business topics - Morocco



Source: World Bank 2020 Doing Business Rankings

The World Bank report noted that Morocco had made “paying taxes less costly by reducing the corporate income tax rate”.²⁹ Morocco’s measures to reduce taxes have attracted international and local investors to promote particular sectors, notably the automotive and aeronautics sectors.³⁰ Morocco has emerged as a hub for automakers targeting markets in Africa and Europe over the past five years.³¹ Morocco has become home to subsidiaries of large **French** carmakers **Renault** and **Peugeot** and could see increased investment into Renault’s local supply chain as the French carmaker looks to restructure its operations to focus on its core markets, including Europe and the Africa-

²² Source, analyst, Pretoria

²³ DW, 18 May 2020

²⁴ Agence Marocaine de Presse, 18 May 2020

²⁵ Source, analyst, Pretoria

²⁶ World Bank’s Doing Business 2020, 24 Oct 2019

²⁷ World Bank’s Doing Business 2020

²⁸ World Bank’s Doing Business 2020

²⁹ World Bank’s Doing Business 2020

³⁰ Morocco World News, 15 Jun 2020

³¹ Morocco World News, 15 Jun 2020

Middle East regions.³² Morocco's automotive industry is in a strong position to capitalise on Renault's restructuring plans.³³

... as new economic zone launches

The government officially launched a new economic zone in the northern Moroccan town of **Fnideq**, a city near the border with the **Spanish** enclave of **Ceuta**, on 30 June.³⁴ Morocco's proximity to the European market through the port of Ceuta allows goods and products from the Fnideq zone to enter the European common market before they leave the African continent.³⁵ The government committed in 2016 to establishing new economic zones in all 12 regions of the country.³⁶ The economic zones aim to attract foreign investors while signalling the government's strategy to spread industry throughout the country.³⁷ The zones are sector-oriented to allow companies operating in the same areas to create interdependent systems to strengthen manufacturing capabilities.³⁸

The new economic zone seeks to install essential infrastructure for economic and social development in the region under the **M'diq-Fnideq** prefecture as well as the **Tangier-Tetouan-Al Hoceima** region and is expected to attract mass economic activities with high added value.³⁹ An additional objective is to provide an alternative to informal trade activities in the region.⁴⁰ The construction of the economic zone will consist of a series of customs warehouses that will receive imports including textile as well as wholesale and food products from the nearby **Tanger Med** mega-port.⁴¹ In addition, public leisure facilities including shopping centres, restaurants, café's and green spaces will be erected along the economic zone.⁴² The Fnideq economic zone is established in an initial area of 10 hectares and is expected to eventually cover 90 hectares.⁴³

The government aims to establish a similar economic zone in the north-eastern city of **Nador**, with the same objective of providing an alternative to smuggling from the Spanish enclave of **Melilla**.⁴⁴

³² Morocco World News, 15 Jun 2020

³³ Source, analyst, Pretoria

³⁴ The North Africa Post, 30 Jun 2020

³⁵ The North Africa Post, 30 Jun 2020

³⁶ Oxford Business Group Morocco Report 2018

³⁷ Oxford Business Group Morocco Report 2018

³⁸ Morocco World News, 29 Jun 2020

³⁹ Morocco World News, 29 Jun 2020

⁴⁰ Morocco World News, 29 Jun 2020

⁴¹ The North Africa Post, 30 Jun 2020

⁴² The North Africa Post, 30 Jun 2020

⁴³ Morocco World News, 29 Jun 2020

⁴⁴ Morocco World News, 29 Jun 2020

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

17 Jul 2020 **Rabat (Morocco) Reuters. United States** commerce department opens an investigation into whether producers of phosphate fertilizers in Morocco and **Russia** are receiving unfair subsidies;

13 Jul 2020 **Rabat (Morocco) Morocco World News. High Commission for Planning** says the economy will shrink by 5.8% in 2020, down from 2.5% growth in 2019, under the combined effect of drought and the **Covid-19** pandemic;

13 Jul 2020 **Tangier (Morocco) Morocco World News.** Interior ministry suspends all public transport to and from **Tangier** to curb a recent spike in **coronavirus** cases;

13 Jul 2020 **Rabat (Morocco) Reuters.** Finance minister **Mohamed Benchaaboun** says government plans a package of 6 billion dirhams (\$624m) in aid to state carrier **Royal Air Maroc** to help it get through the pandemic crisis;

10 Jul 2020 **Rabat (Morocco) Mining Magazine.** Public mining group **Managem** signs agreement with **Germany**-based car maker **BMW** for BMW to source €100m (\$112m) worth of cobalt for battery cells;

7 Jul 2020 **Rabat (Morocco) The North Africa Post.** Interior ministry announces that anti-terrorism body, the **Central Bureau of Judicial Investigations**, has arrested four alleged members of a "terrorist cell" linked to the jihadist group **Islamic State**;

6 Jul 2020 **Rabat (Morocco) Morocco World News.** Human rights ministry denies receiving any correspondence from global non-governmental organisation **Amnesty International** before it published its report accusing the Moroccan state of spying on journalist **Omar Radi**;

6 Jul 2020 **Rabat (Morocco) Morocco World News.** Cabinet revises the 2020 budget and forecasts a fiscal deficit at 7.5% and growth at -5%;

29 Jun 2020 **(Africa) Reuters.** Draft **European Union (EU)** list shows citizens from only 10 **African** countries – **Algeria, Egypt, Mauritius, Morocco, Mozambique, Namibia, Rwanda, Uganda** and **Zambia** – will be allowed in the EU when it reopens external borders on 1 July;

20 Jun 2020 **Rabat (Morocco) Morocco World News.** Health ministry announces the easing of **coronavirus** restrictive measures from 24 June, except for the provinces of **Marrakesh, Larache, Kenitra** and **Tangier-Asilah**;

17 Jun 2020 **Rabat (Morocco) CNBC Africa.** **World Bank** board approves a \$48m loan to help **Morocco** manage the effects of the **Covid-19** pandemic;

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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