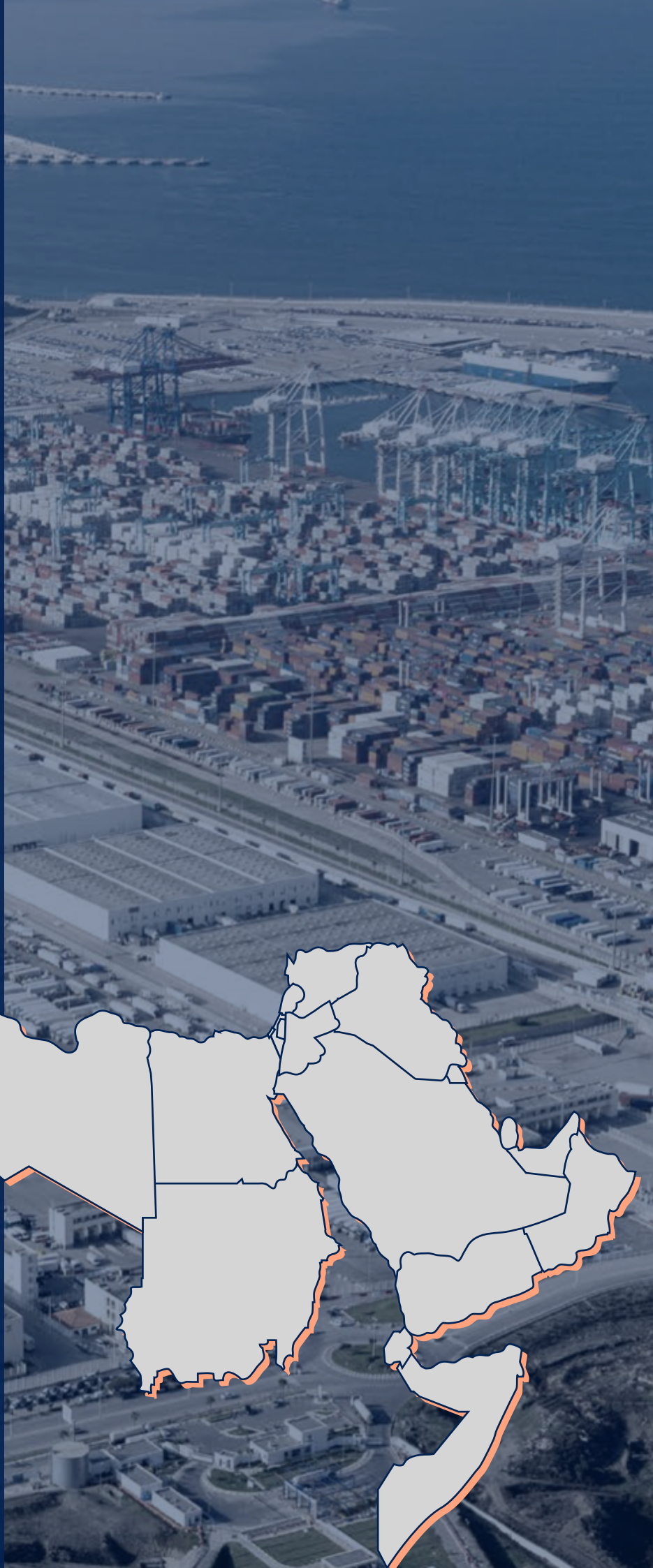
