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RESEARCH PAPER

TRANSFORMATION OF THE MOROCCAN ECONOMY

Key Drivers, Shifts, and Future
Pathways

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Morocco has emerged as one of Africa's success stories, achieving significant progress in economic transformation and the green transition over the past 25 years. Continuing and deepening this transformation is essential to reach the country's goal of becoming a high-income economy in the coming decades. Significant challenges include managing the risk of the middle-income trap, addressing demographic pressures, promoting inclusive growth, ensuring environmental sustainability, and advancing the broader green transition. A vital part of this effort is developing innovation and technological capabilities, promoting sustainable industrialization, increasing productivity, tackling youth unemployment, and improving labor markets and workforce quality. Morocco's experience offers valuable lessons for African economic development by demonstrating the potential for industrial transformation, challenging widespread pessimism about Africa's prospects for industrialization, and positioning Morocco as a potential driver of growth. This paper reviews and synthesizes the transformation of the Moroccan economy, covering the period from 1970 to 2025 and examines government policies and provides insights into Moroccan economic change and lessons for Africa.

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LIST OF ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AI	Artificial Intelligence
EU	European Union
FDI	Foreign Direct Investment
GFC	Global Financial Crisis
GDP	Gross Domestic Product
GII	Global Innovation Index
HS	Harmonized System (douanier)
ICT	Information and Communication Technology
IPCC	Intergovernmental Panel on Climate Change
ISI	Import-Substitution Industrialization
MIT	Middle-Income Trap
MVA	Manufacturing Value Added
PCI	Productive Capacity Index
PV	Photovoltaic
SAP	Structural Adjustment Program
SCDM	Special Commission on New Development Model
SDGs	Sustainable Development Goals

CHAPTER 1:

MOROCCO IN TRANSFORMATION: AN INTRODUCTION

1.1. Background and Context

Morocco is one of Africa's top performers in terms of economic growth, industrial transformation, and the green transition, with notable progress since the late 1990s. Over more than five decades (1971 to 2023), Morocco's average annual GDP and *per-capita* GDP growth rates were 4.13% and 2.33% respectively. The Moroccan GDP growth rate exceeded the African average rate of 3.45%, but was below Asia's average of 4.92%, which is often regarded as a point of comparison for sustained economic convergence. This chapter provides a long-term historical overview of Morocco's economic development, analyzing its drivers, structural changes in Morocco, and potential pathways for future growth.

Historically, Morocco's economy was shaped by a colonial legacy of economic dependence, with France accounting for 53% of exports and 48% of imports in the immediate post-independence period (Oualalou, 2026). Since then, however, Morocco has undergone substantial economic diversification. While phosphate rock exports once dominated the external sector, Morocco has successfully moved up the value chain by exporting higher value-added phosphate derivatives and expanding into new export sectors. Major industries now include automotive and aerospace manufacturing, textiles and apparel, tourism, and logistics—transformations largely driven by closer trade integration with the European Union.

Classified as a lower-middle-income country, Morocco is projected to reach a nominal GDP *per capita* of approximately \$4,300 in 2025. While this trajectory reflects significant progress in economic performance and sectoral diversification, the government's long-term aspiration of transitioning to high-income status by 2050 remains a formidable challenge. Achieving this target will require sustained productivity growth, deeper industrial transformation, and the development of domestic technological capabilities, especially in the context of rapid global technological change, increased international competition, and a volatile macroeconomic environment (El Aynaoui and Oqubay, 2026).

Morocco's macroeconomic framework continues to have underlying vulnerabilities. As a net importer of fossil fuels, the country remains susceptible to terms-of-trade shocks and energy price fluctuations, which consistently impact the balance of payments. Consequently, energy security and import substitution have become strategic priorities. These issues have prompted policy changes, focusing on expanding renewable energy and on green industrial strategies, positioning Morocco as one of Africa's leaders in climate-aligned development planning.

The country's development trajectory has been shaped by a combination of government policy interventions, domestic institutional evolution, and exposure to external shocks. Morocco has made substantial progress in human development, particularly in health outcomes. Between 1960 and 2024, average life expectancy at birth increased from 47 to 73 years, while the rural-urban gap in life expectancy narrowed significantly from 14 to five years (UNDESA, 2025; Ajibilou, 2025). Similarly, over the same period, infant mortality declined sharply—from 146.8 to 15.5 deaths per 1,000 live births—highlighting improvements in public health infrastructure and access to services.

This trajectory of structural and social transformation has occurred in an environment marked by both global and regional volatility. Morocco's relative macroeconomic resilience—particularly in avoiding deep

recessions and maintaining growth stability—is notable, given the scale of external shocks it has faced. Between 2000 and 2025, these included the 2008 global financial crisis, oil price volatility between 2006 and 2014, the regional upheaval of the 2011 Arab Spring, the global COVID-19 pandemic and recession, and the 2023 El Haouz earthquake (Haddad et al, 2020; Haddad et al, 2023). These events underscore both the country’s ongoing exposure to global shocks, and the growing institutional and macroeconomic capacity to manage them.

The Moroccan government has implemented various policies and made adjustments that enable the state to play a vital developmental role. Explaining the role of the Moroccan government has sparked debate among researchers regarding interpretation and policy. From a structuralist development perspective, the state’s role and the application of industrial policy offer valuable lessons, and these actions are credited with the respectable performance of the Moroccan economy (UNECA, 2016; UNCTAD-UNIDO, 2011).

Conversely, Bretton Woods and neoliberal perspectives argue that the government’s role has been unnecessarily excessive, crowding out the private sector. Proponents of this view advocate for economic liberalization (World Bank, 1995, 2006, 2017, 2024). However, these neoliberal claims are neither supported by substantial evidence nor grounded in relevant development experiences that have resulted in economic catch-up and structural transformation. Government policies can always support economic transformation and may not necessarily lead to growth in specific sectors, emphasizing the significant opportunity for policy learning that constantly exists. Post-Second World War history demonstrates that the state’s developmental role and proactive industrial and innovation policies have been crucial in driving advances in industrialization and economic transformation.

1.2. Analytical Framework

Our analytical framework is grounded in structuralist development economics, complemented by an alternative paradigm that engages critically with orthodox approaches. The central argument emphasizes four interrelated dimensions:

- (a) The study underscores the primacy of structural transformation, defined as a sustained and irreversible shift from low-productivity to high-productivity economic sectors, and from resource-based to technology-intensive structures. In this context, economic catch-up remains a central concern, particularly in terms of accelerating productivity growth, and enhancing industrial and technological capabilities.
- (b) While Morocco has made notable progress in economic growth and sectoral transformation, the development trajectory needs to be revitalized. This involves consolidating earlier gains, while catalyzing new growth drivers to realize the country’s long-term ambition of attaining high-income status by mid-century. The transition demands a recalibrated policy strategy able to confront emerging domestic and global challenges.
- (c) Morocco stands at a developmental crossroads, contending with structural constraints such as the middle-income trap, demographic shifts, persistent inequalities, and the imperative of environmental sustainability. These challenges are compounded by the need to navigate a complex global environment, and to make the transition toward a green and inclusive economy (Mathews and Oqubay, 2025; UNCTAD, 2023; United Nations, 2025). In this context, accelerating progress in science, technology, and innovation (STI), strengthening technological learning, and promoting sustainable industrialization are critical policy imperatives.

- (d) The Moroccan experience is of broader analytical and comparative relevance for African economies. It provides important policy lessons for the continent's ongoing search for inclusive and sustainable development models. Morocco's experience challenges prevailing pessimism about the feasibility of industrialization in Africa, and highlights how strategic state interventions, regional integration, and the leveraging of continental opportunities can serve as catalysts for transformation beyond national borders.

Methodologically, the study adopts a historically grounded and thematically focused approach, synthesizing the structural features of the Moroccan economy over several decades. It draws on selected empirical evidence and comparative analysis to interrogate key questions related to industrial transformation, policy sequencing, and institutional arrangements. By situating Morocco within a broader African development discourse, the chapter provides insights of theoretical and policy relevance for the continent's structural transformation.

1.3. Structure of the Paper

This manuscript is organized into five main chapters, centered around four core thematic pillars. Following this introductory part, Chapter 2 offers a set of stylized facts and a critical review of Morocco's growth trajectory and patterns of economic transformation, placing them within the wider context of structural change and developmental progress. Chapter 3 examines the process of industrialization and productive transformation, analyzing the development of productive capacities, the structure and performance of the manufacturing sector, trends in export diversification, and Morocco's strategy of export-led industrialization.

Chapter 4 discusses Morocco's current developmental juncture. It explores the country's position at a strategic crossroads, highlighting key structural challenges, such as the risk of falling into the middle-income trap, the dangers of premature deindustrialization, and the urgent need to embrace green development and sustainability. It also considers the implications of demographic change, the importance of strengthening economic governance, and the country's ability to withstand and adapt to global volatility. The concluding Chapter 5 examines the broader implications of Morocco's developmental path for the African continent. It offers lessons for African industrialization, emphasizing the importance of harnessing demographic dividends, encouraging deeper continental economic integration, and promoting South–South cooperation within a changing global order. This section also proposes a research agenda, with a special focus on the role Morocco can play in guiding Africa's industrial and technological transformation, amid shifting global dynamics and the rise of the Global South.

CHAPTER II:

GROWTH AND ECONOMIC TRANSFORMATION: SOME STYLIZED FACTS

1. The Dynamics of Moroccan Economic Growth (1971-2025)

The Moroccan economy has experienced various phases since the country became independent in 1956. Over the past 50 years, its growth rate has fluctuated, reaching a high in the 1970s and 1980s, with average rates of 5.23% and 4.81%, respectively. The average annual growth rate of GDP *per capita* from 1971 to 2023 was 2.33%, reflecting the overall growth of GDP (World Bank, 2025; see Figure 1, Table 1). The country has maintained its rich history, identity, and heritage while modernizing its economy and integrating into the global market, fostering new dynamism, and reducing exposure to external risks.

The Moroccan government's strategy has focused on exploiting the country's revealed comparative advantage, which is typical for developing economies in their early stages. Morocco has relied on four key national comparative advantages:

- (a) The availability of an inexpensive, skilled, and abundant workforce continues to attract efficiency-seeking foreign direct investment (FDI) into the manufacturing industry, making it competitive in labor-intensive and export-oriented sectors. This represents a new trend, as most FDI previously went into real estate, banking, and tourism; manufacturing became the main destination after the 2000s.
- (b) Its proximity to Europe means Europe has served as the primary market for exports and a major source of investment. Furthermore, Europe has become the main source of tourism and Morocco's leading migration destination.
- (c) Morocco has leveraged its highly strategic position at the junction of the Mediterranean Sea and Atlantic Ocean, which are among the world's major shipping and logistics routes.
- (d) The country's phosphate resources have formed the basis for economic diversification and have been managed effectively, which is a rare example in Africa.

Additionally, political stability, tolerance of religious diversity, predictable policies, and security remain essential for attracting productive investment, supported by economic diplomacy that promotes openness to collaboration with all regions.

Table 1

Morocco, Average Annual Growth Rate, Comparison by Decade (1971-2023)

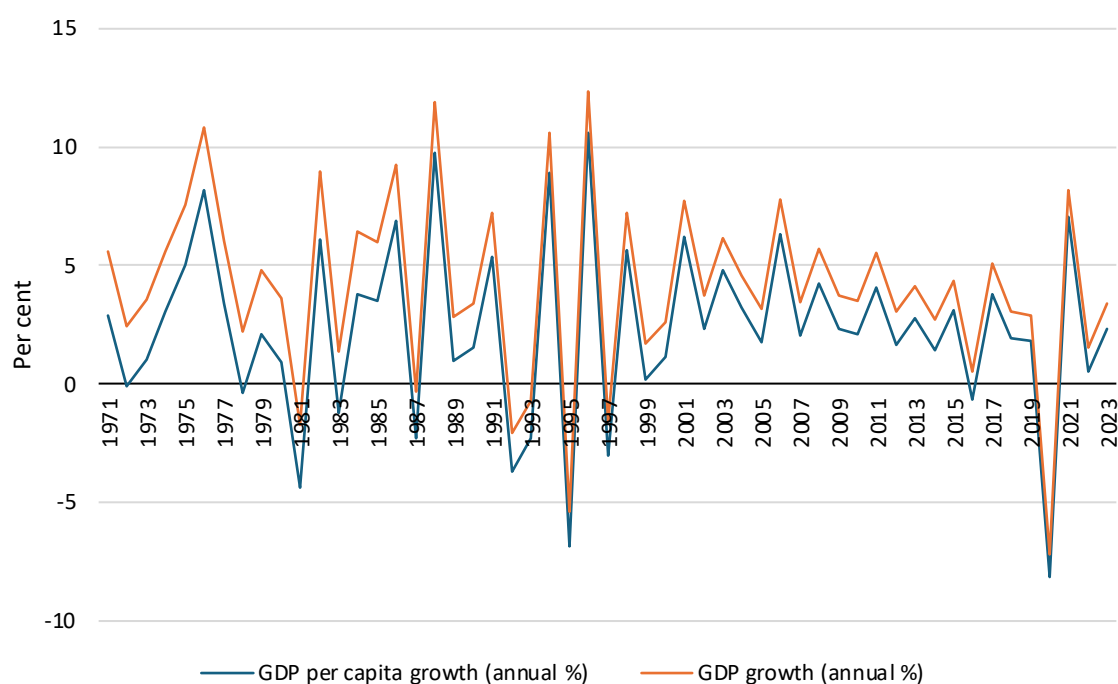
Average annual rate (%)	1971-1980	1981-1990	1991-2000	2001-2010	2011-2020	2021-2023	1971-2023
GDP growth rate	5.23	4.81	3.19	4.95	2.41	4.36	4.13
GDP per capita	2.60	2.47	1.59	3.54	1.17	3.30	2.33

Source: World Bank, World Development Indicators

Since the 2000s, these factors have combined to establish Morocco as an emerging economic hub, with successive governments implementing policies that emphasize export-led industrialization and economic diversification, pursuing pragmatic strategies and a clear developmental role for the state, while undertaking politically ambitious projects, as demonstrated by substantial infrastructure developments, industrial ecosystems, and the attraction of productive investment.

