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المـــرصد الجـــهوي لليـقظة الاسـتراتيجية والذكاء التـــرابي لطنجة - تطوان - الحسيمة
Observatoire Régional de Veille Stratégique et d'Intelligence Territoriale de Tanger–Tétouan–Al Hoceïma

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What China's Growing Presence in the Regional Electric Mobility Sector Means for the Region's Industrial Positioning in the European Union

STRATEGIC SIGNAL

Following Alert 42 on the tightening of European local content requirements, a new development warrants close attention: the growing presence of Chinese investments in the regional electric mobility sector. Tanger Tech is now expected to host nearly a dozen Chinese companies, **including BTR New Material Group, Sentury Tire, and APG,** strengthening the industrial ecosystem by expanding into battery materials, tires, and smart automotive equipment. This trend enhances the region's industrial capabilities but comes at a time when the European Union, under the **Industrial Accelerator Act,** is seeking to reduce its dependence on China across the electric vehicle value chain. Morocco continues to benefit from equivalent treatment under its Association Agreement with the EU, in force since 2000, while Rabat's cautious response to China's June 2026 proposal for a Free Trade Agreement (FTA) reflects its intention to avoid being perceived as a conduit for Chinese industrial overcapacity. The key question is whether this trend could reinforce the European perception of Morocco as a platform for circumventing rules of origin, thereby weakening its position as a trusted industrial partner.

KEY HIGHLIGHTS

Moving upstream in the battery value chain: BTR is investing MAD 6 billion in Tanger Tech to develop two battery materials production facilities, creating more than 1,150 direct jobs. The first plant is expected to reach an annual production capacity of 50,000 metric tons.

A growing and increasingly strategic Chinese presence: Nearly a dozen Chinese companies are now established or committed to investing in Tanger Tech, including **Sentury Tire** (a USD 490 million investment with an annual production capacity of 12 million tires) and **APG** (a USD 70 million investment), which is establishing its first manufacturing facility outside China by combining local resources with Chinese technology.

Integration into an already well-established industrial ecosystem: These investments further strengthen an automotive ecosystem already anchored by Renault, Tanger Med, Tanger Automotive City, and Tanger Free Zone, bringing together more **than 150 suppliers and 40,000 direct jobs.**

China's dominant position across the electric vehicle value chain: In 2025, China accounted for **more than 80% of global battery cell production,** approximately **85% of cathode materials production**, more than **90% of anode materials production**, and nearly **70% of critical minerals refining.** This structural imbalance underpins the European Union's increasingly restrictive policy stance.

A structural dependence on the European market: The automotive industry remains Morocco's leading export sector, **with MAD 154.4 billion in exports in 2025,** representing nearly 33% of the country's total exports. Approximately **80%** of these exports are destined for **the European Union**, making the sector particularly sensitive to any shift in European perceptions regarding the origin and local content of Moroccan-made products.

STRATEGIC ASSESSMENT – LIKELY IMPLICATIONS

A) A significant move up the automotive value chain: These investments have the potential to shift the regional automotive ecosystem toward higher value-added activities, provided they are supported by genuine local integration, effective technology transfer, and stronger participation of Moroccan companies in supply chains.

B) A potential weakening of Morocco's position as a trusted industrial partner: China's dominant role in batteries and critical materials has led some European stakeholders to view these investments as an external extension of supply chains ultimately controlled from China. However, the nationality of the investor alone is not sufficient to establish that rules are being circumvented. The decisive factors remain the origin of components, the extent of substantial transformation carried out in Morocco, and the traceability of the entire production process.

C) A risk of progressively tighter regulatory requirements for the region's industrial output: An unfavorable shift would not result in the closure of European markets, but rather in a gradual erosion of the region's competitive advantage. This could take the form of stricter origin verification under the European Union's non-preferential customs rules, more demanding traceability requirements, or the exclusion of certain vehicles from public procurement markets and support mechanisms, whose local content requirements are set to take effect starting in 2029. The main impact would therefore be on eligibility for incentives and support schemes, rather than on the right to export.

STRATEGIC ASSESSMENT – KEY WATCHPOINTS

- **Morocco's status under the "Made in EU" framework :** The equivalent treatment granted under Morocco's free trade agreement with the European Union remains favorable but is not guaranteed in the long term. The European proposal allows for the partial or full exclusion of a partner country from equivalent treatment if its integration is deemed likely to increase the EU's dependency or undermine the security of its supply chains.
- **Distinguishing industrial investment from import dependency :** The true value of these projects will depend on the extent of local integration, procurement from Moroccan suppliers, the level of substantial transformation carried out in Tangier, and the creation of skilled jobs and research and development (R&D) activities.
- **European assessment of regional value-added content :** European automakers' sourcing decisions will increasingly depend on the Moroccan value-added content and the traceability of components. This underscores the importance of demonstrating genuine local production, employment creation, and the integration of Moroccan suppliers into the value chain.
- **Pressure on the regional labor market and the risk of uncontrolled workforce turnover :** The rapid expansion of the industrial ecosystem, driven by new facilities in strategic segments, is increasing pressure on an already highly sought-after skilled workforce. This trend could lead to higher employee turnover and rising wage pressures, potentially affecting production stability and the development of local capabilities. Monitoring the alignment between investors' workforce needs and the region's training capacity will therefore become a key indicator of the ecosystem's long-term sustainability.

STRATEGIC RECOMMENDATIONS

Beyond the specific case of Chinese industrial investments, this alert highlights the region's broader positioning within the ongoing reconfiguration of Euro-Mediterranean value chains. The transition period before local content requirements take effect in 2029, together with the legislative process that remains underway, provides a window of opportunity to strengthen the region's position as a trusted industrial partner. Several strategic directions should be considered.

1. **Build a strong case for Morocco as a trusted industrial partner :** Demonstrate the region's contribution to European value chains by highlighting local value added, jobs created, compliance with European standards, customs traceability of components, and the logistical reliability of Tanger Med. The objective is to demonstrate that the region is a fully integrated production and manufacturing hub within the Euro-Mediterranean area, rather than a platform for minimal assembly operations.
2. **Promote stronger local integration commitments from investors :** In coordination with national authorities, link support for future investment projects to measurable commitments regarding the use of Moroccan suppliers, workforce training, technology transfer, the establishment of research and development (R&D) activities, and the traceability of production inputs. This would help ensure that new investments become a driver of productive autonomy rather than an extension of existing external dependencies.
3. **Preserve the geographic diversification of the industrial ecosystem :** Continue attracting European, Japanese, South Korean, and North American investors in battery components, power electronics, battery management systems, and recycling. Maintaining a diversified investor base will reduce the risk that an excessive concentration of capital and technology from a single country could undermine either the ecosystem's resilience or international perceptions of its strategic positioning.

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