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MOROCCO'S ECONOMIC MOMENTUM

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Morocco's economy has improved significantly over the past two decades, driven by the expansion of *le Maroc utile*, the rise of a new middle class – with an increasing number of highly competent civil servants and private entrepreneurs – and the openness of the Moroccan economy.

To anchor the reforms the monarchy must address the huge social and regional disparities head on. It must also encourage a freer and broader debate about the challenges Morocco faces in a world which is turning upside down.

"What we miss is a king, like the Moroccans". The author of this unexpected quip was General Larbi Belkheir, the Chef de Cabinet of the Algerian president, Chadli Bendjedid. It was made in 1991 as strong headwinds against bold efforts to reform the state command economy of Africa's largest country were beginning to derail the policy of the then reformist government. Two years later Algeria was in the throes of a bitter civil war.

Following a default on its foreign debt in 1983 and a realisation by king Hassan II that "everything must change for everything to remain the same", Morocco initiated economic reforms in the early 1990s. This famous quote by Tancredi, Prince Fabrizio Salina's beloved nephew in the renowned novel "The Leopard", written by Giuseppe Tomasi di Lampedusa, sums up the approach to reform two successive Moroccan monarchs have taken over the past half century. In the early 1990s, some senior US officials very much doubted the ruling Alaouite dynasty, which had reigned over Morocco since 1666, would last much beyond the early years of the 21st century. The dynasty has consolidated its hold on economic power. However, it remains uncertain whether policies taken from the Washington Consensus playbook can succeed in reducing glaring social inequalities and make the monarchy more accountable to a genuine democratic process.

Confidence in the future

Senior managers in the industrial and financial sectors in Morocco's economic capital, Casablanca, have a swagger today which was unthinkable a generation ago; a confidence in the future economic direction of their country which they perceive to be at the crossroads of the Atlantic, Europe and the Middle East, a gateway to Africa; a country whose main trading and investment partners remain the European countries but where the presence of companies from Turkey, Gulf countries and China is growing. Morocco has trade agreements with the European Union (EU) – its two leading partners are Spain and France – and a free trade agreement with the US. It offers the ultimate paradox of geopolitical absurdity: in 2021, following escalating tensions with its western neighbour, Algeria refused to renew the contract which allowed its gas to travel to Spain and Portugal via the Maghreb-Europe pipeline which crosses Morocco and was inaugurated in 1996 (Morocco took its throughput fees in the form of gas). Morocco has switched to importing Russian LNG which is regasified in Spain before being sent back to the North African kingdom. Energy logic has been stood on its head.

Morocco's relations with Algeria have been frozen for years. Hopes of a united Maghreb which had surfaced at the turn of the century have been put in deep freeze (Ghilès, 2006). But the consequences have been wholly beneficial for Morocco as they have encouraged leading

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economic actors such as the state fertiliser and phosphate rock monopoly OCP Group, banks such as Attijariwafa Bank and Banque Marocaine du Commerce Exterieur and dozens of industrial groups to grow their presence in Brazil, Africa, the Middle East, India and China. Economic ties with Israel flourish. Bad relations with Algeria have been a blessing in disguise because they have forced Moroccan businessmen and diplomats, strongly encouraged by the monarch, to decide the world was their oyster. They forced them to build ties with partners who were far more modern and demanding than Algeria might have been. Casablanca Finance City in Casablanca provides a perfect symbol of the broadening outlook of the kingdom's economic and financial elites. Open frontiers in North Africa would nonetheless bring huge advantages to all countries of the region, adding an estimated 2% to GDP every year (ibidem).