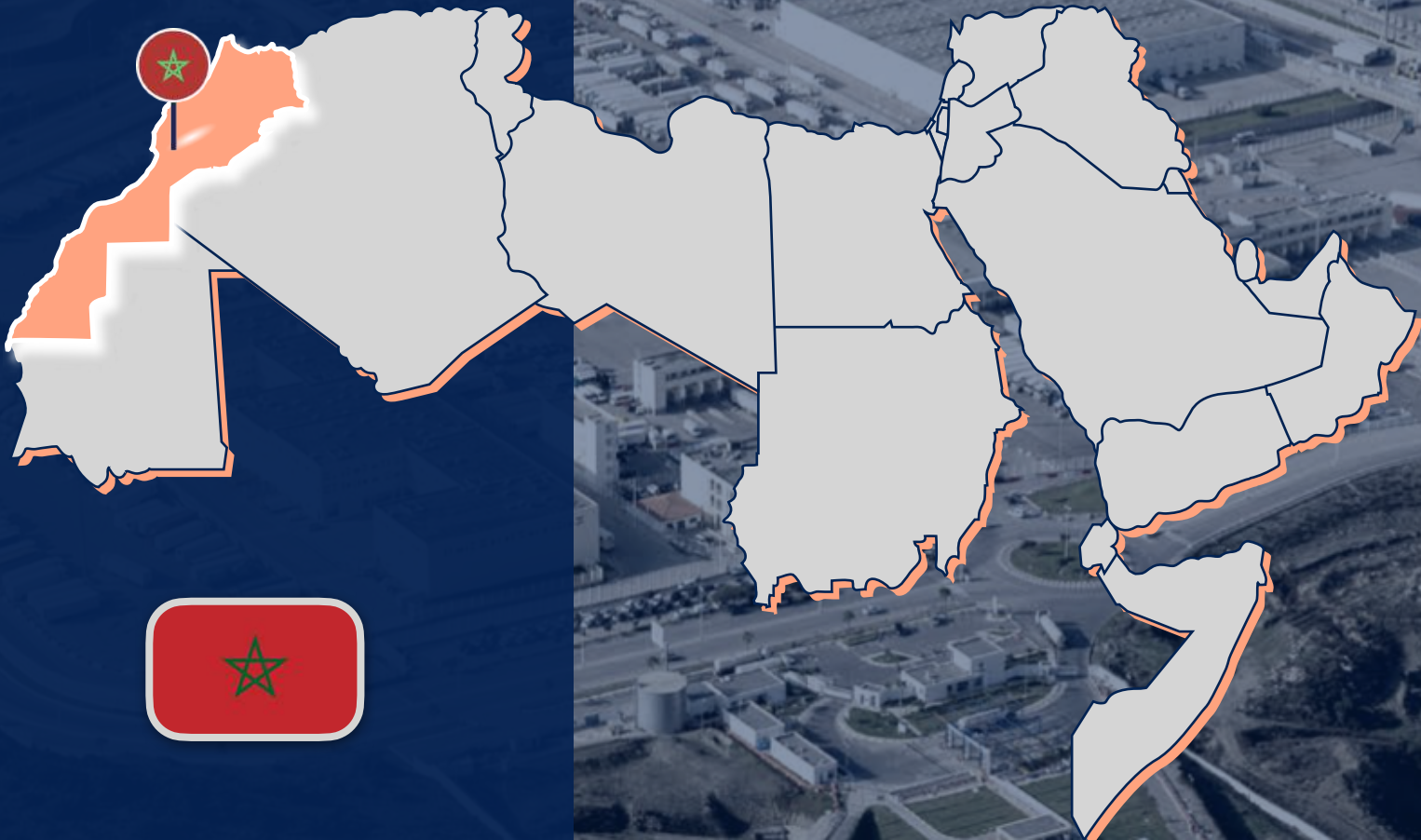