Figure 1

Average Annual Growth Rate of GDP and GDP per capita (%) of Morocco, 1971-2023



Data source: World Bank, World Development Indicators.

2. The Genesis of Moroccan Economic Growth

Morocco's economic transformation and policies can be broadly divided into three phases: the initial industrialization of the 1960s and 1970s; the period of economic liberalization from the mid-1980s to the early 2000s; and the drive for economic diversification, modernization, and industrial catch-up from the mid-2000s to the mid-2020s. This broad classification helps to understand the evolution of Morocco's economic development, and the government's growth strategy and supporting policies (Figure 2).

Early Industrialization, 1960s-1970s

In the 1960s, the dominant policy pattern was import-substitution industrialization. Morocco embarked on its Moroccanization policy in 1973, marking a key moment in the post-independence restructuring of the national economy. Framed as a strategy to assert economic sovereignty and reduce foreign dominance, particularly that of former colonial powers, the policy aimed to accelerate the indigenization of capital ownership. It involved transferring significant shares in foreign-held enterprises, especially in banking, insurance, industry, and commerce, to Moroccan nationals. The policy was implemented during a period marked by rising nationalist sentiment and a global shift toward state-led development models, especially in recently independent countries.

From a political-economy perspective, interpretations are offered on this policy. The Moroccanization policy can be seen as an effort to build a national capitalist class capable of leading industrialization and capital accumulation. In practice, however, the results were mixed. While the policy did help establish a class of Moroccan capitalists, and increased domestic control over strategic sectors, it also concentrated economic power within a small elite, often connected to political patronage networks. This raised concerns about rent-seeking, clientelism, and limited productive reinvestment, weakening the long-term transformative potential of the policy.

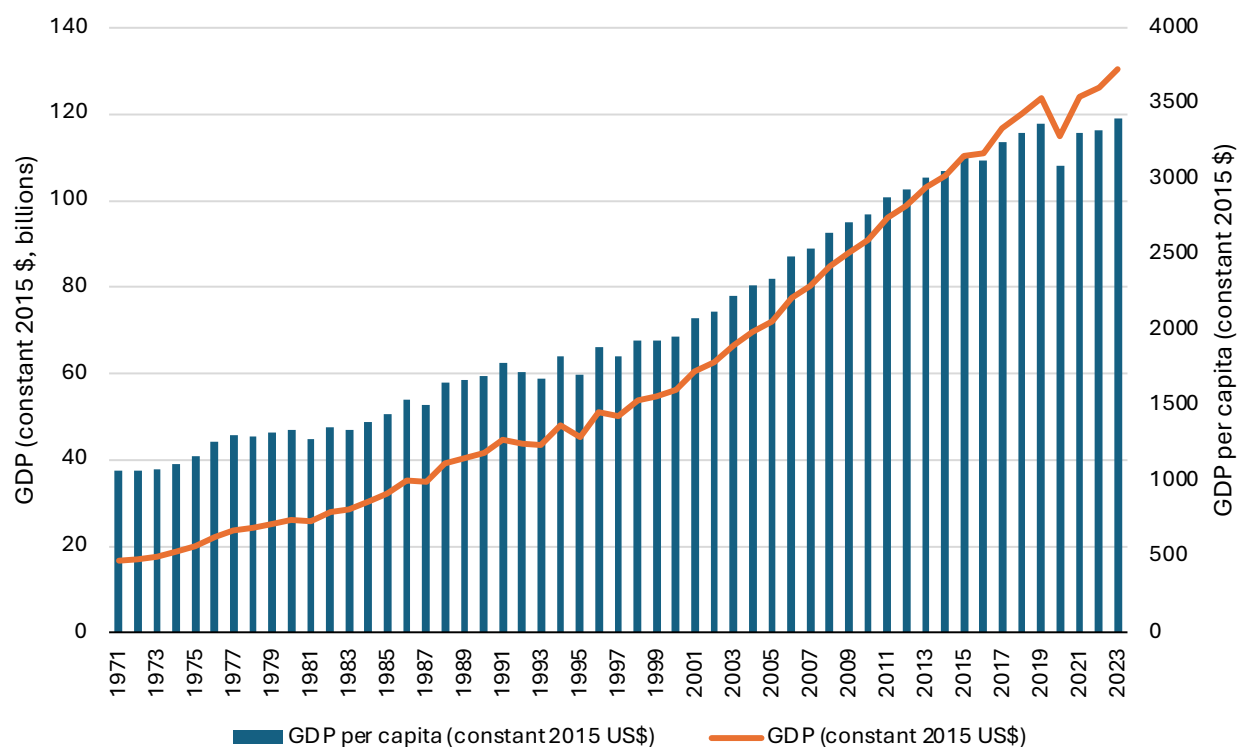
Furthermore, Moroccanization coincided with broader global and regional economic shifts, including the 1970s oil shocks and increasing state intervention across the Global South. While it aligned initially with developmentalist ambitions, its long-term impact fell short of achieving significant structural transformation, especially in technological upgrading and productivity growth. Instead, it exposed the difficulties of implementing redistributive ownership policies without concurrent institutional reforms and coherent industrial policies. Overall, Moroccanization remains crucial in the country's postcolonial economic history. It highlights the complexities of balancing nationalist economic strategies with inclusive development and structural transformation, offering valuable lessons for contemporary debates on economic sovereignty, state capacity, and elite capture in development policy.

Economic Liberalization (mid-1980s to early 2000s)

In the 1990s, Morocco's average economic growth rate declined to 3.19%. From the mid-1980s to the end of the 1990s, Morocco implemented structural adjustment programs and numerous liberalization reforms, advocated by the Bretton Woods institutions and heavily influenced by the Washington Consensus, emphasizing as primary objectives privatization, trade liberalization, and the enhancement of macroeconomic stability. The pressures during these decades highlighted the reduction of the state's role and a shift toward a facilitative industrial policy, rather than an activist approach. While Morocco's macroeconomic stability improved, there was little progress in productive capacity and industrial transformation (UNCTAD, 2019, 2022, 2023).

Figure 2

Morocco, GDP (Constant 2015 \$ Billions) and GDP per capita (Constant 2015 \$), 1971 to 2023



Data source: World Bank, World Development Indicators (better to have GDP *per capita* in PPP. The information on growth presented before is more relevant in this case).

Morocco's sustained engagement with international financial institutions—mainly the International Monetary Fund (IMF) and the World Bank—began seriously in 1979 in the context of rising external debt and growing macroeconomic imbalances. This marked the start of a lengthy period of macroeconomic restructuring driven by the conditions attached to international financial aid. While the main aim of these programs was to restore macroeconomic stability and prevent a full-scale fiscal crisis, they came at a significant socio-economic cost, including the deterioration of public services, increasing unemployment, and greater income inequality.

Between 1983 and 1990, Morocco implemented a structural adjustment program (SAP) that introduced extensive liberalization measures. These included significant tariff reductions, the dismantling of agricultural subsidies, and a notable devaluation of the dirham. The reforms reflected the wider global shift towards market liberalism and aimed to align the Moroccan economy with neoliberal principles. However, the results were mixed. While the SAP helped improve fiscal balances and control inflation, it did so at the cost of social cohesion, leading to episodes of public unrest and diminishing the state's capacity for redistribution. Meanwhile, in the mid-1980s, the global expansion of value chains grew, especially in labor-intensive sectors such as textiles and apparel. Morocco's relatively low labor costs and favorable trade agreements with the European Union enabled the country to take part in these growing global production networks. However, this integration was only partial and did not lead to substantial change. Despite some increases in exports, Morocco remained limited by low productivity, scant technological progress, and a reliance on activities with low added value.

The 1990s, in hindsight, are often seen as a ‘lost decade’ for Morocco in terms of structural change. Economic growth stayed slow, averaging just over 2%–3% each year, and the economy continued to show limited diversification and weak industrial activity. While macroeconomic indicators improved somewhat—especially in fiscal consolidation and inflation control—this did not lead to inclusive or lasting development. Nonetheless, the reforms implemented during this period laid the foundations for more ambitious policy experimentation in the following decade. Trade liberalization, regulatory restructuring, and financial sector reform—although incomplete—helped create a more stable macroeconomic environment. By the late 1990s, there was increasing recognition within policy circles of the need to move beyond austerity and stabilization toward a more proactive developmental state model.

The early 2000s signified a decisive change. The Moroccan state began to pursue a more consistent and assertive development policy, characterized by large-scale public investments, sector-specific industrial initiatives, and institutional modernization. This shift built on the stabilization and liberalization efforts of the previous two decades but moved away from their restrictive orthodoxy by reaffirming the state’s role in guiding structural transformation, infrastructure advancement, and economic upgrading.

Economic Revitalization and Diversification (early 2000s-mid-2020s)

In the early 2000s, the government took measures to develop the manufacturing sector and promote industrialization, emphasizing export markets driven by FDI as key drivers. The government has pursued economic diversification through export-led industrialization, supported by infrastructure development, which has introduced new dynamism and employed industrial policies. It adopted an active industrial policy with a cautious stance towards macroeconomic stability (Table 2). Despite these achievements, growth momentum slowed in the 2010s for various reasons, including external shocks such as slow economic growth among main trading partners, fluctuations in global commodity prices, and regional instability. During these periods, Morocco’s commitment to prudent monetary and fiscal policies laid the foundations for macroeconomic stability and enhanced investor confidence.

Significant policy measures, driven by high commodity prices, were implemented across various sectors from the early 2000s. As a major exporter of phosphates, and with a surge in fertilizer demand and prices in the mid-2000s, Morocco also attracted global automotive and aerospace firms. It established the Tanger Med industrial complex, which remains a major phosphate export hub. Progress was made despite global economic crises, including the global financial crisis of 2008-2009, the commodity price crash of 2014-2015, and the COVID-19 pandemic, all of which impacted the Moroccan economy. Additionally, Morocco was not immune to the Arab Spring protests that spread throughout much of North Africa and the Arab world, though in Morocco, these were more moderate, and the influences and context differed. The Kingdom recognized the need for reform and adopted a new constitution to promote political stability and reduce tensions.

According to the World Bank Development Indicators, Morocco’s nominal GDP increased more than sevenfold between 1971 and 2024, rising from approximately \$17 billion to \$130 billion. Over the same period, nominal GDP *per capita* increased from around \$1,069 to \$3,400. While these figures reflect substantial aggregate and *per-capita* growth in current U.S. dollar terms, they do not adjust for inflation or purchasing power. Nevertheless, the data illustrate Morocco’s long-term economic expansion and demographic transition over the past five decades (World Bank, 2025; IMF, 2025). Although average GDP and GDP *per capita* growth have exceeded the continent’s average, structural transformation and economic catch-up require significantly higher growth levels compared to other rapidly industrializing economies at a similar developmental stage, including the rapidly industrializing Asian economies of the

last three generations: the Asian Tigers, China, and Vietnam.

It was not structural adjustment that determined Morocco's long-term development path. The key lesson from Morocco's experience is that productive transformation—focusing on sectoral upgrading, export diversification, and technological capability development—must be supported by sound and coherent macroeconomic frameworks to ensure sustained and inclusive growth. This process requires strategic vision, institutional coordination, and pragmatic support for productive transformation, all while maintaining macroeconomic stability, driven by strong political ambition to implement a development strategy that achieves high growth and economic transformation.

Table 2

Summary Matrix of Phases of Moroccan Economic Development (1971–2025)

Period	Theme / Phase	Key Characteristics	Growth Performance	Development Strategy	Outcomes / Challenges	Notable Reforms & Events	Comparison with Asia / Africa
1960s–1970s	Early Industrialization & Moroccanization	- Post-independence - State-led ISI - Moroccanization movement	1971–1980 GDP: 5.23% GDP/capita: 2.60%	- Import-substitution - Strong state role	- Rising debt - Inefficient public sector	- Moroccanization Law (1973) - Creation of state-owned enterprises	- Similar to early African ISI - Fell behind Asia's export-led model (e.g. Korea, Taiwan)
1980s–1990s	Liberalization & Adjustment	- SAPs and privatization - Trade liberalization - Reduced state role	1981–2000 GDP: 4.81% → 3.19% GDP/capita: 2.47% → 1.59%	- Liberalization - Macroeconomic stabilization	- Growth slowdown - Weak industrial base	- Structural Adjustment (1983) - New Investment Code (1995)	- Similar to many African reformers - Asia accelerated catch-up (China, ASEAN-4)
2000s–Mid-2020s	Diversification & Industrial Catch-Up	- Export-led growth - Global value chains - Infrastructure boom	2001–2023 GDP: 4.95% → 4.36% GDP/capita: 3.54% → 3.30%	- Active industrial policy - Sectoral targeting	- Emerging regional hub - Industrial transformation - Inequality, youth unemployment persists	- Tanger Med Port (2007) - Industrial Acceleration Plan (2014) - Constitutional Reform (2011)	- Outpaced most of Africa - Still slower than Vietnam, China
1971–2025	Long-Term Transformation Trajectory	- Gradual shift from ISI → liberalization → diversification - Strategic use of location, FDI, and political stability - Better economic performance than African average (3.5%) - Lags behind Asia (5%–6%) in industrial transformation	Avg 1971–2023 GDP: 4.13% GDP/capita: 2.33% GDP: \$17B → \$130B GDP/capita: \$1,000 → \$4,300	- Pragmatic, adaptive strategy - Balance of openness & state role	- Stable, growing economy - Slower structural change than Asia - Resilient to global shocks	- Economic diplomacy - Investment charters - Regional integration efforts	- Better performance than African average (3.5%) - Lags behind Asia (5%–6%) in industrial transformation

Sources: Author's compilation based on data and analysis of the research monograph. Note: Although the 1980s–1990s period is grouped under one phase, it is important to recognize that crisis and growth patterns varied. After the mid-1990s, the subsequent seeds of growth were sown.

