

Why Brussels Sees a Chinese Trojan Horse in Morocco's Auto Boom

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

On a 500-hectare stretch of farmland outside the Moroccan port city of Tangier, sheep still graze right up to the walls of an industrial complex that has become an unexpected front in the trade war between Europe and China. Inside the Mohammed VI Tanger Tech City, nearly a dozen Chinese auto-parts and battery manufacturers are racing to build factories. Sentury Tire is already operating. BTR New Material Group, the world's largest supplier of battery anodes, is constructing a plant. APG, a Chinese brakes manufacturer, plans to open a \$70 million facility this year. Roughly \$6 billion in Chinese capital has poured into Morocco since the pandemic, according to Rhodium Group data, and EU officials are increasingly alarmed.

The reason is geography married to paperwork. Morocco sits a short ferry ride from Spain and holds free-trade agreements covering some 50 countries – including the European Union and the United States – granting access to roughly 2.5 billion consumers. The country markets itself to overseas manufacturers with a five-year business-tax holiday, a young workforce, and green energy. For Chinese carmakers facing EU tariffs of up to 45% on electric vehicles, that combination is irresistible. Build a factory in Tangier, finish the components there, and the goods can in principle enter Europe tariff-free.

Brussels is not amused. EU Trade Commissioner Maro efovi described the investment as a symptom of Chinese industrial overcapacity at home being routed through 'transshipment' – using trade partners as middlemen. 'It's becoming a big, big issue for the European economy,' he warned. The EU has stepped up trade defences against both China and its trade surrogates: last year the European Commission penalised aluminium wheels shipped from Morocco after concluding they were unfairly subsidised by both Rabat and Beijing's Belt and Road Initiative. The OECD estimates China subsidises its industry at between three and eight times the rate of OECD member countries, often through soft loans that are hard to detect.

But here's the catch: punishing Morocco is harder than it looks. Renault and Stellantis – the owner of Peugeot – run major assembly plants in the country, embedding it firmly in European supply chains. The EU is Morocco's largest trade partner, with more than €26 billion of Moroccan exports flowing north in 2025, roughly a third of the country's total. EU officials concede that distinguishing genuine Chinese industrial collaboration from tariff circumvention is genuinely difficult.

Moroccan officials reject the backdoor accusation. Yassine Elahyani, head of emerging industries at the Moroccan Investment and Export Development Agency, told a Casablanca investor conference that the country could be 'one of the best partners' for the EU's industrial strategy – 'a win-win situation.' He reminded investors that 'rules of origin' require goods to be sufficiently transformed in Morocco to be exported tariff-free to the EU. Junjie Cai of APG argued that European, Moroccan and Chinese firms can all share the benefits, with components produced near European factories at competitive prices.

The broader stakes are big. China is positioned to build out an integrated supply chain inside Morocco – from phosphate processing for batteries through factories to port links – raising the country's strategic importance for both Beijing and Brussels. The European Commission's proposed

Industrial Accelerator Act would restrict certain public procurement to European-content products; the European Association of Automotive Suppliers (Clepa) is lobbying for a tougher crackdown on subsidy circumvention. The looming test is whether the EU will classify Morocco as 'European' enough to qualify — a small piece of legal language with potentially enormous consequences for where the next generation of electric cars actually gets built.

2. Explanation

A 500-hectare patch of Moroccan farmland near Tangier has become the front line of a brewing trade war – and Brussels is increasingly convinced China is using it to sneak past Europe's tariff wall.

What's Going On?

Outside Tangier, dozens of Chinese auto-parts and battery firms are racing to build factories inside the Mohammed VI Tanger Tech City. They make tires, brakes, battery anodes – exactly the components Europe's electric-vehicle industry needs.

The problem for Brussels: Morocco has a free-trade deal with the EU, so goods made there can enter Europe tariff-free. Meanwhile, the EU has slapped tariffs of up to 45% on Chinese EVs. EU Trade Commissioner Maro efovi calls the Morocco workaround 'transshipment' and says it's becoming a 'big, big issue' for the European economy.

How To Think About It

This isn't really about Morocco. It's about what economists call 'rules of origin' – the legal fine print that decides where a product is officially 'from' when it crosses borders. The question is how much of a car has to actually be made somewhere before that country can stamp it as its own.

- Think of an international transfer in football: a Brazilian striker signed by a Portuguese club becomes eligible for European squad quotas. The player didn't change – the paperwork did. China is doing roughly that with EV components.
- Or picture a speakeasy with a side door. The front entrance (direct shipping from China) now has a bouncer charging a 45% cover. The Tangier side door has no bouncer – yet – because Morocco is technically a separate 'guest.'