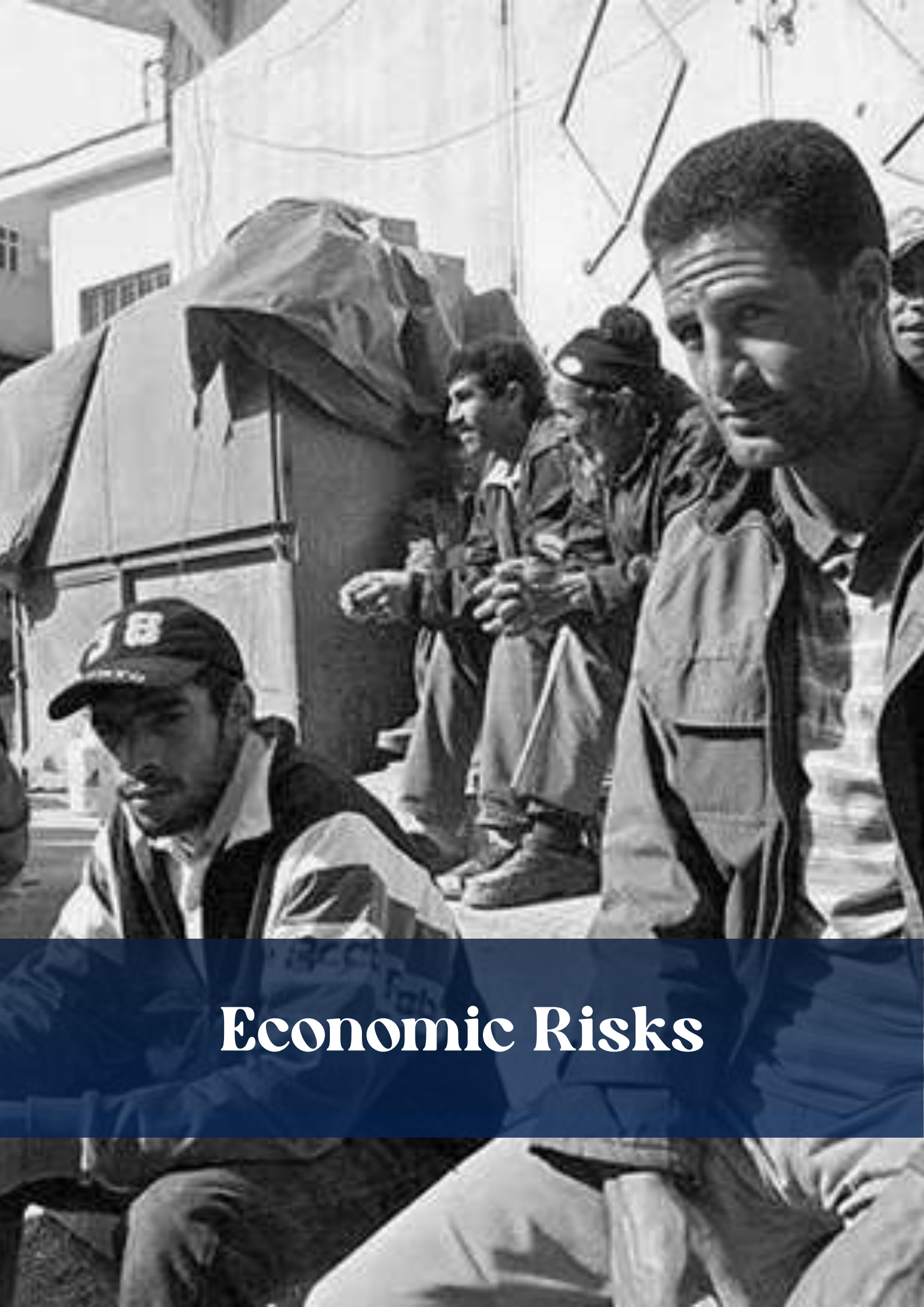