Major challenges lie ahead

Morocco's success story does carry caveats. Income disparity remains huge, the work force is poorly educated. "The average length of schooling for the Moroccan population was 5.6 years in 2019. One third of the population is still illiterate (42% of women). In 2018, more than three quarters of the employed workforce had either no schooling or only primary education. Only 12% had secondary education, and just 10% had postsecondary education" (World Bank Group, 2021). Such figures are dismal and unsustainable if Morocco is to take off economically and avoid the type of social revolt which the north-eastern Rif region has witnessed in recent years. In regional terms, wealth, jobs, healthcare and education are concentrated around three axes: Casablanca-Settat, Rabat-Salé-Kenitra and Tangier-Tetouan. These three regions account for 77% of industrial jobs[1]; the first two for 48.4% of all doctors. If one adds the cities of Marrakesh, Fez and Meknes to the first two, the three regions account for 72% of all doctors (Akesbi, 2022). This leaves eight other regions as medical deserts. The same proportions apply to education. Millions of young Moroccans are thus excluded at an early age from any hope of quality education, decent healthcare and a good job. Which explains why millions dream of fleeing their country, notably by illegal boats, for a better life in Europe. COVID-19 brought out into broad daylight a worrying statistic: 25.5 million Moroccans, 70% of the population, lead very precarious lives indeed (ibidem), a situation which is unlikely to change with annual growth rates averaging 1.1% since 2020 (World Bank, 2024).

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Morocco's ruling families are very rich and such concentration of power limits the access of newcomers. The middle class is growing but not fast enough. Climate change has led to a six-year drought in central Morocco, thereby making life a misery for millions of poor farmers. All Moroccans agree that crony capitalism remains a scourge. In a groundbreaking book which has stood the test of time, John Waterbury remarked that the state remained "the gravity centre of economic activity. Capital, whether foreign or domestic, depends on the state, the contracts it awards and the logistical support it offers".

Has the economy modernised?

Four key factors have contributed to the country's economic progress since the 1990s.

The first is the extension of *le Maroc utile*, that part of the country which is well connected by modern transport which encourages private investment. In the 1980s, that area ran along a narrow band of coastal land along the Atlantic between Casablanca and Kenitra, north of the political capital Rabat. Today *le Maroc utile* has spread to the northern port of Tangier, where the creation of an intercontinental port at the turn of the century has been a huge success, integrating part of what was traditionally a poor and rebellious region into the national economy. Tens of thousands of jobs have been created, notably in automotive and aeronautic components: 600,000 cars are assembled here and exported worldwide but mainly to Europe and to Africa; 200,000 engines are manufactured by Stellantis at Kenitra, which employ thousands of Moroccan engineers. These are not just assembly plants. The famously rebellious Rif Berbers have been disciplined by modern industry more than by the late king Hassan's harsh rule. Critics argue that big foreign investors enjoy the advantages offered by "free land" and tax breaks but the revolution underway is undeniable.

South of Casablanca, on the road to Marrakesh, are Settat, the phosphate mining area of Ben Guerir, and then the ports of Jorf Lasfar and Safi, which phosphates have turned into major hubs of economic activity. The state phosphate monopoly OCP Group has hugely increased the percentage of rock, which is transformed into fertilisers, which are mostly exported; improved

1. Recent report of the Confederation Generale des Entreprises du Maroc (CGEM).

an environment damaged by a century of mining; and built schools and a university which offer the children of miners some hope of a better education and more rewarding jobs in the future. Marrakesh, the traditional capital of the south, has become a major centre for international conferences and hugely benefited from the booming tourist market – 10 million visitors to Morocco in 2010, 17 million in 2024 – which is skewed towards middle and upper-class tourism. Tourism is also encouraging the development of various resorts along the Atlantic coast north and south of Agadir (surfing and kite surfing) and in many villages in the High Atlas Mountains where bed and breakfast accommodation proliferates. That said, the painfully slow and inadequate response of the state to the devastating earthquake in the high mountains south of Marrakesh 18 months ago speaks of a state whose outreach into the poorer areas is inefficient and often corrupt.

The second is the growing numbers of very competent civil servants and private entrepreneurs. Such people existed in 2000, but their number has grown in leaps and bounds. Crony capitalism does not detract from the existence of a senior civil service, a diplomatic corps and a critical mass of engineers and technocrats who are well attuned to the ways of the world, travel widely abroad and speak English – the latter a rare bird in the 1980s. A growing number of educated Moroccans who have studied and lived abroad for a decade or more are returning to the home country because they sense it offers new opportunities. Imade Elbaraka, a partner of Deloitte, set up in 2022 a group at the company's Morocco branch in Casablanca which focuses on cybersecurity for the company's clients worldwide. The number of well-educated Moroccans like Elbaraka who were educated in Morocco and went to study in Europe before returning to their home country bring innovative ideas. They are often citizens of two countries and inject a well-informed grasp of the world into the elites of a kingdom which for centuries had turned its back on its coastal towns and shown scant interest in other countries. The educated Moroccan diaspora is spread across Europe, North America and the Gulf States. Many of its members are founding new companies in Morocco, keeping a foot on two continents.