3. Demographic Transition, Urbanization, and Regional Disparities

From a long-term structural viewpoint, Morocco's economic transformation has been closely linked since the 1960s with significant demographic changes, sustained urbanization, and shifting regional development patterns. These socio-demographic dynamics form an essential—though often overlooked—part of the country's modernization journey.

One of the most notable indicators of this change is the consistent increase in life expectancy. National life expectancy at birth rose from just 47 years in 1962 to 77.3 years in 2024, making Morocco one of the top performers in Africa on this measure (Figures 3 and 4). In development studies, life expectancy is often seen as a more detailed proxy for quality of life than GDP *per capita*, as it reflects the combined results of health policies, income growth, educational progress, and the organization of human settlements.

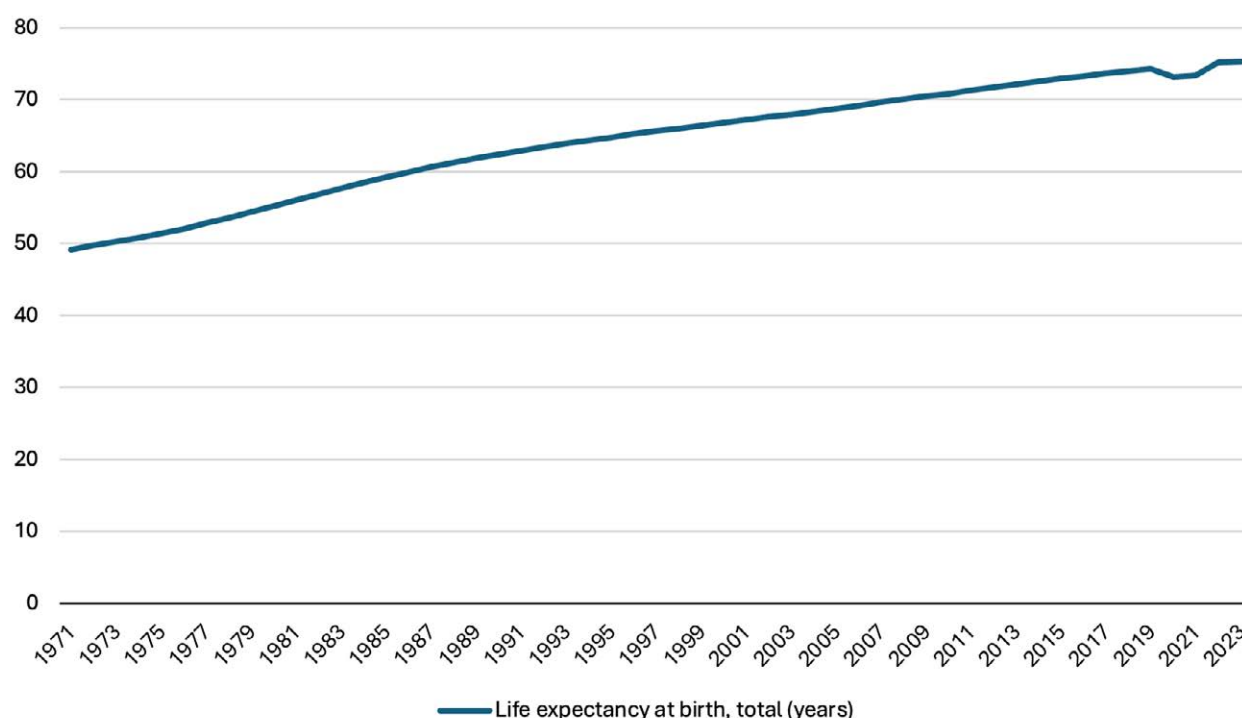
However, overall gains in life expectancy conceal significant spatial and social disparities. By 2024, the average life expectancy in urban areas had reached 79 years, whereas in rural areas it was 74 years. While this five-year gap is substantially narrower than in the past, it remains a notable sign of uneven development. In 1960, the urban-rural life expectancy difference was more pronounced—57 years in cities compared to just 43 years in rural communities—highlighting a historical trend of spatial exclusion and limited public investment in rural social infrastructure. Over more than six decades, the absolute urban-rural life expectancy gap decreased by 12 years, while national life expectancy increased by over 30 years, reflecting the cumulative effects of targeted health, education, and family planning initiatives.

Infant mortality trends further demonstrate the extent of demographic and public health progress in Morocco. The infant mortality rate decreased significantly from 146.8 deaths per 1,000 live births in 1962, to just 15.5 per 1,000 in 2024 (World Bank, 2025). These improvements result mainly from the expansion of basic healthcare services, increased vaccination coverage, and the greater availability of maternal and child health services, especially in urban centers.

Urbanization has both driven and resulted from these demographic shifts. Morocco's urban population has increased steadily as a result of natural growth and ongoing internal migration—especially rural-to-urban and urban-to-urban movements—fueled by the pursuit of employment, education, and better public services. Urbanization has led to changes in reproductive behavior, including a notable decline in fertility rates in major metropolitan areas. In Casablanca, the country's largest city, with an estimated population of 3.19 million in 2024, the fertility rate dropped to an exceptionally low 0.38. In Rabat, the administrative capital, the fertility rate reached 0.79 in the same year. This trend should be compared with the replacement rate of approximately 2.1 children per woman in middle and high-income countries. These figures indicate the beginning of demographic ageing in urban regions, which may pose future challenges related to labor supply, pension schemes, and healthcare provision.

Figure 3

Life Expectancy at Birth, Morocco (years)



Data source: World Bank, World Development Indicators.

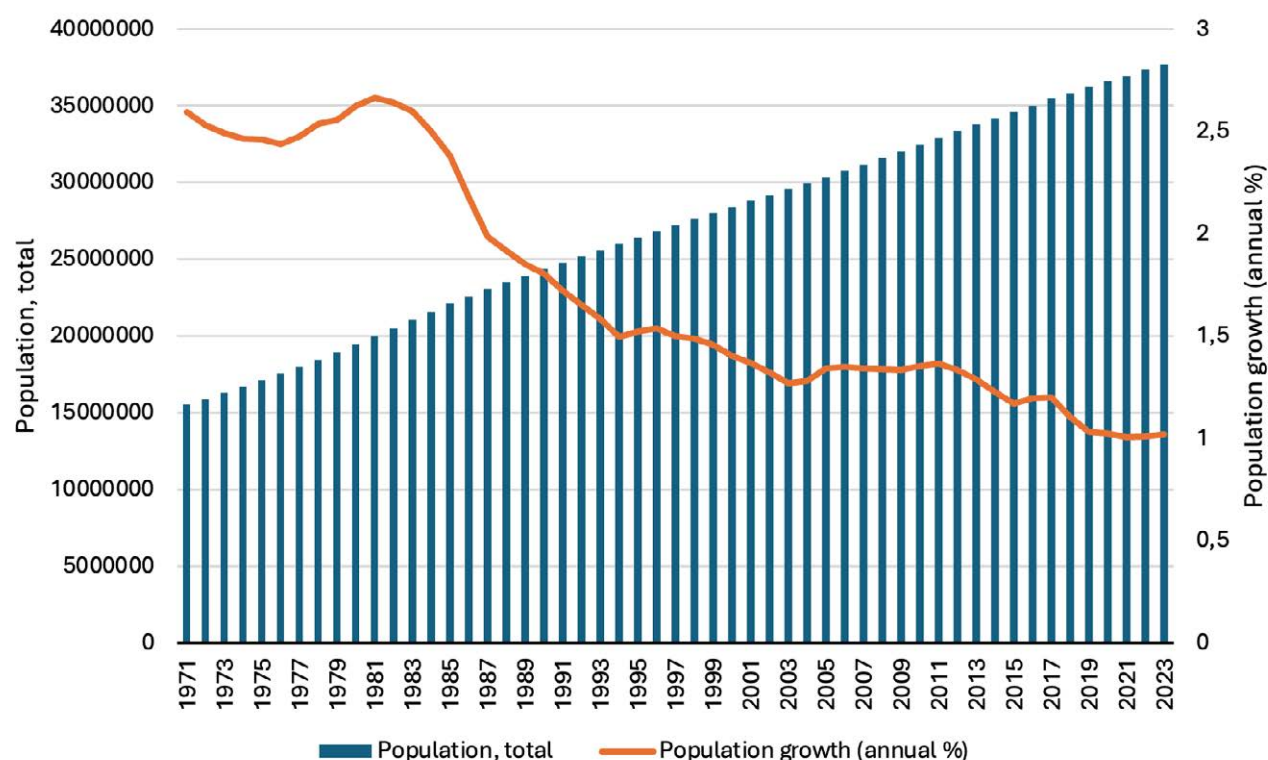
The decline in fertility, particularly in urban centers, is a significant concern. It has fallen to 1.97 children per woman on average (1.77 in urban areas and 2.37 in rural areas), below the replacement rate of 2.1 (Ajilou, 2026). Multiple interconnected trends, including a shrinking working-age population and an increase in the median age have accompanied this decline. Moreover, with nearly two-thirds of its population living in cities, Morocco has promoted healthy urbanization. Large and specialized cities, notably Casablanca, Rabat, Marrakech, and Tangier, sit alongside a concentrated yet dispersed hierarchy of metropolitan areas, secondary cities, and towns. Urbanization and urban reforms—including urban policy, city planning, infrastructure development, and regional growth—have facilitated increased industrial and economic clustering, capitalizing on thriving economic corridors. Furthermore, Morocco's urban policy has advanced efforts to promote productive cities, preserve heritage and green spaces, and contain slums (Karibi et al, 2026).

Despite perspectives influenced by Malthusian theory and the romanticization of rural beauty, urbanization remains a powerful driver of economic agglomeration, with significant spillover effects. It promotes productivity gains and encourages industrial clustering and economies of scale in firms through “localisation economies” and urbanization economies (Jacobs, 1967, 1984; Marshall, 1920; Ohlin, 1934). Morocco has experienced rapid urban growth, increasing from 112 medinas (towns) in 1900, to 365 towns and cities in 2014, the peak year, with a modest increase to 380 in 2024. The urban population grew from 3.4 million residents in 1960 to 23.1 million in 2024, representing a growth rate of 3.04% per year. In 2024, Morocco's urban population was estimated at 37.5 million, making up 66% of the total population (UN DESA, 2025). The urban population is expected to reach 77% of the total by 2050.

Regional development has shown notable specialization and concentration in coastal areas compared to the interior regions, influenced by history, trade relations in coastal zones, and improvements in accessible infrastructure over the past century. The average annual rate of urban population growth decreased from about 4% in the 1950s to the 1980s, falling below 2% in 2000-2024. It is projected to decline further, below 1%, in the 2040s (Figure 5a, 5b, 5c).

Figure 4

Population (total) and Population Growth in Morocco (Annual %), 1971 to 2023



Data source: World Bank, World Development Indicators.

The long-term demographic patterns suggest many benefits and opportunities for economic growth. However, it is crucial to recognize that they also pose significant challenges for Morocco's future development. First, unemployment remains stubbornly high, especially among young people, women, and highly educated individuals. Informality is widespread, and micro, small, and medium enterprises face considerable obstacles, particularly in accessing finance, markets, and production facilities. There are indications that unemployment is showing a modest decline recently.¹

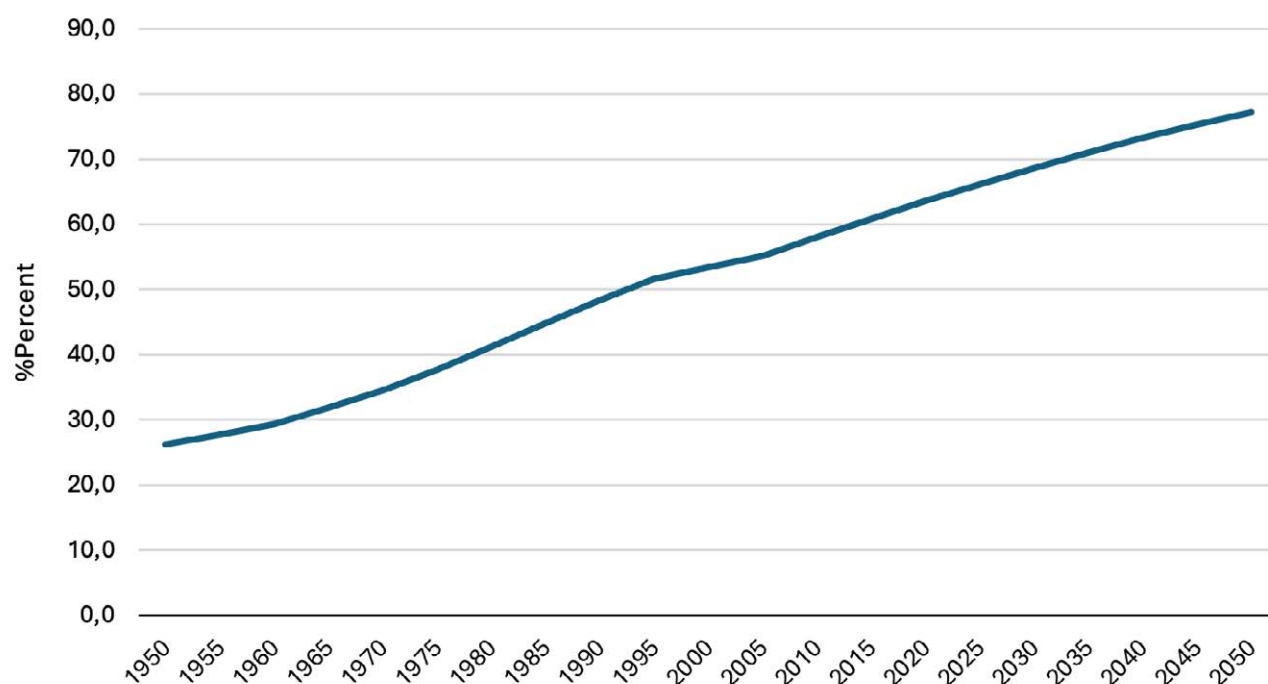
Second, migration from Morocco to Europe and the U.S. is among the highest in Africa, which reduces the demographic diversity. Third, population ageing and decline place a heavy burden on the government, particularly given the underdeveloped social security system. A new approach to tackling this strategic issue is crucial for inclusive development and ensuring ongoing productivity improvements, as a large part of the population is engaged in low-productivity activities, which hampers productive transformation.

