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DIRECTORATE OF INTELLIGENCE

19 March 1985

MOROCCO: Austerity and the Military

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Summary

Morocco's weak financial situation is making it hard for the military to maintain its equipment or to modernize. Reduced foreign exchange resources have resulted in:

- Dwindling spare parts inventories,
- Reduced air force training to cut fuel costs,
- Almost a complete halt in equipment purchases abroad.

In addition, the long war in the rugged desert of Western Sahara and poor maintenance are rapidly taking US- and French-made army equipment out of operation.

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Despite the deteriorating economy and tough austerity measures, Rabat is shopping for new arms. Efforts to rebuild inventories and purchase new equipment will be hampered by the need to reschedule more military debt this year and to balance urgent social needs against military modernization.

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\* \* \* \* \*

This memorandum was prepared by [redacted] of the Maghreb Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis. Information as of 15 March 1985 was used in its preparation. Questions and comments should be directed to Chief, Arab-Israeli Division, [redacted]

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The Royal Moroccan Armed Forces have been largely apolitical since senior officers led two coup attempts against King Hassan in 1971 and 1972. The King abolished the position of Minister of Defense--both attempts had been led by Defense Ministers--and assumed direct control of the military. Although the military was tarnished by the coup attempts, its self-esteem has risen in recent years as a result of new weaponry--primarily from France and the US in the late 1970s--and subsequent successes in the Western Sahara war. [REDACTED]

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[REDACTED] economic problems affecting the flow of materiel, or a reduction in living standards could cause the military to turn against the King. Hassan is sensitive to this and has consistently stated that defense will continue to receive priority despite severe spending cuts elsewhere under Morocco's IMF-guided austerity program. Hassan recently announced that he is looking for \$1 billion to spend on arms over the next five years. [REDACTED]

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#### Military Modernization

A critical element in Rabat's continued emphasis on defense spending is the need for new arms. Equipment losses in the Sahara war have not been replaced. Furthermore, Moroccan armed forces have not kept pace with the modernization and increased capabilities of the Algerian military, which Morocco sees as the major external threat. [REDACTED]

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[REDACTED] of particular concern to the military is the rapid decline in operational readiness due to a lack of spare parts. Unforeseen diversion of maintenance funds and frequent cannibalization of equipment for a "quick fix" further lower the readiness posture. [REDACTED]

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Several recent incidents lead us to believe that the deteriorating condition of military equipment is beginning to cause serious problems in Western Sahara where 80 percent of the army is located.

- Construction of the defensive berm, completed last January, was delayed for six weeks while ground forces undertook a major maintenance program.
- The loss of a Mirage F1, shot down on 12 January by an SA-6, was caused in part by non-functioning early warning equipment.

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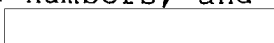
General Mohamed Kabbaj, head of the Moroccan Air Force and the new modernization efforts, says that improving air force capability would serve two major roles:

- Morocco would have a credible air defense vis-a-vis Algeria, and
- A stronger Moroccan military would force Algeria to take Morocco more seriously in negotiation on Western Sahara.



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The US Embassy in Rabat reports that if the present inventory of Moroccan aircraft were fully operational, they would not provide adequate air defense against the Algerian air threat. For example, Morocco has no capability to interdict high altitude, high speed MIG-25 aircraft such as the two Algerian MIG 25s which last year overflowed southern Morocco to the Atlantic Ocean and returned across Western Sahara. The addition of F16s or Mirage 2000s would provide some balance to the three to one Moroccan disadvantage in numbers and begin to close the technological gap between the two air forces. As for tanks, Algeria also has a three to one advantage in numbers, and its armor is more sophisticated than Morocco's.



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Selected Military Comparisons

	<u>Morocco</u>	<u>Algeria</u>
Fighter Aircraft	81	217
Tanks	328	995
APCs	914	1,836
Field Artillery	222	945

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The Military and the Economy

The Defense Budget. Morocco's defense needs have averaged about 22 percent of the national budget and six percent of GDP over the past decade. Rabat has allocated this year \$640 million for the armed forces and another \$170 million for the national police. Only education claims a larger share of national revenues. Official defense figures, however, probably understate actual spending; the cost of the Saharan conflict is estimated at \$1 million per day by the US Embassy in Rabat and is in addition to costs Morocco incurs for equipment, maintenance, modernization, and military preparedness. [REDACTED]

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Morocco's financial crunch and inflation have constrained real growth in defense spending since 1979. Moreover, these problems have forced fundamental changes in defense spending priorities. Contracts for new materiel as well as deliveries have declined and military personnel costs have consumed an increasing share of available resources. [REDACTED]