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Is this new middle class growing fast enough? Are the traditional elites broadening their recruitment base? The economist Najib Akesbi (2022) has his doubts, but I suspect the momentum matters more than detailed figures. Furthermore, the momentum seems unstoppable. The number of well-educated Moroccans who know and travel the world while working for the state or the private sector is growing fast. Contrast this with Tunisia's failed attempt at democratisation since 2011 which is helping to destroy the elites. Does that mean that the strong grip of the monarch and his advisers on power and the economic gifts they can distribute offer a better solution? What is not in doubt is that the real progress of recent years was not foretold. The growing presence of women in senior jobs – Lamia Merzouki, the deputy head of Casablanca Finance City, is typical of many – is another huge change. This growing elite in no way detracts from the necessity of an education Marshall Plan. If that is not forthcoming, modernisation will at some point stall. The Moroccan elite certainly feels it has, in regional terms, done well but complacency would be dangerous.

The growth of the kingdom's soft power abroad deserves attention. A growing number of music festivals attract thousands of international artists from the world of pop, heavy metal and classical music to Morocco. Sufi music in Fez and Berber culture in Agadir have put both towns on the world cultural map. Traditional Moroccan crafts and clothes have been modernised and sell well to foreigners who have flocked to buy a house in Marrakesh and beyond. Daring films have broken taboos. Since it confronted a hostile Western press after the Western Sahara crisis broke in 1975, Morocco has successfully recast its image. Co-hosting with Spain and Portugal the football World Cup in 2030 will further burnish the image of a country where tradition and high tech cohabit peacefully.

Morocco's huge investment in green energy seeks to make the country a major player in decarbonisation. Solar energy and wind power along the Atlantic coast and green hydrogen offer the possibility of building mega data centres. Morocco could become a provider of energy to Europe and the United Kingdom. The Xlinks project involves building a renewable energy production site in Morocco that would couple wind, solar and battery capacities and deploying a high-voltage direct current (HVDC) unidirectional connector to the United Kingdom (UK). With a length of approximately 4,000 km, this would be the world's longest undersea power cable. The £22bn ($28bn) project would cover approximately 8% of the UK's electricity demand. Morocco could soon be providing energy to France via a possible electrical connection between Nador, on the country's Mediterranean coast, and Marseille. "Morocco can move from a net importer of conventional energy to a net exporter of renewable green energy" according to Saïd Mouline, the Director of the Agency for Energy Security[2].

The third is the role of OCP Group, which has morphed, in 20 years, from a sleeping beauty into a nimble international player. It has also taken on an educational role. According to the US Geological Survey, Morocco boasts 50bn tons of phosphate rock reserves, 70% of the reserves worldwide. Exports of fertilisers accounted for 81% of OCP Group exports in 2024 as against 43% in 2005 (OCP Group statistics). OCP has spawned a worldwide network of joint ventures with countries across Africa, such as Ethiopia, and South America, such as Brazil among others, all of which are keen to modernise a farming sector which must produce more food to feed a growing population and confront the challenge of climate change. The latter is already afflicting Morocco, where drought has reduced crops in the central coastal plains for seven consecutive years. The government has entrusted OCP Group with building desalination plants – six are operational. OCP also has close links with India, a major consumer of fertilisers, and China. This growing international presence dovetails perfectly with the Moroccan government's stated aims of growing its diplomatic and economic links with as many countries as possible, notably in Africa.

The very idea of Casablanca as a gateway to Africa, a city from where flights take you to most African capitals but also to Beijing and New York, is undergirded by the activities abroad of OCP Group, as well as leading Moroccan banks and private companies. Looking from the office of the CEO of Casablanca Finance City, Said Ibrahimi, the new business district of Anfa – built on the site of the old airport where Churchill, Roosevelt and Generals De Gaulle and Giraud met in 1943 – speaks of a capacity to take town planning seriously which can also be seen in Marrakesh, Rabat and Tangier. That said, Africa is not an easy place to invest in, but leading Moroccans point to the need for a more proactive European policy towards the continent. Certain European companies share this vision; whether their governments do is another question.