Averroes Policy Forum

Morocco White Paper





Economic Risks

Record Unemployment Rate:

Morocco's latest census reveals a troubling rise in unemployment to 21.3%. This surge results in lost economic output, higher dependency ratios, and strained public finances, slowing economic growth. Socially, unemployment contributes to exclusion, mental health issues, and delays in independence and family formation, increasing poverty. Unemployment fuels disillusionment, risking social unrest and political radicalization, leading to the phenomenon of "brain drain" – the emigration of skilled individuals – exacerbating demographic challenges and undermining long-term economic prospects by diminishing the country's competitiveness.

Rising Living Costs:

As Morocco faces economic challenges, citizens are increasingly burdened by the rising cost of living. Inflation, driving up the prices of goods and services, is a major factor. With salaries among the lowest in the region, the slow wage increases are insufficient to keep pace with soaring prices, placing a heavy strain on Moroccan households. By the fourth quarter of 2024, only 11.1% of families felt optimistic about saving in the coming year, while 88.9% saw no such possibility. The continued surge in essential commodity prices has deepened socioeconomic stress, fueling dissatisfaction and economic insecurity.

Fall in Agricultural Production:

Agriculture, which accounts for 12% of Morocco's GDP and employs a third of the population, is highly vulnerable to climatic shocks, such as droughts, and fluctuations in global commodity prices. This dependence on agriculture exposes the economy to significant volatility, as poor harvests during adverse weather conditions can have a major impact on overall economic stability.

Trump Administration's Protectionist Trade policy:

What Trump does on the Inflation Reduction Act (IRA) may also impact Morocco's place on Washington's map. The Moroccan economy has benefited from the IRA, which is based, among other things, on supplies from countries linked by free trade agreements with the United States. (Morocco has had a free trade agreement with the United States since January 2006.) With the IRA in place, Chinese companies have even turned toward Morocco, making investments there to maintain access to US markets. Meanwhile, for Morocco, it was a winning system that promoted job creation on its soil and technology transfers and strengthened its position as a key player in the green industry in Africa. But Trump working with the Republican-controlled Congress to repeal the IRA or restrict the policy could make Morocco less tempting for China, and thus result in fewer investments. In the event of growing tensions between the United States and China, Morocco could review its strategy of equidistance between these two powers.



Political Risks

Political and Economic Challenges:

While Morocco has enacted reforms since the Arab Spring, concerns persist over restrictions on political opposition, press freedom, and civil society. High unemployment, regional economic disparities – especially between urban and rural areas – and rising living costs have sparked periodic protests and social unrest. If these economic challenges are not effectively addressed, they could contribute to political instability.

Water Scarcity and Climate Change:

Morocco faces severe water scarcity and the impacts of climate change, which carry political implications. Drought-induced agricultural stress can drive rural displacement, and urban migration, and increase social tensions. The government's ability to manage water resources and respond effectively to climate-related disasters directly impacts its political legitimacy.

Digital Surveillance and Restrictions on Expression:

Concerns persist about digital surveillance and restrictions on online expression in Morocco. Journalists and social media activists often face legal challenges when covering sensitive topics, limiting political discourse and transparency. Government control over information flow can exacerbate political tensions and hinder open debate.

Governance Challenges:

Despite political reforms, Morocco still faces governance challenges, including endemic corruption, political centralization, and limited civil liberties. These issues undermine social cohesion and hinder inclusive development. Corruption deters foreign investment and erodes public trust in government institutions. While legal reforms and efforts to increase transparency are ongoing, progress has been slow. The centralization of political power in the monarchy limits the effectiveness of elected bodies, constraining democratic governance and civil liberties.



Environnemental Risks

Water Scarcity:

Morocco is one of the most water-scarce countries in the world, with limited freshwater resources. Over-extraction of groundwater, inefficient water management, and decreasing rainfall due to climate change contribute to water shortages, particularly in rural and arid regions. Morocco's Economic Social and Environmental Council (CESE) reported a decline in available water to less than 650 m³ per person annually in 2019, down from 2500 m³ in 1960. CESE Projections suggest this could plummet below 500 m³ by 2030, with climate change threatening an 80% reduction in available water resources within 25 years.

Floods:

While autumn 2024 rains offered some relief after the driest year in 80 years, torrential rains later that year killed over 20 people in Southern Morocco, flooding parts of the desert and filling Lake Iriqui, which had been dry for more than 50 years. Due to its geographic location, high rainfall variability, and topography, Morocco is also particularly prone to floods. Twenty major flood events have been registered in the past two decades, with reported damage of around \$450 million a year. Morocco's weather patterns are increasingly resembling those of Mali and Mauritania, further intensifying its vulnerability to floods.