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Foreign Military Purchases. Rabat's deteriorating financial position has resulted in the reliance on foreign credits and grants to maintain its military. In addition, France and the US have been primary sources of material and arms loans. Saudi Arabia provided as much as \$350 million in military aid annually from 1977 through 1982 before cutting it off because of Morocco's questionable accounting practices and Riyadh's higher priorities in the Middle East. The USSR was a primary supplier before perceived Soviet complicity in the Saharan conflict caused King Hassan to terminate the military relationship with Moscow. Morocco's weakened financial position, however, has caused sizable arrears to mount on Rabat's \$1.2 billion military debt, especially to the French. Rabat also has narrowly avoided default on US FMS loans on several occasions. [REDACTED]

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Morocco: Foreign Military Debt<sup>a</sup>Million US \$

Austria	95
Belgium	73
Canada	6
France	610
Germany	12
Italy	45
Spain	170
United Kingdom	4
<u>United States</u>	<u>160</u>

TOTAL \$1,175

a - Estimated

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Outlook

We believe that over the next two years Moroccan military equipment requirements will become acute. The Western Sahara war is a popular cause in Morocco, and the King has little choice but to continue his military effort until a solution favorable to Morocco is found. If the King is perceived as not providing adequately for military requirements, he is likely to face strong opposition from the armed forces. [REDACTED]

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In our opinion, Hassan will give priority to military modernization at the expense of social and economic development. While this approach wins him the support of the military, the costs of the war are being questioned by an increasing number of Moroccans and could eventually cause trouble for the King. [REDACTED]

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Morocco will be hard pressed to finance its military modernization program from traditional sources of aid. Saudi Arabia has questioned the prudence of Rabat's military spending in the past and, [REDACTED] Riyadh is not likely to underwrite the total cost of Hassan's modernization program. The Saudis probably will provide as much as \$150 million annually for emergency needs, but will look to the West to shoulder a greater share of Morocco's defense purchases. [REDACTED]

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France already has refused to supply new fighter aircraft until financing is assured, a policy that probably will be extended to other Moroccan arms requests. The US Embassy in Rabat estimates that about \$17 million in overdue payments is

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subject to Brooke amendment sanctions this year of which \$8 million is due on 30 April. Available US FMS credits for fiscal year 1985 are barely sufficient to maintain the operational status of US origin equipment. 

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Morocco: US Foreign Military Sales Financing

Million US \$


<u>Fiscal Year</u>	<u>Loans</u>	<u>Grants</u>	<u>IMET<sup>a</sup></u>
1980	25.0	0.0	0.9
1981	33.4	0.0	1.0
1982	30.0	0.0	1.1
1983	75.0	25.0	1.3
1984 <sub>b</sub>	26.7	30.0	1.5
1985 <sup>b</sup>	10.0	40.0	1.7

a - International Military Education and Training grant assistance


b - Requested



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Closer US-Moroccan ties, initially well received in Morocco, are being criticized more frequently by senior Moroccan officials. Morocco may reduce its military cooperation if the terms or levels of US aid do not meet Rabat's expectations. Senior military officers, who believe that US assistance falls short of the country's needs, question the value of the US-Moroccan access, and transit agreement. 

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If Hassan is unable to obtain arms from Western sources, we believe he will turn to Qadhafi, his partner in the Moroccan-Libyan union. Libyan military stockpiles, especially Soviet-made ground force equipment, are more than adequate to fill Morocco's immediate needs--for example Libya has about 1,450 tanks in storage. Poor Algerian-Libyan relations probably would provide Qadhafi with reason to honor Hassan's request. In addition, the King may turn to Moscow for arms, as he has repeatedly intimated to US officials. Morocco has used phosphates as barter for Soviet goods in the past and could use the output from the renewed Moroccan-Soviet phosphate development project to facilitate expanded military trade. 

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SUBJECT: MOROCCO: Austerity and the Military [Redacted]

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APPENDIXMorocco's Economic Prospects

Morocco's financial position is acute. Official non-gold reserves of about \$49 million cover less than a week of imports. A large debt service burden--\$2.5 billion--will force Rabat to reschedule its foreign debt again this year. Several drought years and weak markets for Morocco's primary exports--phosphate and citrus fruit--have frustrated efforts to redress economic problems. The current account deficit--\$1.2 billion last year--persists despite the sharp decline in the burdensome oil bill since 1981--84 percent of energy supplies are imported. Coupled with a burgeoning population--over 50 percent is under the age of twenty--the country's economic ills have produced a serious unemployment situation. Thirty percent of the urban work force is unemployed. [redacted]

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Continued austerity will be the rule through the end of the decade if Morocco is to right the economy. As a result, only limited economic growth and no improvement in the standard of living is expected over the next several years. With limited financial reserves and a debt service ratio projected to exceed 60 percent this year on Morocco's \$12 billion foreign debt, Rabat has no alternative but to look for additional debt relief--including military debt--through 1987. Morocco's pressing social problems will increasingly consume scarce financial resources if the regime is to forestall unrest. [redacted]

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