

AFRICA RISK CONSULTING

Morocco Monthly Briefing December 2019

Morocco Summary 11 December 2019

United States secretary of state Mike Pompeo visits Morocco, marking his first official trip to the region in his capacity as secretary of state. United Kingdom-based non-governmental organisation Amnesty International voices alarm over freedom of expression in Morocco after the Tribunal de première instance (court of first instance) sentences rapper Mohamed Mounir ('Gnawi') to one year in jail for insulting police on social media. Bank Al-Maghrib (central bank) data shows that the capital of Moroccan banks at the end of September stood at \$16.7 billion, representing a 6.33% increase from the previous year. Moroccan security services arrest five drug traffickers and seize a weapons cache near the southern city of Tan-Tan.

Growing regional actor

United States (US) secretary of state **Mike Pompeo** visited **Morocco** on 5 December, marking his first official trip to the region in his capacity as secretary of state and becoming the highest-ranking US official to visit Morocco since the election of President **Donald Trump** (2017-present).¹ Pompeo has called Morocco an "essential partner" in the US diplomatic strategy in the region, which aims for the normalisation of ties between **Arab** countries and **Israel**.² Pompeo's visit signifies the role that Morocco has established as a regional powerhouse – politically, economically and militarily.³

Pompeo's visit to Morocco holds several strategic implications. Primarily, the visit was about security issues. Pompeo and Morocco's minister of foreign affairs, **Nasser Bourita**, discussed a solution to **Israel-Palestine** relations, the "threat" posed by **Iran**'s attempts to "broaden its regional influence", and conflicts in **Libya** and the **Sahel** region. The US hopes the visit will strengthen its ties with a crucial ally in the area on these matters. The tour was also about strengthening economic ties. Bourita said that his talks with Pompeo covered Morocco-US trade cooperation, stipulating that **Rabat** and **Washington** have been able to achieve "close economic cooperation". The US is the third-largest importer of Moroccan goods and the fourth-largest supplier to Morocco. US investments come in seventh place among Morocco's foreign direct investments. Trade between the two countries is expected to increase in 2020.

In 2019, Morocco solidified its position as a gateway and leading investment destination to markets in **Africa**.⁴ The **World Bank** ranked Morocco 53rd out of 190 countries worldwide in its **Doing Business** report for 2020, which is a seven-place improvement on last year's ranking.⁵ Morocco ranked third out of 54 in Africa.⁶ Foreign direct investment in Morocco averaged 5.47 billion Moroccan dirhams (MAD) (\$568m) from 2004 until 2019, reaching an all-time high of MAD14.54 billion (\$1.51 billion) in the fourth quarter of 2018.⁷

Morocco also maintained its position as a leading investor in Africa. Bourita said at the third **G20 Compact with Africa** summit in **Berlin (Germany)** in November that Morocco is "the largest African

¹ Morocco World News, 27 Nov 2019

² Morocco World News, 27 Nov 2019

³ ARC's Morocco analyst

⁴ ARC's Morocco analyst

⁵ World Bank's Doing Business Report 2020, Oct 2019

⁶ World Bank's Doing Business Report 2020, Oct 2019

⁷ Tradingeconomics.com

investor in the region of **West Africa**, and the second African investor on the continent".⁸ He said almost two-thirds of Moroccan foreign direct investment goes to Africa. Bourita said that Africa and its development are a priority and at the centre of Moroccan foreign policy.

... as human rights issues and inequity persist

While Morocco has grown as a regional actor, its poor human rights record and the high level of inequality continue to be major challenges. **United Kingdom (UK)**-headquartered non-governmental organisation **Amnesty International** voiced alarm over freedom of expression in Morocco on 25 November after the **Tribunal de première instance** (court of first instance) sentenced rapper **Mohamed Mounir** ('Gnawi') to one year in jail for insulting police on social media.⁹

This year has seen several incidents by Moroccan officials that have prompted international criticism. **Sûreté Nationale** (Morocco police) arrested journalist **Hajar Raissouni** on 31 August in a gynaecological office in Rabat with her fiancé, a gynaecologist, as well as an anaesthetist and a nurse over alleged illegal sexual relations resulting in pregnancy and illegal abortion (see *ARC Briefing Morocco September 2019*).¹⁰ The arrest and ensuing court case have sparked fierce criticism from a broad spectrum of Moroccan civil society and international human rights agencies, which accused authorities of abusing the country's laws to target women and crack down on free speech. Campaigners said the trial showed how far the country has to go in making progress on women's rights.