Key Things To Know

- Roughly \$6 billion in Chinese capital has poured into Morocco since the pandemic, per Rhodium Group data cited in the article.
- Morocco markets itself with a five-year tax holiday, cheap young labour, green energy, and access to about 50 free-trade agreements covering 2.5 billion consumers.
- Renault and Stellantis (which owns Peugeot) already run major plants in Morocco, so EU retaliation would hurt European carmakers too.
- The EU is Morocco's biggest customer – over €26 billion of exports in 2025, about a third of all Moroccan exports – giving Brussels real leverage but also real costs if it strikes back.
- Common misconception: 'tariffs solve everything.' They don't, if your trade partners' partners can simply re-route the goods.

Why It Matters

If you'll ever buy an EV, work in manufacturing, or vote on industrial policy – this is your future. The EV transition is the biggest industrial reshuffle since the assembly line, and whoever controls the supply

chain (especially batteries) controls trillions of dollars and millions of jobs. Europe is trying to keep its auto industry alive without choking off the cheap green tech consumers want. That contradiction will shape jobs, prices, and climate progress for the next decade.

The Bigger Picture

Tariff dodging via third countries is an old story — Japan did it in the 1980s by building car plants in Tennessee; Vietnam plays this role today for some Chinese exports to the US. The new twist is that the EU is now drafting an 'Industrial Accelerator Act' to require European content in subsidised purchases, and watchdogs like Clepa are lobbying for tougher 'rules of origin.' Watch for two things: whether the EU classifies Morocco as 'European enough' to qualify, and whether other mid-sized economies (Mexico, Turkey, Indonesia) try the same playbook.

3. Key Terms Glossary

Transshipment

Re-routing goods through a third country to disguise their true origin or to take advantage of that country's trade agreements. Often used to dodge tariffs.

Rules of origin

Trade-law criteria that determine which country a product legally 'comes from.' Typically requires a minimum share of local value-added – actual manufacturing, not just repackaging.

Overcapacity

When an industry can produce far more than buyers want at current prices. China is accused of subsidising factories to produce more EVs, steel, and solar panels than the world can absorb.

Greenfield investment

Building a brand-new facility from scratch in a foreign country, as opposed to buying an existing local company. The Tangier factories are classic greenfield projects.

Belt and Road Initiative (BRI)

China's global infrastructure and investment programme launched in 2013, financing ports, roads, and factories across Asia, Africa, and Europe – often via state-backed loans.

Special economic zone

A geographic area inside a country where normal tax, customs, and regulatory rules are relaxed to attract foreign investment. Tanger Tech City is one.

Trade defence measures

Tools like tariffs, anti-dumping duties, and countervailing duties that governments use to protect domestic industries from foreign goods sold unfairly cheap (often because of subsidies).

Deindustrialisation

The decline of manufacturing as a share of an economy. European officials fear cheap subsidised imports are accelerating this in countries like Germany.

4. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. The passage primarily argues that:

- A) Morocco's automotive boom proves free-trade agreements always benefit smaller economies
- B) Chinese investment in Morocco threatens to undermine EU tariffs on Chinese goods
- C) European carmakers should abandon their Moroccan factories to remain competitive
- D) Morocco's economic strategy depends primarily on phosphate exports to China

Q2. According to the passage, why is it difficult for Brussels to simply punish Morocco with tariffs?

- A) Morocco has formally joined the Belt and Road Initiative as a member state
- B) European carmakers like Renault and Stellantis manufacture heavily inside Morocco
- C) The World Trade Organization has blocked all new EU tariffs since 2024
- D) Moroccan exports to the EU have already fallen below €10 billion annually

Q3. Which choice best states the central concern of EU officials in the passage?

- A) Moroccan workers are being underpaid in Chinese-owned factories
- B) Chinese firms may use Morocco as a backdoor to dodge EU tariffs on subsidised goods
- C) Morocco's environmental regulations are weaker than European standards
- D) Phosphate mining in Morocco is harming the EU's battery supply chain

Q4. As used in the passage, the word 'surrogates' most nearly means:

- A) Replacements that perform the same role
- B) Carriers giving birth on another's behalf
- C) Politicians speaking for a candidate
- D) Legal substitutes for missing documents

Q5. As used in the passage, 'transformed' most nearly means:

- A) Emotionally changed
- B) Substantially processed or altered
- C) Magically converted
- D) Politically reformed

Q6. Which statement about Morocco's trade strategy can most reasonably be inferred from the passage?

- A) Morocco is deliberately trying to harm the EU economy
- B) Morocco hopes to benefit from both Chinese investment and European market access simultaneously
- C) Morocco plans to leave its EU free-trade agreement within five years
- D) Morocco has banned Chinese firms from acquiring more than 49% of local plants

Q7. The passage suggests that the EU's main dilemma in responding to Morocco is:

- A) Choosing between climate goals and economic growth
- B) Balancing trade defence against the cost to European carmakers already operating there
- C) Deciding whether to leave the World Trade Organization
- D) Negotiating a separate tariff deal with the United States

Q8. The author's tone when describing Brussels' position is best described as:

- A) Openly mocking and dismissive
- B) Measured and analytically sceptical
- C) Enthusiastically supportive
- D) Confused and uncertain

Q9. It can be inferred from the passage that 'rules of origin' are significant because:

- A) They determine whether goods qualify for tariff-free treatment under trade agreements
- B) They set the maximum number of foreign workers a factory can hire
- C) They guarantee minimum wage standards for assembly-line employees
- D) They specify which language must be used on product labels

Q10. Which choice provides the BEST evidence for the answer to the previous question?