1. World Bank (2017, 2023, 2024); <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099062323201054687/p1773800417ccc08708034034fe0f9418be>; <https://www.policycenter.ma/publications/linformel-au-maroc-repenser-la-structure-globale-des-incitations-pour-une-economie>.

Nonetheless, it is essential to emphasize that large firms are needed for economic catch-up and industrial transformation, as they are key to competing in international markets and investing in technological capabilities. The significance of this issue has been highlighted by Moroccan think tanks and the reform commission established by the government (Agénor and El Aynaoui, 2015; Special Commission on New Development Model, 2021; World Bank, 2024).

Figure 5 (a)

Percentage of Population Living in Urban Areas of Morocco, 1950–2050



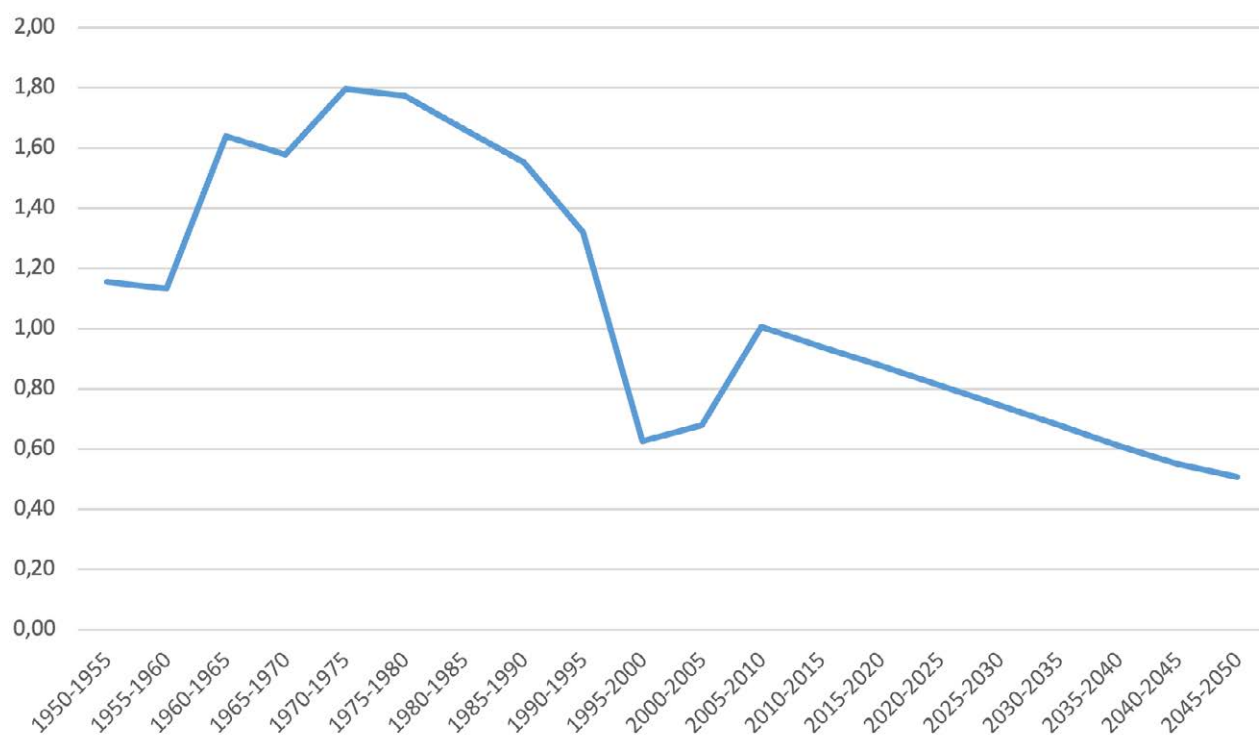
The three panels of Figure 5 provide a comprehensive overview of Morocco's urbanization journey from 1950 to 2050, highlighting both absolute and relative urban growth patterns. Figure 5(a) illustrates a steady upward trend in the proportion of the Moroccan population living in urban areas. This reflects a sustained process of structural transformation, economic change, and rural-to-urban migration, particularly since the 1970s. The projection beyond 2020 indicates that Morocco is nearing the final phase of its urban transition, as urbanization levels approach saturation.

Figure 5(b) displays the average annual growth rate of the urban population, which peaked between 1950 and 1985 at rates exceeding 3.5%, reflecting rapid urban expansion driven by high rural-urban migration and population growth. However, since 1990, this rate has consistently declined, falling below 2% in the 2020–2040 period, and projected to decrease to around 1.2% by 2045–2050. This indicates a maturing urban system, in which natural increase becomes the primary driver of urban growth as rural-urban migration slows.

Figure 5 (b)**Average Annual Growth Rate of the Urban Population, 1950-2050 (%)**

Source: UN DESA data.

Figure 5(c) illustrates the rate of change in the urban share of the population—that is, the urbanization rate, distinct from absolute urban population growth. This rate peaked during the earlier decades and has declined since 2000, indicating that while the absolute number of urban residents continues to rise, the proportionate increase relative to the total population is decelerating. The data thus reflects Morocco's steady demographic transition toward urban modernity, now entering a phase in which policy attention must shift from quantitative urban expansion to the qualitative management of urban sustainability, inclusiveness, and livability.

Figure 5 (c)**Average Annual Rate of Change in the Urban Population, 1950-2050 (%)**

Source: UN DESA data.

CHAPTER III:

INDUSTRIALIZATION AND PRODUCTIVE TRANSFORMATION

In the transformation of the Moroccan economy, the primary focus areas are productive transformation, industrialization, and economic diversification. There are three critical aspects to consider in reviewing and explaining Morocco's productive transformation. The first is the patterns of manufacturing value added (MVA) in relation to the growth rate, composition, and industrial employment (Gebrechistos, 2025). The second aspect involves exports and export diversification, which are strategic for economic transformation, serve as a source of international learning, increase returns to scale, and alleviate constraints on the balance of payments. The third essential aspect concerns the state and the underlying drivers of productive capacity, assessed through various indicators. This section reviews these patterns based on empirical evidence and key characteristics.

1. Manufacturing Value Added: Growth Dynamics and Composition

The contribution of manufacturing to GDP, its growth rate, manufacturing composition, sectoral diversification, and industrial employment share are vital indicators. Manufacturing value added (MVA), a common measure of trends in industrial activity, illustrates manufacturing's contribution to GDP. The share of manufacturing in Morocco averaged 16.96% over the five decades from 1971 to 2023 (Figure 6a). However, it fluctuated across the decades, reaching 19.41% in the 1980s (1981-1990), and 18.51% during the 1990s (1991-2000). It declined to 15.75% in the 2000s (2001-2010), and to 14.81% in the 2010s (2011-2020). The average growth rate of MVA was 5.6% between 1971 and 1980, while it was at its lowest from 2011 to 2020 (Figure 6b and Table 3). Signs of recovery appeared in 2021-2023, but this period is too short to draw definitive conclusions.

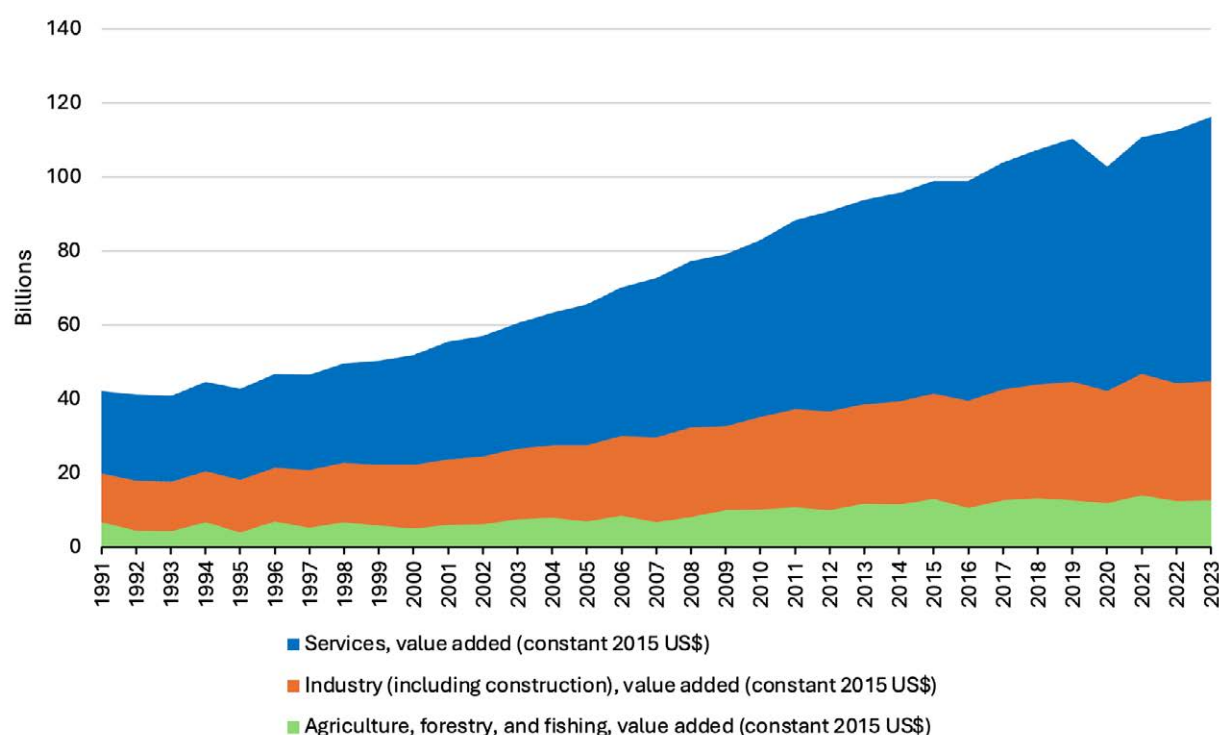
Table 3

Composition of Moroccan MVA, Comparison by Decade (1991-2023)

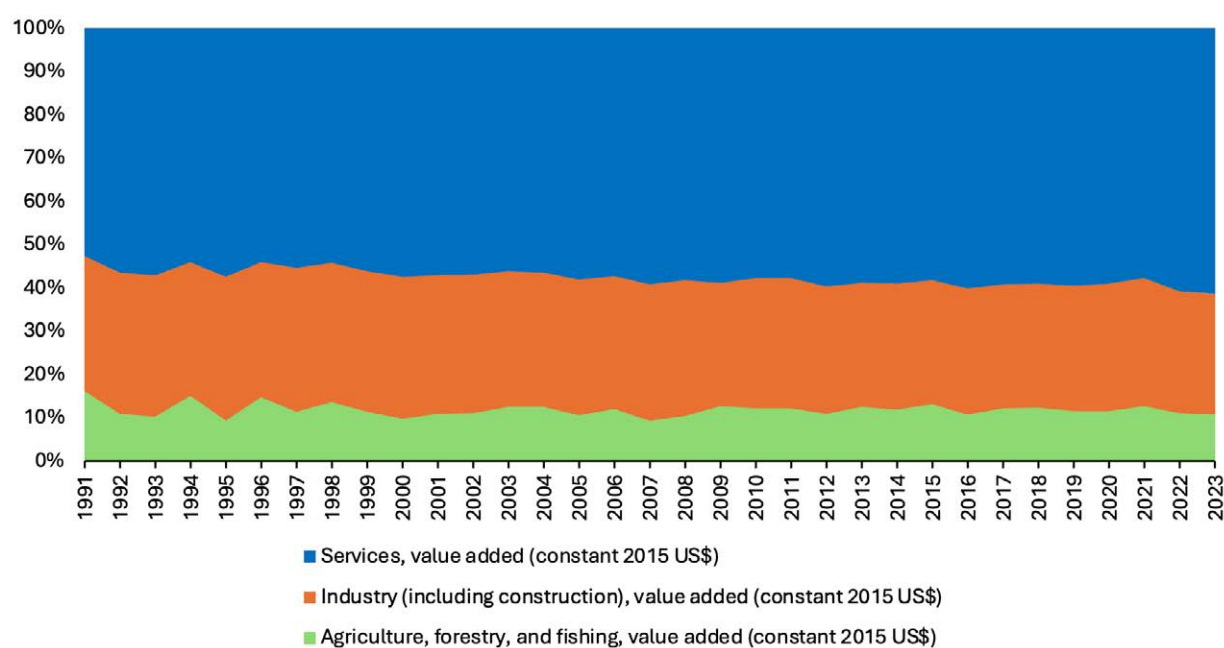
	1971-1980	1981-1990	1991-2000	2001-2010	2011-2020	2021-2023	1971-2023
Manufacturing, value added (% of GDP)	16.85	19.41	18.51	15.75	14.81	15.14	16.96
Manufacturing, value added (annual % growth)	5.60	3.11	2.69	3.29	1.78	4.10	3.34

Source: World Bank, World Development Indicators.