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OCP Group's educational ambitions are symbolised by the setting up of the Mohammed VI Polytechnic University in Rabat in 2013. It also boasts a major campus in Ben Guerir, where the phosphate rock is extracted, and other Moroccan cities. Each specialises in research and teaching focused on a particular subject. The Rabat campus focuses on hard sciences, innovation and new technologies, the more recent school of Agriculture, Fertilisation and Environmental Sciences aspires to become a leader in Africa where food security is a key issue. Other focus areas include architecture and planning, computer science and biological and paramedical sciences. The teaching staff is international, as are the students. The Mohammed VI Polytechnic is built on an Anglo-Saxon vision of higher education which the CEO of OCP Group since 2005, Mostafa Terrab, brought with him after his years at MIT and working for the US Bechtel Group. These institutions are dragging Morocco into the 21st century, structuring an outward looking elite, all of which add to the kingdom's considerable soft power. They do not however offer any answer to the huge inequalities in accessing education facing most Moroccans. So far, the state does not appear to have the political will, let alone the know-how, to tackle this huge challenge.

Terrab has played a key part in turning OCP Group around and giving it a role and power it had not enjoyed before his appointment. By setting up subsidiaries with foreign companies that allow the company to operate according to international norms rather than the heavy bureaucratic constraints under which Moroccan companies operate, he has given himself a freedom to operate – a speed of decision-making which is key to success in this very fast-moving world. He is one of the many highly competent technocrats who symbolise the new Morocco – the politics of the role remain veiled, but the key point is that the monarch understands the need to appoint competent, internationally educated technocrats and leave then in the same job for years. One must wonder what the weight of certain ministers is when faced with such people.

The fourth is related to the open nature of the Moroccan economy. This openness was symbolised by the decision of the then prime minister, Driss Jettou (2002-2007), to sign the Open Sky agreement with the EU in 2006, leaving the challenge of ensuring the survival of the national carrier Royal Air Maroc to its CEO, Driss Benhima, a brilliant technocrat who had held a number

2. See: "Morocco, The Green Kingdom | A documentary highlighting Morocco's Energy Revolution".

of senior posts. There was fierce opposition to such a decision, but the result has been to the kingdom's advantage: flights to Morocco are much cheaper than to Tunisia and many international airlines operate. In Tunisia, which has not signed Open Sky, the state carrier Tunis Air has been de facto bankrupt for years and far fewer international companies operate in and out of the country than in Morocco.

Critics point to the country's high level of foreign debt but miss an essential point. Part of that debt is accounted for by the arms race with Algeria. For the past half century, the United Arab Emirates and Saudi Arabia have agreed to foot that bill. And nothing suggests that support is wavering. It might be more realistic to calculate the kingdom's foreign debt minus what is owed to those two countries. The threat the Algerian army might pose to Morocco is often exaggerated. Ever since the February 2013 attack on the eastern Algerian gas field of Tigantourine by Islamic militants who crossed the border from Libya , Algeria has massively redeployed its armed forces to its eastern and south-eastern frontier. The Algerian high command views NATO as a far greater threat than Morocco, especially since that organisation's successful ousting of the Libyan leader Muammar Gaddafi in 2011.

The challenge which faces Morocco in the years ahead is to rethink, to a degree, its model of economic development, pursue policies which create far more jobs and allow millions of young Moroccans to acquire a better education and skills.

Some economists question the virtues of liberalisation

Najib Akesbi (2022) is arguably the most respected Moroccan economist who questions the real economic achievements of the past two decades. John Waterbury argued in his famous book that it was "illusory" to believe that entrepreneurs were prepared to take risks and "sincerely interested in the long-term development of Morocco". The respected French academic Remy Leveau remarked that such people "did not aspire to take long-term decisions but simply to be present in the process of rulemaking" (in Tangeaoui, 1993). This brings us back to the role of a state which exerts control over all levels of economic activity. As a former and brilliant economist Salahedine Mezouar (2019), who once presided the Moroccan employers' association CGEM, noted: "a culture has been created in which the private sector waits to see what the state will do to follow suit. Private enterprise is often equated with a firm's capacity to win state contracts". He goes on to question the capacity of what are essentially family companies, even their willingness, to take risks and estimates that only one third of investment comes from the private sector. The Haut Commissariat au Plan has published reports which question the return on capital of such huge state investments. The essence of capitalism is to take risks. If only state groups such as OCP Group dare take risks, that raises questions about Morocco's future economic resilience.