- A) 'Brussels is stepping up its trade defences against both China and trade surrogates'
- B) 'rules of origin require goods to be sufficiently transformed in Morocco to be exported tariff-free to the EU'
- C) 'roughly \$6 billion in Chinese capital that has poured into Morocco since the pandemic'
- D) 'Renault and Stellantis run major assembly plants in the country'

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage primarily argues that:

Answer: B

The passage centres on EU fears that Chinese factories in Morocco will re-route subsidised goods into Europe tariff-free. (A) is wrong – TRAP A (right scope, wrong direction): the passage stresses tensions, not unambiguous benefits. SAT Tip: When a question asks for the 'primary argument,' look for the claim the author keeps returning to in multiple paragraphs, not a single supporting detail.

Q2. According to the passage, why is it difficult for Brussels to simply punish Morocco with tariffs?

Answer: B

The passage notes Renault and Stellantis run major Moroccan plants, so penalising Morocco would hurt European companies. (D) is wrong – TRAP B (right vocabulary, wrong combination): the passage mentions €26 billion in exports, not €10 billion. SAT Tip: When numbers appear as distractors, scan the passage for the actual figure before picking – wrong options often use the right unit with the wrong number.

Q3. Which choice best states the central concern of EU officials in the passage?

Answer: B

efovi's 'transshipment' quote and the article's framing point to tariff-dodging as the core worry. (D) is wrong – TRAP C (true-sounding real-world claim, but unsupported): the passage actually presents phosphates as a Chinese advantage, not as harming EU supply. SAT Tip: 'Central concern' questions reward the option that captures the whole article, not just one paragraph's detail.

Q4. As used in the passage, the word 'surrogates' most nearly means:

Answer: A

In context – 'trade surrogates' for China – Morocco is acting as a stand-in for direct Chinese exports. (B) is wrong – TRAP B: it's the common biological meaning, but doesn't fit the trade context. SAT Tip: On vocab-in-context, substitute each option into the sentence – the right answer keeps the sentence's meaning intact.

Q5. As used in the passage, 'transformed' most nearly means:

Answer: B

The passage uses 'sufficiently transformed' in the context of rules of origin – meaning processed enough locally to count as Moroccan. (A) is wrong – TRAP B: 'transformed' commonly means emotional change, but here it's industrial/legal. SAT Tip: Technical contexts override everyday meanings – when a word appears near legal or economic jargon, expect the technical sense.

Q6. Which statement about Morocco's trade strategy can most reasonably be inferred from the passage?

Answer: B

Officials call it a 'win-win,' welcoming Chinese capital while defending tariff-free access to Europe. (A) is wrong – TRAP A (right scope, wrong direction): Morocco frames the strategy as cooperative, not hostile. SAT Tip: For inference questions, pick the option that is consistent with everything the passage says, not the one that fits just a single quote.

Q7. The passage suggests that the EU's main dilemma in responding to Morocco is:

Answer: B

Renault and Stellantis embed Morocco in EU supply chains, so retaliation hurts the EU too. (A) is wrong – TRAP C: climate goals are a real-world tension but not the dilemma the passage develops. SAT Tip: 'Main dilemma' questions test which trade-off the author actually emphasises – find the paragraph where competing considerations are explicitly weighed.

Q8. The author's tone when describing Brussels' position is best described as:

Answer: B

The author reports EU concerns seriously while noting the practical costs and contradictions of acting on them. (A) is wrong – TRAP A: there's no mockery, just careful weighing of trade-offs. SAT Tip: Tone questions reward the option that captures the author's adjectives and analytical pivots – words like 'but here's the catch' signal measured scepticism, not mockery.

Q9. It can be inferred from the passage that 'rules of origin' are significant because:

Answer: A

Yassine Elahyani cites 'rules of origin' to argue products must be sufficiently transformed in Morocco before entering the EU tariff-free. (C) is wrong – TRAP C: minimum wage rules exist in real life but aren't what the passage discusses. SAT Tip: When a technical term is defined or used in context, look for the passage sentence that gives its function – that's the inference anchor.

Q10. Which choice provides the BEST evidence for the answer to the previous question?

Answer: B

Option B directly defines the function of rules of origin: enough local transformation = tariff-free EU access. (A) is wrong – TRAP B: it uses overlapping vocabulary ('trade,' 'rules') but doesn't define rules of origin. SAT Tip: On evidence-pairing questions, find the passage line that supports your previous answer FIRST, then match it to the option that quotes that exact line.