While the manufacturing share exceeds Africa's average of 11%-12%, it remains behind Asian countries such as Vietnam and China. To understand the dynamics of growth, it is essential to evaluate not only manufacturing's share of total GDP and employment, but also its annual growth rate. The average annual growth rate of manufacturing was 3.34% between 1971 and 2023, showing modest growth with notable fluctuations over time.

Figure 6 (a)**Composition of Gross Value Added, 1991 to 2023, Trends, Morocco**

Data source: World Bank, World Development Indicators.

Figure 6 (b)**Composition of Gross Value Added, 1991 to 2023, Shares**

Data source: World Bank, World Development Indicators.

The share of the industrial sector—comprising manufacturing and other subsectors—in employment is a vital indicator of industrial performance. According to modelled ILO estimates, Morocco's employment in industry averaged 21.13% over the three decades from 1991 to 2023. However, performance varies across different periods, such as decades (Figure 7 and Table 4). It was 19.34% in the 1990s (1991-2000) and 20.82% in the 2000s (2001-2010). It rose to 22.44% in the 2010s (2011-2020). However, the slowdown in economic growth, the high unemployment rate, and a large proportion of the population employed in the informal sector are significant structural issues requiring effective policies.

Table 4

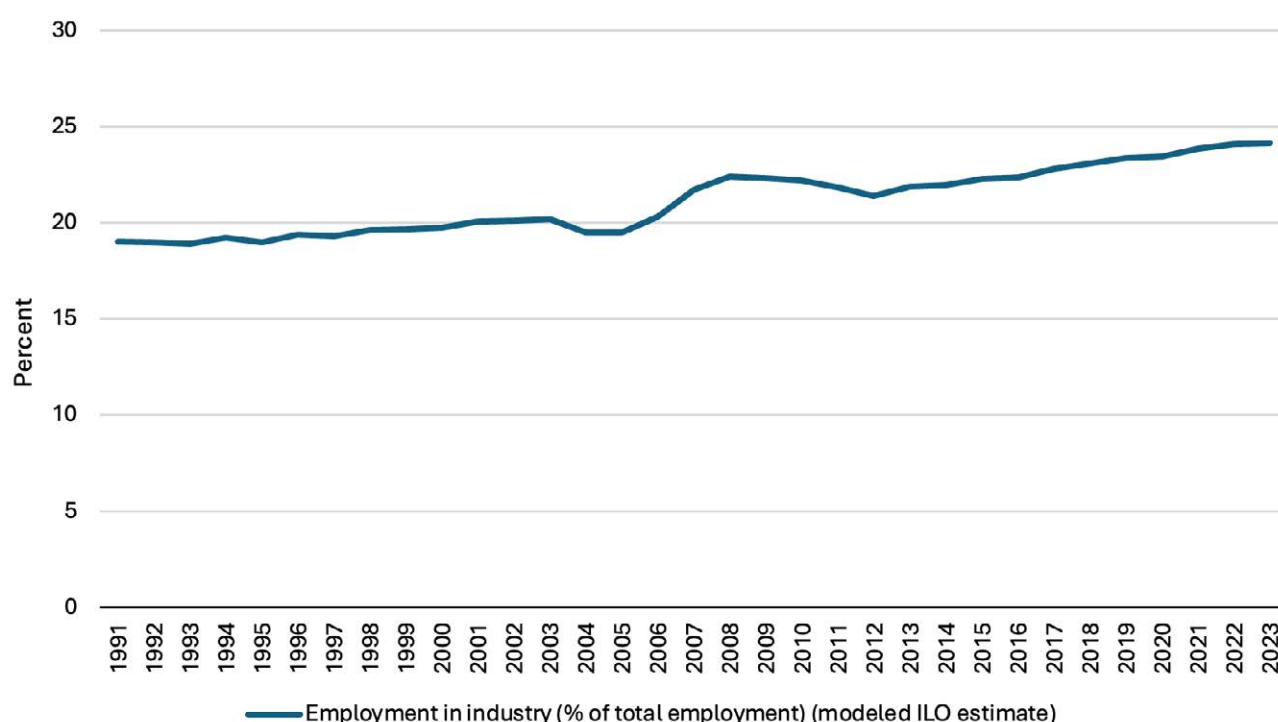
Morocco Employment in Industry (%), Comparison by Decade, 1991-2023

Employment in industry sector	1991-2000	2001-2010	2011-2020	2021-2023	1991-2023
Share of total employment in %	19.34	20.82	22.44	24.02	21.13

Source: Based on modeled ILO estimate.

Figure 7

Morocco: Employment in Industry (% Total Employment), 1991 to 2023



Data source: World Bank, World Development Indicators.

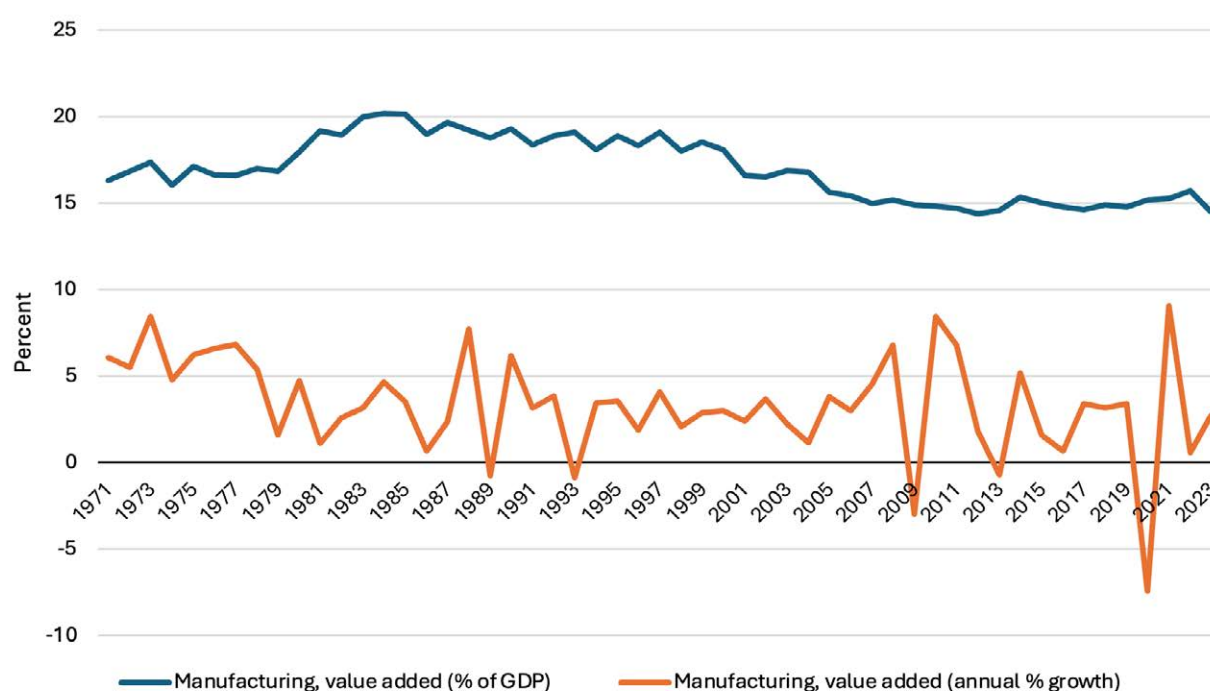
2. Exports and Export Diversification

External trade and imbalances

Morocco's external trade has accelerated as a result of a proactive approach to securing free trade agreements with various trading partners, initiated by the country's accession to the World Trade Organization (WTO) in 1995. Morocco signed a free-trade agreement (FTA) with the EU in 1996, followed by similar agreements with Turkey and the U.S. in 2006. It also signed FTAs with Arab countries, including Jordan, Tunisia, Egypt, and the UAE. By 2000, Morocco's protectionist tariffs had been reduced to an average of 29.53% (WDI, 2025). The share of export trade increased from 24.2% of GDP in 2000 to 42.75% in 2023, indicating significant growth. This is above the African average of 25% in 2023. The share of import trade rose from 29% in 2000 to 51% in 2023, reflecting much faster growth than exports, and indicating a persistent trade deficit that reached 7% in 2023 (Figure 9). Morocco's performance in terms of the trade openness ratio, an indicator of a country's integration into the global economy, which rose from 59% in 2000 to 86% in 2023, was accompanied by a trade deficit, suggesting that openness was matched by a more rapid productive transformation and improved export performance.

Figure 8

Manufacturing Value Added (% of GDP and Annual % Growth), Morocco, 1971 to 2023



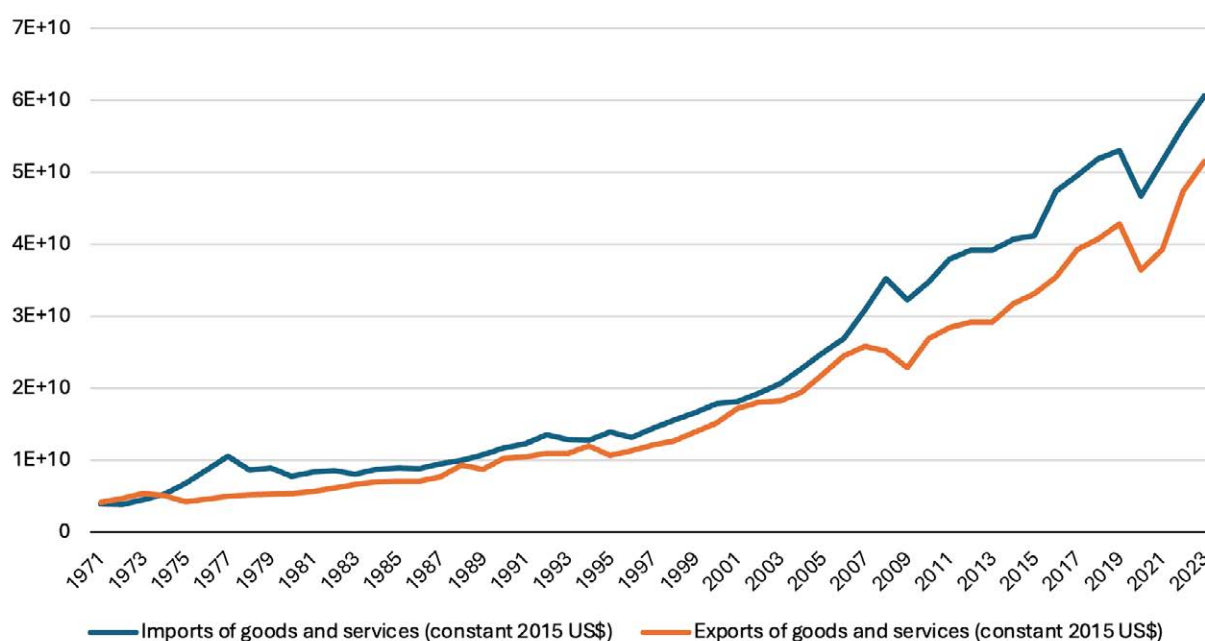
Data source: World Bank, World Development Indicators.

The three main sources of foreign exchange earnings have been the export of goods and services, the inflow of FDI, and remittances. Remittances from the 5.4 million Moroccans abroad, of whom 88% live in Europe, significantly contribute to foreign exchange earnings, accounting for 6.6% of GDP from 2000 to 2023. During this period, remittances grew by 11%, reaching a notable 7.6% of GDP in 2024 (Madri, forthcoming 2026; Tritah, forthcoming 2026). They have played a vital role in easing constraints on the balance of payments. The external sector's performance was strengthened by prudent external debt

management, reforms to the exchange rate regime, and a commitment to maintaining foreign exchange reserves (Mandri, 2026). On average, 22% of GDP was held as reserves, which is sufficient for five to six months. Export-oriented industrialization has been supported by proactive economic diplomacy and a pragmatic approach to policymaking. The primary factors behind the rising trade deficit are high fossil fuel imports, which averaged 19%- 20% of total imports from 2000 to 2023 (Figure 10). It is also significant that intermediate inputs, especially in the automotive and electronics sectors, are imported. This situation depends not on the government but rather on the nature of the global value chain and the headquarters locations of multinational corporations.

Figure 9

Morocco's Exports and Imports of Goods and Services (Constant 2015 \$)



Source of data: World Bank, World Development Indicators.

Trade composition and export diversification

This subsection looks at the growth of the export sector, changes in the composition of exports, and their associated technological intensity. It also looks at issues related to the trade deficit and the balance of payments. The export share of phosphates was 16% in 2000, increasing to 24% in 2010, before declining to 18% in 2023. It is worth noting that the value of phosphate exports continued to rise, although their share in total exports remained relatively unchanged. A significant shift in the OCP Group (originally named Office Chérifien des Phosphates) saw exports of value-added phosphate products surge from 27% to 74% of total phosphate earnings, demonstrating that the sector has undergone an impressive structural transformation².