State investments, which a former prime minister, Driss Jettou, once damned as "inefficient", crowd out private ones and pose three questions as to their volume, their efficiency and their capacity to generate economic growth and jobs. Tangier Intercontinental is a success but what of the value building a TGV line between Tangier and Casablanca? Tickets have to be subsidised because most passengers cannot afford expensive tickets. Some airports operate way below capacity, traffic on some motorways is low because most drivers cannot afford to pay the tolls. The broader criticism is that such investments do no create desperately needed jobs (El Ameli, 2018). The large foreign direct investments (FDIs) have no trickledown effect on small and medium-sized enterprises (SMEs) which offer many intermediate jobs. Making Morocco more attractive to insert the country into global networks is fine. But what of the social needs of millions of poor Moroccans?

The liberal policies pursued over the past generation have brought unquestionable economic benefits. But many economists, not simply on the left of the political spectrum, question some of the benefits of the Washington Consensus. The World Bank which for decades was a cheerleader for Morocco's economic policy now deplores the weakness of the private sector, going so far as to reveal what everyone has known for decades, that in the much maligned informal sector 81.6% of all employment is accounted for by companies which employ fewer than 10 employees (World Bank, 2024). The World Bank analysis mirrors those of the highly respected Moroccan central bank's annual report. Since 2003, Bank Al-Maghrib has been run by one of the most remarkable servants of the king in modern history, Abdellatif Jouhari. That the World Bank should be surprised about the failing of the liberal policies promoted by the Washington Consensus should come as no surprise. After the "revolution of dignity" in Tunisia in 2011, it "discovered" that its admiration for that country's economic performance was misplaced (or maybe politically motivated).

Corruption remains a serious problem in an economic system which is not accountable to any democratic process, where there is no free media and in which political parties are a deck of cards in the hands of the palace. All power rests with the king and his advisers. It cannot be questioned, least of all by parliament, other than in restricted circles. Documents which are critical of official policy are public but few Moroccans have ever heard of them. The monarch himself has more than once asked publicly why economic growth is not higher, why more jobs are not being created. He is well apprised of the fact that 10% of the wealthiest Moroccans own 37.8% of the country's wealth while the 10% of the poorest own 2.2%. He is well apprised of the fact that, by 2020, according to Bank Al-Maghrib state debt accounted for 92% of GDP. He knows that Morocco is finding adding value a very stiff challenge indeed. Spain and France account for 49% of exports and 28% of imports. The challenge which faces Morocco in the years ahead is to seriously rethink its model of economic development, pursue policies which create far more jobs and allow millions of young Moroccans to acquire a better education and skills. No one denies the monarch has proved enlightened in many of his decisions but allowing the system to become more transparent is the price which sooner or later will have to be paid if economic growth is to accelerate, wealth be better distributed and future political stability ensured.

Confronted with the need to address the huge economic challenges Morocco faced in the early 1990s, King Hassan II created the G14, a think tank which brought together the 14 best economists and entrepreneurs in the kingdom. They came up with many ideas – the idea of a new port in Tangier was the result of a long dockers strike in Casablanca which in 1998 risked throttling the economy. His successor's willingness to reform was by no means certain when he ascended the throne in 1999 (Ghilès, 2001).

Morocco has progressed way beyond what many observers had thought possible 20 years ago. These changes have thrown up new, more difficult challenges. Morocco can never be ruled by a single party as in China or in a manner akin to the Gulf states. Its anthropological and historical fabric dictates otherwise. The Alaouites have the advantage of unquestioned legitimacy because they have been in power for three and a half centuries. The country has steered a steady course in an increasingly turbulent world. If and when they occur, bold economic and political changes can only come from the monarch, the de facto centre of power. Were he or his successor to fail to address the huge social and regional inequalities that bedevil Morocco and the lack of freedom to debate and publish, outside elite circles, the monarchy risks compromising the considerable progress made so far.

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