Morocco has struggled to make its development boom felt by everyone. Morocco has developed rapidly over the past decade, which has led to the transformation of much of the northwestern coastline with multi-billion-dollar infrastructure projects. Economic growth averaged 4.5% from 2000-2012, and around 3% since then. However, the World Bank says a quarter of Moroccans are either poor or at risk of poverty and the **United Nations Human Development Index** ranks Morocco 123rd due to the lack of access to education and health services in rural areas.¹¹

King Mohammed VI (1999-present) aims to address these issues in 2020. On 19 November he appointed former interior minister and ambassador to **France**, **Chakib Benmoussa**, as head of a special committee in charge of Morocco's new development model.¹² The creation of the special committee is widely seen as a strategy by the king to improve his and his country's reputation with Western governments to pull in more foreign investment.¹³ Additionally, the government said this month that it had allocated MAD7.4 billion (\$768m) to combating social and regional in 2020.

Expansion of the banking sector

The **Bank Al-Maghrib (BAM)** (central bank) released banking sector data for the third quarter on 9 December, which shows that the capital of Moroccan banks at the end of September stood at \$16.7 billion, representing a 6.33% increase from the previous year, while the profits of eight leading Moroccan banks reached \$1.1 billion, representing a 0.96% increase.¹⁴ Moroccan banks continued to expand their operations across the continent in 2019, the revenues of which have been soaring. Morocco's banking sector success is spurred by the kingdom's ambition to expand its business links throughout the continent – which is set to grow in 2020.

BAM data shows the total net banking income increased by 6.6%, reaching \$5.62 billion. The two largest Moroccan banks, **Attijariwafa Bank** and **Groupe Banque Populaire (GBP)**, both increased by 4.76%. **Société Générale** also grew by 6.27%. GBP had the largest capital increase with about

⁸ Morocco World News, 20 Nov 2019

⁹ Amnesty International, 25 Nov 2019

¹⁰ Morocco World News, 9 Sep 2019

¹¹ 'Morocco' United Nations Human Development Index 2019

¹² Asharq Al-awsat, 19 Nov 2019

¹³ Source, analyst, United Kingdom

¹⁴ Asharq Alawsat, 9 Dec 2019

9.95%, followed by **Banque Marocaine du Commerce Extérieur (BMCE) (Moroccan Bank of Foreign Commerce)** (8.4%), **Crédit Immobilier et Hôtelier Bank (CIH Bank)** (7.03%), and **Crédit Agricole** (6.27%). However, Morocco's major banks had uneven profit growth. The BMCE and CIH Bank saw negative growth, with BMCE's profits decreasing by 16.7% compared to last year and CIH's profits dropping by 28.6%. The net profits of the remaining banks operating in Morocco varied between a minimal increase of 2.17%, for the **Banque Marocaine du Commerce et Industrie (BMCI) (Moroccan Bank of Commerce and Industry)**, and 29.41% for **Crédit Agricole**.

Attijariwafa Bank, **BMCE Bank Of Africa** and **Banque Centrale Populaire (BCP)** are leading the way in the internationalisation of Moroccan banks in Africa. BCP on 17 October acquired a 71% stake in **Antananarivo (Madagascar)**-headquartered **Banque de Madagascar et de l'Océan Indien (BMOI)** from France-based **Banque Populaire et Caisse d'épargne (BPCE)**.¹⁵ BCP is the sixth leading banking group on the continent and has now become the only African bank present in **North Africa, West Africa, Eastern Africa** and the **Indian Ocean** area.

The Sahel security issue

Moroccan security services on 22 November announced the arrest of five drug traffickers near the southern city of **Tan-Tan** and the seizure of a weapons cache.¹⁶ Despite the regular identification of terrorist networks by Moroccan security forces, terrorism and organised crime will continue to pose a security risk in 2020-24, particularly in the south. Handling of the **Sahel** region has also been a major obstacle to Moroccan-Algerian ties.