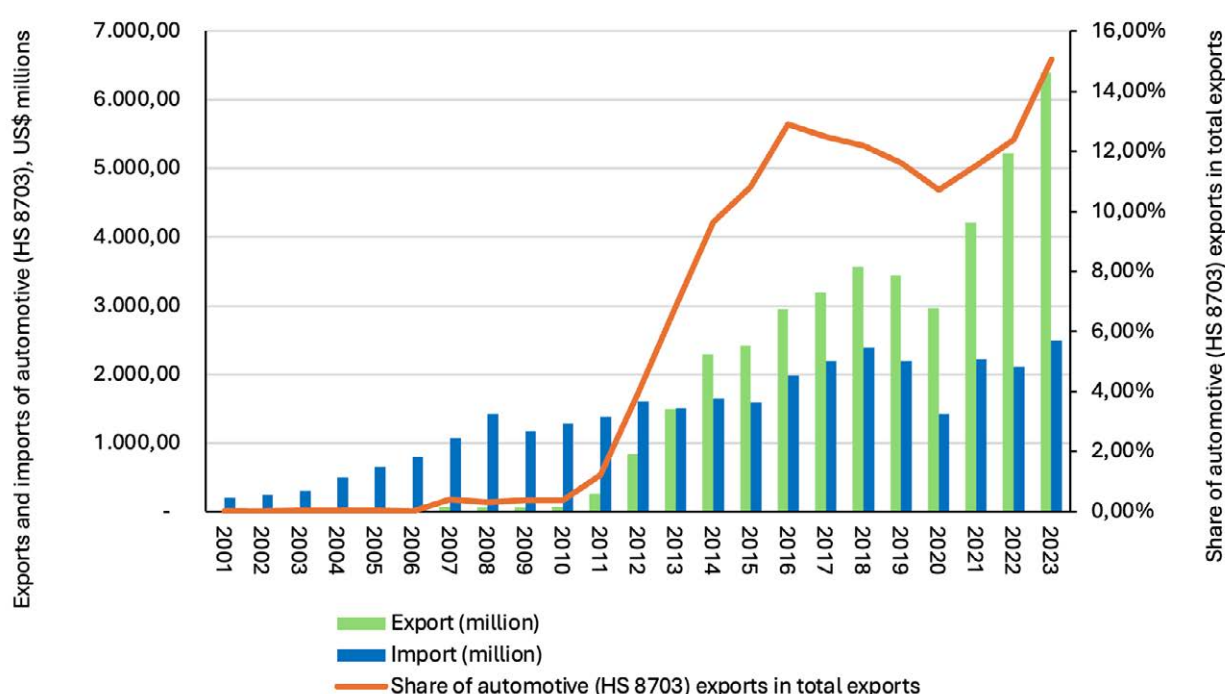
The composition of Morocco's export sector has changed substantially. For instance, the automotive industry expanded its export share from 12% in 2010 to 34% in 2023, while the aerospace industry

2. See Védie (2010) on the origin, history, and contribution of OCP.

emerged as a new sector, reaching 4% and 5% between 2010 and 2023, respectively (Figure 11). The average annual growth rate was considerable, standing at 15% during this period. The value of vehicle exports exceeded \$6.5 billion in 2024, with a significant portion exported to Europe. The rise of the automotive industry and its exports is one of Morocco's successful industrialization achievements, accomplished relatively quickly, although the sector requires a new strategy for future development. The automotive industry faces a significant challenge: declining domestic value added due to its heavy reliance on imported intermediate goods and components. However, deeper integration into global value chains (GVCs) implies lower domestic content in relative terms, as the anchor auto manufacturer's choices are based on overall company performance.

Figure 10

Morocco, Export and Import of Motor Vehicles (HS 8703), \$ millions, and Share of Motor Vehicle (HS 8703) Exports in Total Exports, 2001 to 2023.



Source of data: UN Comtrade database.

This shift in composition has been accompanied by a significant decline in the export share of apparel, textiles, and leather products, which fell from 33% in 2000 to 20% in 2010, and further to 11% in 2023. This substantial decrease is partly attributable to the termination of the Multi-Fiber Arrangement (MFA).³ Similarly, the agrifood sector's share of total exports declined from 24% in 2000 to 19% in 2023. Morocco's share of global textile and apparel exports also contracted, decreasing from 0.63% in 2000 to 0.49% in both 2010 and 2021, reflecting limited strategic focus and the broader liberalization of the global textile trade, following the ending of quota regimes. In contrast, the electronics sector experienced an upward trend, with its share of exports rising from 9.6% in 2001 to 18.2% in 2023 (Figure 11). Despite this diversification, labor-intensive industries recorded relatively slower growth, limiting their capacity to absorb industrial employment at scale, particularly in comparison with countries such as Vietnam.

3. The MFA is an international trade agreement that governed world trade in textiles and apparel from 1974 until January 2025.

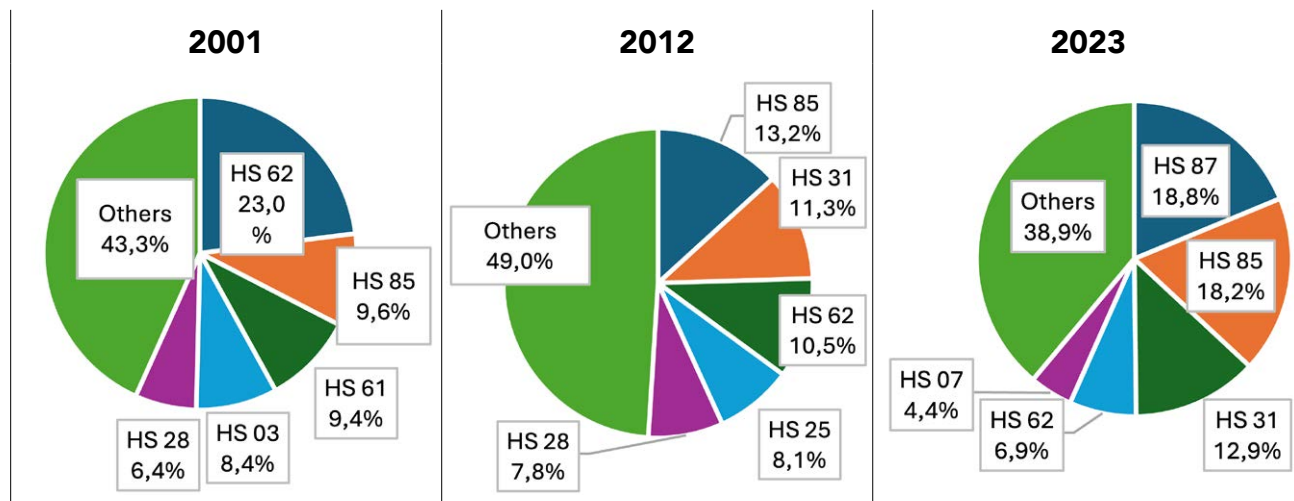
Meanwhile, services have become an increasingly vital part of Morocco's external sector, representing about 38% of total exports. This growth has been driven mainly by tourism, travel, logistics, and digital services—including ICT exports—especially targeted at African markets.

Figure 11 shows the evolution of Morocco's top five export products at the 2-digit HS code level from 2001 to 2023, highlighting significant structural changes in the country's export profile. In 2001, apparel (HS 62) made up the largest export share at 23.0%, followed by electrical machinery (HS 85) at 9.6%, fish (HS 03) at 8.4%, inorganic chemicals (HS 28) at 6.4%, and clothing accessories (HS 61) at 6.1%. This pattern indicates a dependence on low-to-medium-skill, labor-intensive manufacturing and primary commodities.

By 2012, the export profile had started to diversify. While apparel (HS 62) remained significant at 10.5%, fertilizers (HS 31) and inorganic chemicals (HS 28) had grown to 11.3% and 7.8%, respectively, likely reflecting Morocco's strategic mobilization of its phosphate reserves. By 2023, the composition had shifted further toward higher-value, capital- and technology-intensive sectors. Vehicles (HS 87) and electrical machinery (HS 85) each contributed over 18% of total exports, signaling Morocco's deepening integration into global automotive and electronics value chains. Fertilizers (HS 31) continued to play a central role at 12.9%, highlighting the lasting importance of natural resource-based exports. In contrast, the share of traditional apparel (HS 62) exports declined to 6.9%, marking a structural shift away from labor-intensive manufacturing.

Figure 11

Morocco, Top Five Goods Exports (2-digit HS codes) in 2001, 2012, 2023



Data source: UN Comtrade.

Notes on 2-digit HS codes:

- HS 03 Fish and crustaceans, mollusks, and other aquatic invertebrates
- HS 07 Vegetables and certain roots and tubers; edible
- HS 25 Salt, sulfur, earths, stone; plastering materials, lime, and cement
- HS 28 Inorganic chemicals; organic and inorganic compounds of precious metals; ...
- HS 31 Fertilizers
- HS 61 Apparel and clothing accessories; knitted or crocheted
- HS 62 Apparel and clothing accessories; not knitted or crocheted
- HS 85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers.
- HS 87 Vehicles; other than railway or tramway rolling stock, and parts and accessories thereof.

In terms of product diversification, Morocco's export basket grew from 2,952 to approximately 3,070, or an increase of over 4%, between 2010 and 2023. During the same period, Turkey's product range soared, rising from 3,500 to 5,200, and Vietnam increased from 2,500 to 4,600. The diversification of the main export products shows divergence, but highlights an overreliance on the European market, making Morocco susceptible to shocks and economic fluctuations in Europe. Moroccan exports to European countries accounted for 78.1% of total exports in 2000 and 71.8% in 2023, highlighting the slow pace of diversification away from European markets. Exports to Europe are highly concentrated in Spain and France, accounting for 45% and 41% of total exports in 2010 and 2023, respectively. Exports to Asia remained low and stagnant, at 11.5% and 9% between 2000 and 2023. During the same period, exports to North America stood at 3.7% and 4% of total exports in 2000 and 2023, respectively.

Nonetheless, progress has been positive in exports to key markets in the South, with growth observed in exports to other African nations, Brazil, and India. Exports to African countries doubled from 3.7% of total exports in 2000 to 8% in 2023. Thanks to OCP's export diversification, Moroccan exports to sub-Saharan Africa, Brazil, and India increased from 8% to 16% of total exports. Morocco should diversify its markets further, especially within the Global South, to focus on Africa, Asia, and Latin America.

According to UNCTAD indicators, the technological intensity of Morocco's export products changed between 2000 and 2023. The share of primary goods declined from 23.9% of total exports in 2000 to 17.9% in 2023. The share of low-technology export goods decreased from 36.6% to 15.8% during this period—a decline of nearly 57 per cent. The most significant change was in medium-technology goods, which rose from 9.1% of the total in 2000 to 46.2% in 2023, representing a fivefold increase. However, high-technology goods have stayed steady at 9.1% and 7.5% in 2000 and 2023, respectively, indicating weaknesses in investing in high-technology industries and capabilities. While Morocco has performed relatively well compared to Northern and Southern African regions, technological upgrading should remain a key policy goal to avoid the middle-income trap.

Summary

Four key insights emerge from the analysis:

- (a) There has been a marked shift in the composition and share of Morocco's export goods.
- (b) Structural concerns persist in relation to the concentration of activity in non-tradable sectors, limited value addition, and weak employment generation. These are compounded by high unemployment, a large informal sector, and significant outward migration of the labor force. The growth observed in the manufacturing sector has primarily been driven by capital accumulation, rather than sustained gains in productivity (El Aynaoui and Dinh, 2026).
- (c) A central puzzle is that Morocco's manufacturing sector has grown at a slower pace—3.34% annually—than overall GDP, growth of which averaged 4.13% between 1971 and 2023. Over this period, the share of manufacturing value added has remained broadly stable.
- (d) The share of employment in manufacturing has stagnated, even as agricultural employment declined from 46% to 30% between 2000 and 2023. However, this labor reallocation has not favoured the tradable manufacturing sector; rather, it has been absorbed by non-tradable sectors, including construction and real estate. Employment growth in tradable manufacturing averaged 3%, compared to 3.8% in non-tradable sectors (El Aynaoui and Hinh, 2025). Persistently

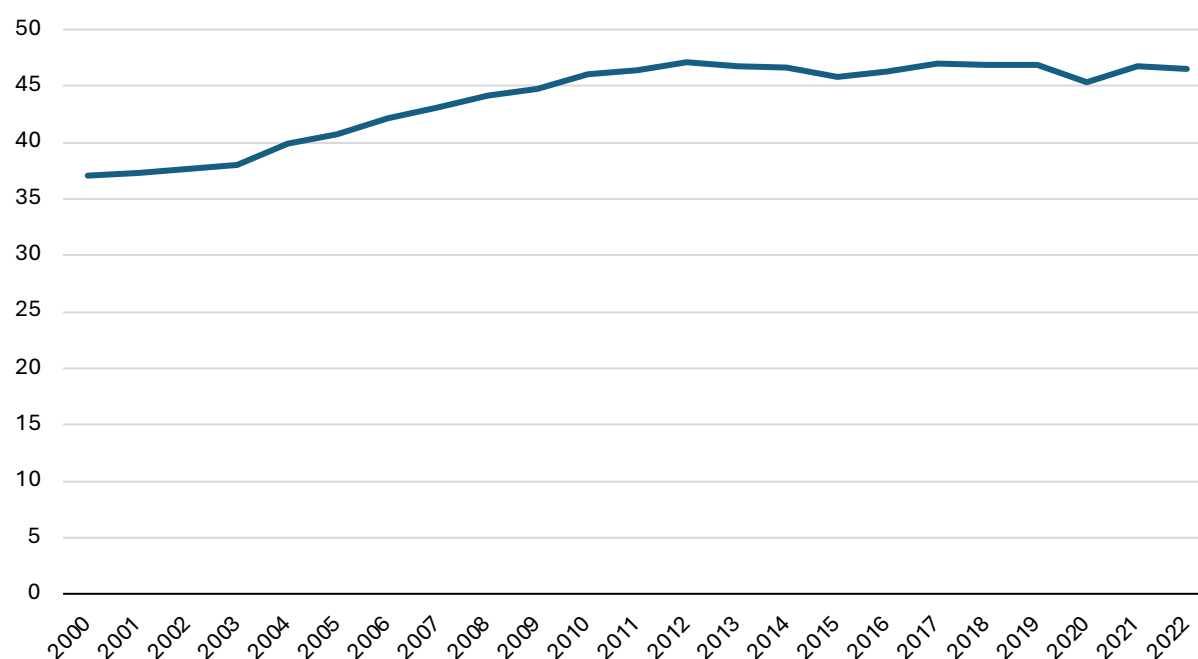
low productivity and insufficient job creation remain critical structural constraints on Morocco's economic transformation.

3. Productive Capacity Dynamics

Measuring productive capacity is complex, as it must be evaluated in relation to other countries, or by analyzing historical trends. Various indices are used to assess productive capacity, but they can be misleading due to subjective bias, methodological differences, and the fact that they provide only a snapshot, whereas actual productive capacity is continually evolving. Using the Ease of Doing Business index to measure the business climate proved inadequate and was therefore abandoned. Three alternative indices were used that can provide a better understanding, with comparatively less bias.

