

March 1, 2021

The Western Sahara: Part I

To facilitate a restoration of diplomatic relations between Morocco and Israel, the Trump administration acknowledged Morocco's sovereignty over the Western Sahara territory on December 10, reversing the three-decade U.S. policy of supporting self-determination for the Sahrawi People who make up most of the region's population. The reconciliation between Morocco and Israel was part of the so-called "Abraham Accords," which seek to normalize relations between Israel and various Muslim countries in the Middle East and North Africa. However, the decision to recognize Moroccan sovereignty over Western Sahara has drawn scrutiny from across the world as it marks a departure from the traditional U.S. approach of resolving conflicts through mediation. Rather, the Trump administration's Abraham Accords process reflects a more transactional approach that attempted to solve conflicts through ultimatums.

In this week's report, we discuss the dispute over Western Sahara and the possibility of a broader conflict. We begin with a short history of the conflict between Morocco and Western Sahara. Afterward, we discuss the truce between the two sides and why it has been difficult to come to a resolution. We will conclude the report next week in Part II with a discussion of how the next administration might deal with this shift in policy. As usual, we will close with possible market ramifications.

Background

Western Sahara is a disputed territory on the northwest coast of Africa bordering Morocco, Algeria, and Mauritania. To understand the conflict over the territory, it is important to review the history of the region starting with its time as a Spanish colony, when it was known as Spanish Sahara. Spain had established control over the territory following the Berlin Conference of 1884, where the major powers of Europe met to divide Africa among themselves. In 1957, with the end of France's protectorate over Morocco, the Moroccan government claimed Western Sahara as its territory. However, this move was immediately repelled by the Spanish. Unable to remove the Spanish military from the territory, Morocco supported a UN resolution in 1966 that would allow the region to hold a referendum to determine its independence. Although the resolution was approved by the UN Security Council, disagreements about the conditions of the referendum prevented one from ever happening. In 1973, the Polisario Front, an indigenous Sahrawi rebel group, helped Morocco in its efforts to force Spain out of Western Sahara by starting its own insurrection.

The dispute between Morocco and Spain over the referendum would eventually make its way to the International Court of Justice in 1974. In its ruling, the court denied Morocco's and Mauritania's legal ties and territorial sovereignty over the region, formally opening the door for the people of Western Sahara to hold a referendum to decide whether it would be its own nation or join Morocco or Mauritania. In a signal of its disapproval with the court decision,

Morocco sent 200,000 unarmed protesters to reclaim the region in what is now called the “Green March.” In order to prevent an escalation of tensions, Spain withdrew its troops from the region and allowed it to be split between Morocco and Mauritania.

Although Mauritania forfeited its territory to the Polisario Front, Morocco retook the forfeited land and forced the rebel group into hiding in neighboring Algeria, thereby triggering the rivalry between the two sides. Following its removal from the region, the Front participated in guerilla war tactics to regain control in 1979.



(Source: Wikipedia.com)

After being forced out of Western Sahara into Algeria, the Polisario Front created its own government and renamed the region Sahrawi Arab Democratic Republic. In exile, the group structured its government as a parliamentary republic with its own president, prime minister, and a legislative body called the Sahrawi National Council. Located in the Tindouf refugee camps, the Front controls about a third of Western Sahara, although it is mostly desert.

Despite the Polisario Front’s lack of control over Western Sahara, it has received some international support. The self-proclaimed

state received recognition from over 80 countries, although some of these countries have since withdrawn their recognition. In 1984, Western Sahara was admitted into the African Union, giving it an international platform. Additionally, it has been able to maintain trade relationships with other countries. The region’s biggest trade partner is the U.S., but it also has trade relations with the EU and China.

That being said, the Polisario Front lacks the means to protect itself from Morocco in direct combat. The group relies heavily on Algeria for military and financial support. For its part, Algeria views the Front as a cheap insurance policy to keep Morocco off its border. In the past, Morocco and Algeria have had their own territorial disputes. Morocco has laid claim to portions of the Tindouf and Bechar provinces, and the two sides fought a war over the area in 1963. Although Morocco was unsuccessful and agreed to respect the border, Algeria suspects it may try to reclaim the land and thus views the Polisario Front as an ally.

The UN Solution and the Fragile Truce

In order to resolve the dispute and minimize tensions in North Africa, the U.S. and UN helped broker an agreement between Morocco and the [Polisario Front in 1991](#). The agreement laid the groundwork for the previously agreed-upon referendum to take place in which the people of Western Sahara would decide whether they would like to join Morocco or form their own country. Just like before, disagreements about the conditions under which a referendum would be held prevented one from taking place. In 2007, Morocco did offer the region a proposal for autonomy if it accepted its rule, but the Front turned it down, preferring independence instead.