The **Direction Générale de la Sûreté Nationale (DGSN)** (general directorate of national security) said after a preliminary investigation into the drug and weapon cache seizure that it is seeking to determine possible ramifications with organised crime networks in the Sahel region. The Sahel region is a growing security concern for Morocco. Terrorist groups operating in the region have grown in recent years and are increasingly resorting to organised crime and trafficking to fund their activities.

The Sahel region has also been a sticking point in Moroccan-Algerian relations. The participation of Morocco at the high-level security summit of the **Economic Community of West African States (ECOWAS)**, where the kingdom shared a vision of joint action to combat terrorism and other security threats, stands in stark contrast with Algeria's indifference to Sahel issues. While Algeria favours a unilateral approach, Morocco considers that unilateral approaches have proven ineffective and calls for a comprehensive and collective approach based on coordination between the countries of the **Arab Maghreb Union**, the Sahel states and West Africa. The Morocco-Algeria border has been closed since 1994 after Rabat imposed visa regulations on Algerian citizens following a terror attack on the **Atlas Asni Hotel** in **Marrakech** (Morocco).

The Sahel region was a topic of concern for Pompeo's visit to Morocco on 5 December. Bourita warned Pompeo of the security challenges in the Sahel and said that the situation threatens stability and development in the entire region. Subsequently, the Moroccan foreign minister said that Rabat and Washington discussed avenues to continued cooperation in maintaining regional stability and "*defeating terrorist groups and jihadist organisations*".¹⁷

The **Institute for Economics and Peace's (IEP) 2019 Global Terrorism Index (GTI)**, which measures the impact of terrorism in the world, ranks Morocco 92nd out of 163 countries (1st is the highest impact of terrorism and 163rd is lowest impact of terrorism).¹⁸ Morocco dropped 40 places from the 2018 rankings due to a terrorist attack in December 2018, its first since 2015. Jihadi-

¹⁵ Reuters, 17 Oct 2019

¹⁶ The North Africa Post, 22 Nov 2019

¹⁷ Morocco World News, 27 Nov 2019

¹⁸ 'Global Terrorism Index 2019', Institute for Economics & Peace. The annual report is based on four main indexes: The total number of terrorist incidents in a given year, the total number of fatalities caused by terrorists in a given year, the total number of injuries in a given year and a measure of the total property damage from terrorist incidents in a given year.

inspired extremists who pledged allegiance to **ISIL** in a video killed two **Scandinavian** tourists hiking in the **Atlas Mountains**. **ISIL** had not previously been present in Morocco.

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

9 Dec 2019 **Rabat (Morocco)** *Asharq Alawsat*. The profits of eight leading **Moroccan** banks reached \$1.1 billion at the end of September, a 0.96% increase compared to the same period last year;

6 Dec 2019 **Rabat (Morocco)** *North Africa Post*. **Moroccan** government and **France-based International Energy Agency** sign a joint work programme for 2020-21 to deepen cooperation in areas of energy security, renewable energy, energy efficiency, capacity building and data and statistics;

2 Dec 2019 **Rabat (Morocco)** *Morocco World News*. **Haut Commissariat au Plan** (high commission for planning) president **Ahmed Lahlimi Alami** decries the lack of cooperation by ministers and other high-ranking public administration officials in sharing data;

28 Nov 2019 **Rabat (Morocco)** *Morocco World News*. **Bank al-Maghrib** (central bank) hosts a workshop with the **European Bank for Reconstruction and Development** to discuss making the dirham exchange rate more flexible;

27 Nov 2019 **Washington (US)** *Morocco World News*. **United States** secretary of state **Mike Pompeo** announces plans to visit **Morocco** on 4 December to strengthen ties with a “critical partner” and to normalise relations with **Israel**;

25 Nov 2019 **Algiers (Algeria)** *Morocco World News*. **Algerian** presidential candidate **Abdelmadjid Tebboune** says **Morocco** should apologise for closing the border with Algeria after the **Atlas Asni** hotel attack in 1994;

25 Nov 2019 **Rabat (Morocco)** *Amnesty International*. The **Tribunal de première instance** (court of first instance) sentences rapper **Mohamed Mounir** (‘Gnawi’) to one year in jail for insulting police on social media;

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.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)