First, UNCTAD's Productive Capacity Index (PCI) measures productive capacity and provides data for 23 years (2000-2022), illustrating the overall trend. According to UNCTAD (2023), productive capacities are *"the productive resources, entrepreneurial capabilities, and productive linkages that together determine a country's ability to produce goods and services."* With the exceptions of 2014 and 2020, which may be linked to the global commodity price shock and the COVID-19 pandemic and recession, the trend for Morocco shows positive growth from an index of 37 in 2000 to 46.5 in 2022, a level comparable to the world average of 44.5, and considerably higher than Africa's average of about 32 (Figure 12). In terms of the structural change index, Morocco's score lower than Vietnam's (El Aynaoui and Dinh, 2026). For the private sector and institutions indices, Morocco's scores were 44.31% and 48.3%, respectively. The human capital and ICT indices accounted for 48.5% and 54.52%.

The World Intellectual Property Organization (WIPO) publishes the Global Innovation Index (GII) annually to measure technological capability, which is linked to productive capacities; UNCTAD's frontier technology readiness index (UNCTAD, 2023) can also be utilized (WIPO, 2024; UNCTAD, 2024a, 2024b, 2025). These indices are not available for extended periods. However, a snapshot from 2022 is available for reference, according to which Morocco is ranked 70th overall, behind Vietnam (46th), Mauritius (57th), and South Africa (59th). The GII includes indicators for institutions (Morocco ranks 83), human capital (86), infrastructure (94), market sophistication (80), business sophistication (107), knowledge and technology outputs (65), and creative outputs (55).

Figure 12**Morocco: Productive Capacity Index, 2000 to 2022**

Source: UNCTAD Data Hub.

4. Macroeconomy and Productive Transformation

The Moroccan government has pursued sound macroeconomic policies that have maintained stability, and has relied on domestic borrowing, which has contributed positively to reducing vulnerability to external shocks, and has helped avoid the external risks associated with foreign exchange⁴. Overall, debt management has been prudent. Fixed interest rates for external financing have contributed to stability. Nonetheless, the budget deficit has persisted. Between 2000 and 2006, the budget deficit was 3.4%, and during 2010-2013, it was about 6%; from 2020 to 2024, it was about 5%. Investment by public enterprises quadrupled between 2005 and 2023, reflecting a sound policy approach.

The main inflows have included FDI, remittances, treasury bill issues, and carefully managed external debt. From 2000 to 2024, remittance flows made up 6.6% of GDP, with 88% of remittances coming from residents in Europe and remaining steady. Forex inflows reached a record level of 7.6% of GDP in 2024 (Said, 2025). The external sector has benefited from exchange rate reforms and increased foreign exchange reserves. The central bank has kept reserves at a healthy level, about 22% of GDP, reaching \$40 billion in 2025, which is enough to cover five to six months of imports.

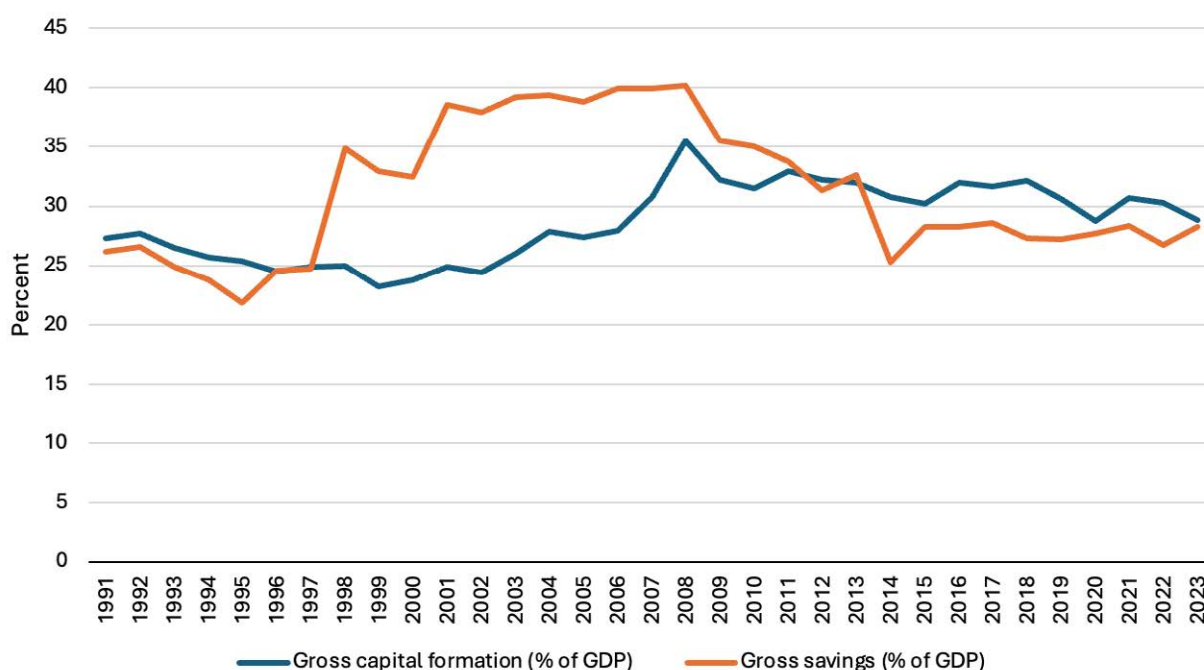
4. On debts and domestic resources, see African Development Bank (2025), UNCTAD (2023b).

Table 5**Gross Capital Formation, Comparison by Decade, (1991-2023)**

	1991-2000	2001-2010	2011-2020	2021-2023	1991-2023
Gross capital formation (% of GDP)	25.36	28.67	31.30	29.92	28.73
Gross savings (% of GDP)	26.97	38.41	28.93	27.77	30.21

Source: World Bank, World Development Indicators.

Performance in terms of gross capital formation and gross savings (both as a percentage of GDP) is a crucial measure of investment. From 1991 to 2000, investment was relatively low at 25.36%. This figure has increased since the early 2000s (Figure 13 and Table 5). Gross capital formation between 1991 and 2023 averaged 28.73%, while gross savings averaged 30.21% of GDP, making them some of the highest in Africa, comparable to Vietnam and Ethiopia.

Figure 13**Gross Capital Formation and Gross Savings (% of GDP)**

Data source: World Bank, World Development Indicators.

CHAPTER IV:

MOROCCO AT A CROSSROADS: A SYNTHESIS

1. Economic Governance and Political Economy

The Moroccan government has pursued bold economic policies, supported by gradual improvements and a pragmatic approach. Transformative measures include industrial policy, investment promotion, and building an industrial ecosystem, as seen in the automotive sector and port development, alongside skill-development schemes managed by relevant chambers of industry (Oqubay, 2025a, 2025b; Oqubay and Lin, 2025; Oqubay and Ohno, 2019; Oqubay et al, 2020). Morocco's proactive and coherent economic diplomacy underpins its development goals. Its consistent economic policy, supported by steady diplomatic efforts, maintaining an open stance on trade and investment, and engaging with key regions, including Europe, the U.S., Africa, the Middle East, and Asia, has facilitated the success of its industrial and external trade policies.

Positioning Africa as a key area of economic diplomacy will significantly support Morocco's long-term economic growth, leveraging advantages such as demographic changes, the African single market, and expanding market opportunities. This strategy will help reduce vulnerabilities amid rising global volatility, diversifying trade and economic links. To effectively seize opportunities in the Global South, a greater focus will be required. Economic growth to date has relied on political stability and policy predictability, essential for the country's economic achievements, and has helped it gain recognition as a safe and stable country (Zartman, 2026). Moreover, political stability has been an essential asset for Morocco. The country has skillfully maintained the monarchy's continuity while implementing political reforms that foster stability, unlike other nations that experienced Arab Spring uprisings.

Furthermore, Morocco has successfully balanced its macroeconomic framework with a productive transformation policy, which is a challenging and delicate undertaking. The country has gained from implementing industrial policies in targeted strategic sectors, supported by a stable macroeconomic environment that has lowered inflation, maintained sufficient foreign exchange reserves, and secured a stable currency, which is rare in Africa. A strong and effective central bank, combined with prudent yet cautious monetary and fiscal policies, has fostered modest growth and transformation. Ensuring that macroeconomic policies achieve full employment and effective productive transformation has been a policy challenge. The focus has largely been on maintaining macroeconomic stability; adopting strategies to better align with support for productive transformation will be crucial.

Morocco has capitalized on its comparative advantages, including proximity to Europe, strategic geographical location, and abundant competitively priced labor, along with its phosphate reserves. Morocco holds the world's largest phosphate deposits (over 70% of the global total) and plays a significant role in the fertilizer industry (Greening of African Economic Development, 2025d). This sector exemplifies how Morocco has maintained good governance in overseeing this resource, utilizing it to develop an industrial chain and as a catalyst for transformation across various domains. The establishment of a competitive state-owned enterprise has been a notable success, with significant potential for untapped future growth.

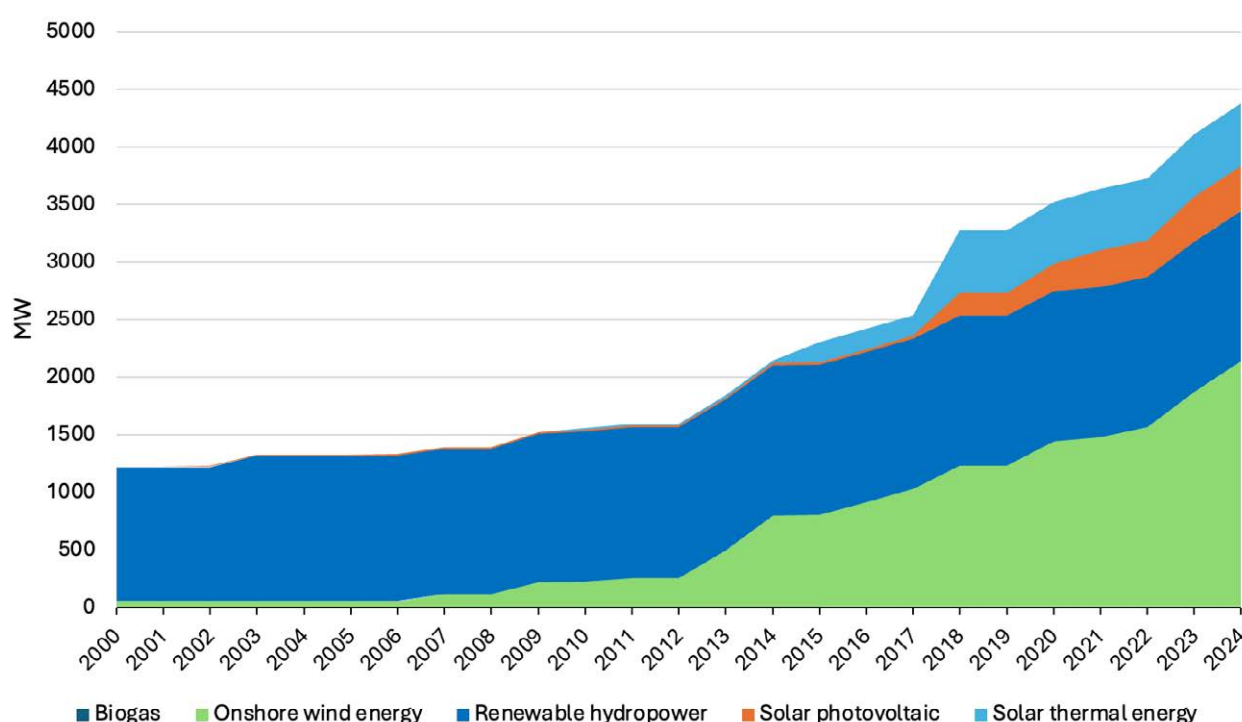
However, relying solely on comparative advantages is insufficient as Morocco progresses up the development ladder. Industrial transformation, technological capability development, nurturing new and emerging industries, and accelerating productivity growth will all be necessary, each requiring distinct strategies, effective economic governance, and an innovative approach to creating competitive advantages in strategic sectors or products. The productive role of the state, which involves thinking about each sector's political economy, the evolving industrial structure, the dynamism and capacity of the private sector, and the level of development, will remain crucial.

2. Climate Change and Green Development

Committing to environmental sustainability is more than a moral obligation. It is a necessity, as African countries are disproportionately affected by climate change, although they are not the primary cause of the problem⁵. Climate change has made Morocco more vulnerable, affecting all economic sectors, including through water shortages in agriculture, urbanization, carbon-neutral industrialization, and the green transition. Commitments to environmental sustainability, net-zero goals, and green growth contribute to ensuring energy security and food security, decarbonization, and shifting to a low-carbon economy. Green growth can also be a framework to develop emerging industries and catch-up economies. As an example, Morocco's automotive sector faces an uncertain future: supporting the industry's new direction by attracting productive investment could be a future strategy, as significant investments are unfolding in the electric-vehicle sector. The phosphate industry must adopt green practices to support the transformation of agriculture, and the development of green ammonia remains essential.

Figure 14

Installed Capacities from Renewable Energy Technologies in Morocco (MW), 2000 to 2024



Data source: International Renewable Energy Agency (IRENA).

