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IS MOROCCO'S MONARCHY STILL PLAYING CENTRE STAGE?

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Two years ago, two North African heads of state defied what looked to many western observers, like the natural line of gravity: Algeria's president Abdelaziz Bouteflika and Morocco's King Mohammed VI. Algeria was widely predicted to be the next country to "fall" after Zine el Abidine Ben Ali fled Tunis while the Moroccan monarch plunged into a process of bold reform in order to placate a groundswell of protest.

A new more liberal constitution was drafted and approved by referendum in 2011 and parliamentary elections which followed brought to power, for the first time in the country's history the Islamist Party for Justice and Development (PJD), whose Secretary General Abdelilah Benkirane was appointed prime minister. Is was not, however, the first time the leader of the opposition had been co-opted into government. In 1999, Hassan II invited the most important opposition party, the Socialist Union of Popular Forces (USFP) to form the government and appointed its secretary general, Abderrahmane Youssoufi as prime minister. This seemingly daring step towards democracy effectively eliminated the party from the opposition roster without allowing it to exercise real power. Is there is a third way to political change in the Arab world which steers a cautious path between authoritarian rule and the messy and violent path towards popular sovereignty which characterises Tunisia, Egypt, Libya and Yemen today?

Morocco continues to witness protests rooted in economic issues rather than political demands. Protesters have clashed with police in the slums of cities such as Tangiers but the arc of protest is much wider: from Sidi Ifni in the south to Taza in the north and some areas of Casablanca. So far economic and social protests have remained separate from political ones but they are likely to continue as current rates GPD growth - 4% in 2012 and a forecast 5,5 % this year - cannot cut the unemployment rate. Growth rates of above 7% would be required to bridge the large social gap between rich and poor.

The balance of payments deficit reached an alarming $5bn last year. The kingdom enjoys the support of the IMF which in August 2012 approved a 24-month arrangement under the Precautionary Line (PLL), equivalent to $6.2bn. This provides a useful insurance against external shocks, especially in light of the heightened uncertainty in the European Union and Middle East. The king's trip to the Gulf last autumn brought $2.5bn in promises of aid from Kuwait, Qatar, Saudi Arabia and the United Arab Emirates and promises to kick-start infrastructure investment in Morocco. Previous packages of this kind from such sources have often failed to live up to their stated intentions but political and financial support is always welcome in times of crisis. The King meanwhile has declined the invitation to join the Gulf Council and remains very keen to maintain close economic and security links with traditional friends in Europe and the US.

The deficit of the balance of trade is also rising fast and less than 50% of the kingdom's imports are covered by exports – if receipts from tourism are included, the figure is still above 30% while inflows from Moroccan workers abroad are stagnating. For its part the flow of Foreign Direct Investment is less than appears as the cost repatriating dividends abroad grows. The worsening balance of trade can be "read" two ways. Fewer and fewer Moroccan companies are able to compete internationally: the lowering of wages in Spain, Italy and Portugal is making goods produced there much more competitive –northern Europe will more and more manufactured goods in southern Europe to the detriment of Morocco, Tunisia and Egypt. Moroccan domestic policies –notably public housing and the solar energy are very expensive and in no way support the creation of vibrant new export led industries. They have a strong crowding out effect on private enterprise.

Morocco manages its free trade agreement with the EU in a manner which is detrimental to the kingdom's interests. EU companies gain far more from exporting to Morocco –much higher profit margins for instance, than the EU grants in financial aid to Morocco. The import duty on Korean and Japanese cars is 20%, on European cars nil: this offers European car makers very large profits which are paid for by Moroccan consumers. Examples of this kind suggest that relations between Morocco and the EU are too lopsided for comfort.

Where Morocco does score is in the rise of a new generation of multinational companies of its own. The state phosphate company, OCP, which boasts the largest phosphate reserves in the world is slowly but surely becoming a nimble international player – it is developing close ties with Brazil whose agriculture is in need of ever more phosphate based fertilizers and using Brazil as a launpad for further operations in Latin America. The kingdom's major banks such as Attijariwafa Bank and BMCE-Bank of Africa are developing lucrative ways of doing business in sub-Saharan Africa. Maroc Telecom is also an interesting case. At present the French company Vivendi is trying to sell its 53% stake in the company. President Francois Hollande made clear that France would not be happy were the Vivendi stake to be sold to Qatari interests –the Emir of Qatar condemned French intervention in Mali where Maroc Telecom is the lead operator. If well handled however, the future Maroc Telecom could become a major strategic player.

All these economic issues are of key importance for Morocco's future well being, but the PJD ministers do not seem to have new ideas, let alone a blueprint to offer. True they have scored a few points: by talking in vernacular Arabic – *darija* – rather than classical Arabic or French, they have sought to explain to ordinary Moroccans the real problems they face. They couch many of their speeches in the language of Islam, which accounts for why the prime minister remains so popular despite not delivering better living standards for his constituency. Trying to eliminate certain subsidies is fraught with danger for the government as popular anger can easily be deflected towards ministers which would offer the palace in Rabat a perfect opportunity to get rid of an old problem and a few ministers, if not the government, at little political risk to itself. Nothing since the new constitution was endorsed and even if the PJD came to power would suggest the monarchy has lost its capacity to play centre stage, reality tends to be pervasive.