Desertification and Land Degradation:

Desertification and land degradation are significant challenges for Morocco, driven by both natural and human-induced factors like deforestation, overgrazing, and agricultural practices. Over 90% of Morocco's land is affected by desertification, particularly in dry, erosion-prone areas in the south and east. Climate change, including prolonged droughts, exacerbates these issues, impacting the livelihoods and food security of around 1.5 million households. The growing sheep herd size has also led to rangeland depletion. This cycle of land degradation, poverty, and increased pressure on resources worsens Morocco's vulnerability to climate change.

Shoreline erosion:

Rising sea levels threaten coastal areas, causing erosion, flooding, and storms, which damage infrastructure and disrupt ecosystems. This affects key sectors like tourism, fishing, and agriculture, particularly in regions like Nador, where changes in salinity and water cycles harm local livelihoods. These environmental changes exacerbate social and economic inequality, making urgent action necessary to address the challenges posed by climate change. Climate change-induced coastal erosion in Morocco is threatening economic activities that contribute to 10% of the country's GDP, according to the report. Rising sea levels exacerbate flooding risks in coastal areas, where 65% of the

population and 90% of industry are located. By 2050, climate change could push up to 1.9 million people to migrate from rural to urban areas.

Food Security and Affordability:

Food security and affordability are pressing issues in Morocco, exacerbated by inflation and agricultural challenges over the past year. According to a recent UN report, 2.1 million people in Morocco were malnourished in 2021, with an undernourishment rate of 5.6%. This highlights the urgent need to address the country's food security crisis.



AVERROES
POLICY FORUM





Geopolitical Risks

Morocco-Algeria Dispute:

The Moroccan Sahara dispute remains a significant geopolitical issue. Tensions with Algeria and the ongoing conflict with the Polisario Front escalated after the 2020 collapse of a long-standing ceasefire. While Morocco has gained support for its autonomy plan from the U.S., Spain, and France, its diplomatic relations with Algeria, a key supporter of the Polisario Front, have reached a historic low.

Trump Administration's Strategy on Morocco's Sahara:

Under the first Trump administration, the U.S. recognized Morocco's sovereignty over Sahara, strongly supporting its autonomy plan. This marked a significant shift in U.S. policy, aligning more closely with Morocco and strengthening bilateral ties. In contrast, the Biden administration has taken a more cautious and ambiguous approach. While it has not reversed Trump's recognition, it has refrained from fully endorsing or advancing the policy. A notable example is the suspension of the planned U.S. consulate in Dakhla, a decision that has disappointed Morocco. Morocco is now closely watching the potential return of Trump for a second term, hoping for a more decisive U.S. stance on the Sahara issue.

Security and Extremism Threats:

Due to its proximity to volatile regions like the Sahel and its role as a migration transit point to Europe, Morocco is increasingly vulnerable to extremist activities. The Moroccan government has responded with comprehensive counter-terrorism strategies, including intelligence sharing with international partners, to mitigate these threats. While Morocco has been relatively successful in preventing terrorist attacks, the ongoing presence of extremist groups in the Sahel region remains a concern. To maintain security, the country must continue investing in counter-terrorism measures while balancing the protection of civil liberties.

Israel-Palestine Conflict and Morocco's Position:

The normalization of relations between Morocco and Israel has put the country in a delicate position regarding public opinion. While Morocco's government has pursued diplomatic ties with Israel, the ongoing violence in Gaza, particularly Israel's actions, has sparked widespread discontent among Moroccans. Many citizens, particularly those sympathetic to the Palestinian cause, view the Israeli military actions as massacres of Gazans, leading to growing opposition to the normalization efforts. This creates a complex tension between Morocco's strategic diplomatic interests and domestic public sentiment.