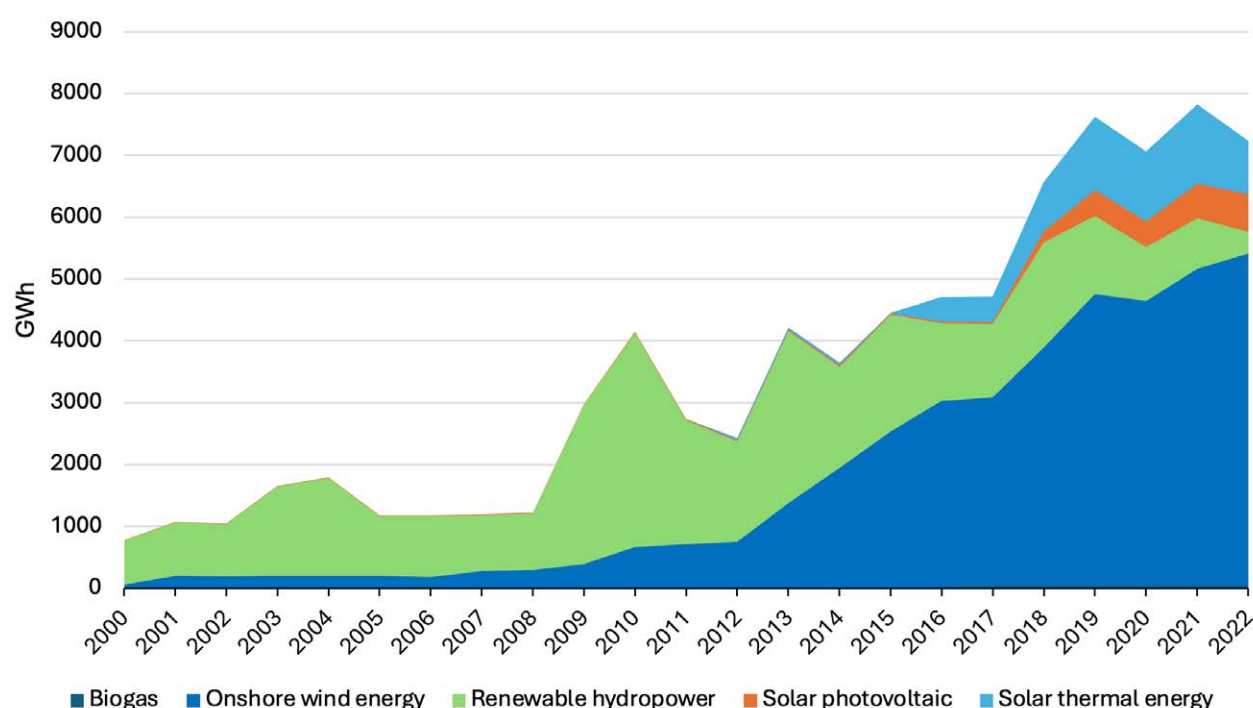
5. See Intergovernmental Panel on Climate Change, IPCC (2025), United Nations (2025) Agenda 2030.

Figures 14 and 15 depict the rapid expansion of green energy in Morocco between 2000 and 2024. Figure 14 shows a consistent increase in installed capacity up to 2010, then a sharp rise, particularly in solar photovoltaic and wind energy. In the early years, the main contributor to capacity was hydropower, but it was overtaken by onshore wind and solar PV in 2015. Solar photovoltaic installations grew considerably after 2015, and solar thermal energy has expanded since 2017, with diverse solar projects such as the Noor Ouarzazate complex.

Figure 15 provides data on electricity generation. Renewable hydropower was the primary source of green electricity until around 2013, but fluctuations in hydro output indicate sensitivity to climate variability. Since 2015, the shares of solar photovoltaic and onshore wind in electricity generation have increased rapidly, with wind energy becoming the leading source by the late 2010s. Solar thermal energy, though smaller in installed capacity, has contributed a notable portion of electricity since 2018. Overall, the charts demonstrate Morocco's strategic shift toward a diversified, low-carbon energy mix, reducing reliance on hydro-dependent output while expanding solar and wind, aligning with national targets for energy sovereignty and climate commitments.

Figure 15

Electricity Generation from Renewable Energy Technologies (GWh), Morocco, 2000 to 2022



Data source: International Renewable Energy Agency (IRENA, 2025).

In 2021, electricity and heat producers generated 45% of Morocco's CO₂ emissions, followed by transport (28%), industry (11%), residential areas (11%), and agriculture (4%; see Figure 14). Electricity generation was 66% from coal, followed by 12% from wind energy, 8% from natural gas, 3% from oil, and 7% from solar PV, solar thermal, and hydro. Between 2000 and 2023, Morocco increased its investment in renewable energy, with installed capacity surpassing 4,000 MW, especially after 2012. Electricity generation has also risen since 2008, according to the International Renewable Energy Agency (IRENA) (Figure 15). Morocco has shown leadership in Africa by investing in renewable energy demonstration sites and developing

master plans for green hydrogen valleys. Technological advances and industrial capacity, particularly from China, have led to a significant decrease in renewable energy costs, and increased economies of scale, making a carbon-neutral pathway more feasible (IRENA, 2025). As a net importer of hydrocarbons, Morocco spends about a fifth of its import value, which encourages pursuit of a low-carbon path (Greening of African Economic Development, 2025c).

Morocco is in the early stages of the green transition, and reinforcement and revitalization are critical for a successful green productive transformation to generate economic returns, and enable leapfrogging and economic catch-up.

3. Morocco at the Crossroads and the Income Trap

Conclusions, Challenges, and the Future of Morocco

This paper has examined the progress of, and challenges facing, the Moroccan economy, with a focus on structural transformation and economic catch-up. Morocco must harness the advantages of latecomers (Lee, 2019). It has achieved notable progress in growth and economic transformation. However, its rate of economic growth and structural change has been too slow, given the momentum and economic drivers needed for high growth in order to successfully break out of the middle-income trap that many middle-income economies have historically faced. Only about a dozen of the 100 middle-income economies of 1960 have managed to reach high-income status.

Long-term competitiveness mainly relies on combining strategies that maximize comparative advantages, especially in the early development stages, and gradually shifting to catch-up strategies that focus on building competitive advantages, particularly in technological sophistication and high value. This pattern has been evident globally, and has been seen in East Asia and China, as well as throughout economic history. This shift will influence how Morocco escapes the middle-income trap.

A number of significant challenges confront the Moroccan economy. The primary challenge, known as the middle-income trap or economic catch-up, involves low growth rates, slow economic transformation, limited productive capacity, and technological capability, alongside the need to avoid the risks of premature deindustrialization. The government must foster national champions—domestic private industrialists and state-owned enterprises—to deepen productive transformation. Second, demographic factors, including declining fertility, ageing, and rising dependency ratios, exert significant pressure on the economy. These dynamics are compounded by inadequate job creation and outward migration patterns (Tritah, 2026). Choosing policy options is complex, as they entail both benefits and drawbacks from a long-term perspective.

Third, in the medium term, it is urgent to deepen productive transformation, particularly by enhancing the ability to develop domestic value addition, boost productivity, and improve the competitiveness of the Moroccan economy in an increasingly volatile global environment. Green development, emerging industries, and advanced technologies—especially digitalization and artificial intelligence—are vital strategies for escaping the middle-income trap. Morocco's future can be further shaped by adopting a comprehensive green development plan that spans all sectors to ensure sustainability, decarbonization, and progress in new technological fields, such as green industries, digital technology, and other emerging sectors. Morocco has the potential to build on its current achievements and learn swiftly in this competitive landscape. Fourth, social inclusiveness is crucial, particularly in terms of employment creation, support for small businesses, enhancement of social protection schemes, and addressing regional disparities in living conditions.

Finally, consolidating market opportunities in Europe while actively diversifying into the African single market is essential for Morocco. Morocco has ratified the African Continental Free Trade Area (AfCFTA), and has made some headway in market penetration. Furthermore, diversifying into emerging economies of the Global South is crucial, given the size of their markets and the potential for economic partnerships. Currently, over half of global trade occurs between countries of the Global South. Additionally, the Global South accounts for over half of annual global economic growth, and has emerged as a major manufacturing hub and leader in the green transition, particularly China. The emerging markets of the Global South are growing rapidly and are expected to continue growing as income levels rise. It is important for Morocco to build on its successful economic diplomacy, while managing geopolitical tensions.

CHAPTER V:

IMPLICATIONS FOR AFRICAN INDUSTRIALIZATION AND FUTURE RESEARCH

The 'African dummy' has dominated the development literature for decades (Cramer *et al*, 2020; Jerven, 2011, 2013). Morocco's achievements in industrialization and economic transformation show that Africa can challenge the persistent Afro-pessimism about the continent's future development, including that export-led industrialization, successful in Asia, cannot be replicated in Africa, and that the continent has limited prospects for its industrialization journey. Instead, these scholars—African and non-African—recommend focusing on the widespread informal sector as a driver of growth, particularly in job creation. Such claims are often made without supporting empirical evidence, and frequently treat Africa with exceptionalism, reflecting a spirit of pessimism.

A typical example was the prediction made in the 1960s by James Meade, a Nobel economics laureate, that Mauritius was doomed to face an "*ultimate catastrophe*" because of a combination of a population explosion, a monocrop economy dependent on sugar commodities, ethnic tensions, inadequate infrastructure, and low levels of expertise and skills. Meade (1961) stated, "*Mauritius faces ultimate catastrophe. Heavy population pressure must inevitably reduce real income per head below what it might otherwise be. That surely is bad enough in a community full of political conflict. ... [the] outlook for peaceful development is poor.*" However, Mauritius has emerged as a middle-income economy, with a GDP *per capita* exceeding \$12,500 as of 2025 (IMF, 2025). It is a cohesive society that manages ethnic and religious tensions effectively, and a functioning democracy (Brautigam *et al*, 2009).

Mauritius has adopted a manufacturing and export-led industrialization strategy to drive its economic transformation. With an expected population of 1.256 million in 2025, Mauritius challenges Malthusian theory and now faces a labor shortage. Success has been presented as the "*Mauritius Miracle*," suggesting that these achievements are exceptional rather than a model for other African countries to follow (Stiglitz, 2011; Rodrick, 2012; Oqubay, 2025a). Understanding the factors behind variation and uneven development could help explain the outcomes and difficulties. Furthermore, the prevailing orthodox and neoliberal perspectives, which have remained influential since the 1980s, fail to explain the situation fully and often lead to misguided policies that weaken the developmental role of the state and the use of activist industrial strategies (Oqubay, 2015; El Aynaoui and Dinh, 2024; UNCTAD-UNIDO, 2011).

Empirical evidence, economic history, and pluralism offer a promising path for realistic optimism about Hirschman's "*possibilism*," which emphasizes that developing countries need a strategy capable of mobilizing "*scattered and backwards resources*" (Cramer *et al*, 2020). This approach challenges the "*preconditional*" institutions or resources that rely on creating imbalances and tensions to drive economic development, fostering linkage effects that encourage investment for development (Hirschman, 1958). A compelling view is that latecomers have the advantage of backwardness, enabling them to catch up by learning from forerunners and adopting institutional innovations. Developmental states play an effective role, with factors such as development banks, the reciprocity principle, and development zones acting as key innovations, as seen in China (Gerschenkron, 1963; Amsden, 1989, 2001; Hirschman, 1958). Industrial policy has been crucial in the catch-up strategy, as shown by the U.S. rise to compete with frontrunner the United Kingdom in the nineteenth and twentieth centuries, Japan's resurgence after the Meiji Restoration, the East Asian Tigers, and China in the late twentieth and twenty-first centuries (Hamilton, 1934; List, 1841).

Morocco has demonstrated that its industrial policies are implemented consistently, tailored to specific realities, and informed by policy learning. Industrial policies are not merely about government intervention, since all governments intervene. Rather, industrial policy reflects state intervention aimed at accelerating productive transformation and economic catch-up, focusing on developing productive capacity and technological capability, stimulating productive investment, and fostering an industrial ecosystem. From a structural transformation perspective, manufacturing is seen as the engine of growth and structural change (Kaldor, 1967). Exports play a strategic role in alleviating balance-of-payments constraints, increasing economies of scale, boosting productivity gains from market size, and serving as a source of international learning. Historical evidence suggests that export-led industrialization and import-substitution strategies should complement each other at the sectoral level, and during different phases of development. Industrial policies operate within specific political economies and actively shape a productive political economy, with the developmental state supporting a productive private sector. The government's strategic role varies across sectors and stages of development. Macroeconomic policy, infrastructure development, and the nurturing of human capital should be directed by, and support, productive transformation.

In the Moroccan context, and in other African countries, development strategies should prioritize sustainability and promote green growth, not only as a moral duty but also to drive economic transformation, sustain existing industries, and harness emerging industries for industrial development. The green transition involves renewable energy options, including green hydrogen that emphasizes building domestic industrial supply chains and green ammonia. Moreover, the strategy should recognize the long-term risks linked to demographic constraints, requiring well-planned measures. It is also vital for Morocco to fully utilize Africa's potential as an emerging demographic powerhouse, with substantial spillover effects, while supporting African economic integration and a single market, which are crucial for Morocco (African Union, 2025a, 2025b).

Additionally, Morocco should broaden its economic partnerships with emerging and developing nations, embracing the rise of the Global South as a driver of global economic growth, and shaping the international governance system, all while navigating a complex and uncertain global landscape (El Aynaoui and Oqubay, 2026). Because of its geopolitical position, managing tensions will be a challenging, but essential, balancing act.

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ABOUT THE POLICY CENTER FOR THE NEW SOUTH

The Policy Center for the New South (PCNS) is a Moroccan think tank aiming to contribute to the improvement of economic and social public policies that challenge Morocco and the rest of Africa as integral parts of the global South.

The PCNS pleads for an open, accountable, and enterprising "new South" that defines its own narratives and mental maps around the Mediterranean and South Atlantic basins, as part of a forward-looking relationship with the rest of the world. Through its analytical endeavours, the think tank aims to support the development of public policies in Africa and to give the floor to experts from the South. This stance is focused on dialogue and partnership and aims to cultivate African expertise and excellence needed for the accurate analysis of African and global challenges and the suggestion of appropriate solutions. [read more](#)

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