Nervous about the potential outcome of a referendum, Morocco has spent three decades undermining efforts to hold one. It has done so by paying Moroccans to move into the disputed areas, often offering food, shelter, and jobs. The country has also consistently pushed back the date for the referendum so that new Moroccan residents can be added to the voter registry. There is also a belief among Moroccans that if they wait long enough, attitudes within Western Sahara will eventually change. Moroccan maneuvering to control the outcome of the referendum has made the truce between the two sides fragile as local Sahrawi people have expressed concern and annoyance with Morocco's persistent stall tactics.

For the most part, the stalling has backfired. Attitudes for self-determination within the region have hardened over the past few decades. The Polisario Front has proven to be adept at promoting nationalism throughout the region. The Sahrawi youth have become increasingly dismissive of the UN's attempts to help the two sides come to a peaceful resolution, with many believing war is inevitable.

The two sides have been heading down a collision course for quite some time now. Following the death of Polisario Front leader Mohamed Abdelaziz in 2016, his successor, Brahim Ghali, has taken a more confrontational approach against Morocco. One of his primary targets is Guerguerat, a small village located in the southern region of Western Sahara. The area is considered a UN-designated buffer zone that neither side can cross. When Morocco began construction of a road through the village, Ghali argued that the project was a violation of the ceasefire agreement. Following Morocco's decision to continue construction and unwillingness from the UN to intervene, Sahrawis began protesting along the road.

Over the last few years, Morocco has become less tolerant of protests and has sent its military into the area to quell them. Its perceived heavy-handedness has exacerbated tensions between the two sides as the Polisario Front has posted clips of the interactions on social media platforms such as YouTube to incite the youth and persuade them to join the cause. Moreover, Morocco's most recent decision to send in the military to remove protesters that were blocking a trade route into Mauritania was used as propaganda to influence the youth. As a result, many young Sahrawis view Morocco's military action as a reason to take up arms to solve this dispute once and for all.



(Source: ma.USEmbassy.gov)

Risks of War

Prior to the agreement between Morocco and Israel in December, ties between the two countries had existed unofficially for decades. In 1961, Israeli agents told then-King Hassan II about a plot to overthrow him. Since then, the two countries have been working together to trade arms and intelligence. In fact, Morocco even allowed Israeli agents to wiretap its meeting rooms and private suites in order to help them gather intelligence on other Arab countries. This intelligence was crucial in assisting Israel in the 1967 Six-Day War. Nevertheless, the implications of the agreement on Moroccan-Israeli relations may not be as important as the regional

implications between Morocco and Western Sahara.

Indeed, a truce in the long conflict between Morocco and Western Sahara had already broken down prior to the U.S. recognition of Morocco's claim over the disputed territory, but the proclamation likely worsened tensions between the two sides. In January, the Polisario Front launched a missile attack on the buffer zone of Guerguerat that targeted Moroccan forces. The Moroccan government has thus far dismissed claims that it is fighting a war and attributed the attack as part of the Polisario Front's propaganda campaign. Even if this claim is true, the attack does signal an escalation in tensions over the last three months. Thus, this is probably not the last attack as neither side appears willing to follow the ceasefire agreement.

Given the Polisario Front's lack of military capabilities, it is unlikely the group will try to take on Morocco directly and could favor more guerilla-style tactics. Still, conflict between the two sides has the potential to

spread throughout North Africa. The Polisario Front is rumored to have ties to radical Muslim groups such as the [Islamic State in the Greater Sahara](#), which is affiliated with [Boko Haram](#). Additionally, Sahrawi youth have been susceptible to violent propaganda. Thus, Morocco could find itself a target of terrorism again, as it was in 2003 and 2011. Therefore, this conflict could escalate from a territorial dispute to broader conflict within North Africa similar to what is happening in Sudan and Libya.

Part II

Next week, in Part II, we will discuss why Morocco wanted recognition of its sovereignty over Western Sahara, how the U.S. plans to deal with this situation, and what it could mean for other countries and markets overall.

Thomas Wash
March 1, 2021

This report was prepared by Thomas Wash of Confluence Investment Management LLC and reflects the current opinion of the author. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

Confluence Investment Management LLC

Confluence Investment Management LLC is an independent Registered Investment Advisor located in St. Louis, Missouri. The firm provides professional portfolio management and advisory services to institutional and individual clients. Confluence's investment philosophy is based upon independent, fundamental research that integrates the firm's evaluation of market cycles, macroeconomics and geopolitical analysis with a value-driven, company-specific approach. The firm's portfolio management philosophy begins by assessing risk and follows through by positioning client portfolios to achieve stated income and growth objectives. The Confluence team is comprised of experienced investment professionals who are dedicated to an exceptional level of client service and communication.