

Morocco

Status Index (Democracy: 2.4 / Market economy: 2.7)		5.1	Management Index		4.5
System of government	Autocracy		Population	29.6 mill.	
Voter turnout	58.3 % (Parliamentary elections 1997)		GDP p. c. (\$, PPP)	3.600	
Women in Parliament	0.6 %		Unemployment rate	20 %	
Population growth^a	2.1 %		HDI	0.606	
Largest ethnic minority	40 %		UN Education Index	0.50	
			Gini Index	39.5 (1998/99)	
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

The democratic bloc composed of united opposition parties was victorious in the June 1997 local council elections and the November 1997 Chamber of Representatives elections. On February 4, 1998, King Hassan II appointed a prime minister from the democratic bloc, Socialist Union of Popular Forces (USFP) party head Abderrahman Youssoufi. He had the task of forming a coalition government of both members of democratic bloc parties and members of the former regime fell. This formally instituted a limited change of government. The king retained his right to appoint the heads of key ministries (Interior, Foreign Affairs, Justice, Defense) as well as the Ministry for Islamic Affairs and the secretary-general of the government.

The new government was given the task of implementing reform faster and more effectively than the previous center-right government. Thus, the evaluation period for this report coincides with the former opposition's coming into power and the promise of reform that has greatly raised hopes among the population. The death of King Hassan in July 1999 and the enthronement of the 36-year-old crown prince as King Mohammed VI constitutes a changing of the guard in terms of personnel and a change of generations that, in terms of the economic and political transformation, represents both continuity and a new, dynamic drive in some sectors.

2. History and characteristics of transformation

The processes of economic and political transformation have not advanced simultaneously in Morocco. An initial program of austerity and structural reform was introduced in 1983, motivated by a growing financial crisis and social decline and intensified by droughts from 1981 to 1984. Increasing social tensions from a general strike coupled with unrest in December 1988 led to non-permanent measures toward political liberation in 1990.

(1) Democratic transformation: The political portion of the transformation began in the early 1990s, when the king addressed the demands of the opposition and human rights activists: The human rights consultative council was established by the state in 1990 to study and develop proposals for improving the human rights situation in Morocco. Among other changes at the beginning of the 1990s, the infamous Tazmamart Prison was closed, the laws concerning police custody and criminal offenses were modified, administrative courts were established, and issuing passports was simplified. Some political prisoners were released as well.

These measures in the human rights arena were intensified in the following years. Furthermore, the demands of the Berber-speaking minority were recognized for the first time in 1994. They included strengthening support of the Berber language through inclusion in school curriculum. At the same time, monitoring of Islamic groups that were increasingly gaining influence in Morocco was intensified. One consideration for the increased scrutiny was the development of domestic politics in Algeria, and particularly the beginning of conflict with armed Islamic groups in 1992. Abdessalam Yassine, leader of the Justice and Charity Group, was placed under house arrest in 1989 (lifted in 2000) for questioning the king's legitimacy.

After the 1993 parliamentary elections, King Hassan offered opposition parties the opportunity to participate in the government for the first time and to build a broad coalition for promoting the structural adjustment program. The opposition parties rejected this offer, which likely promised lost standing with voters, rather than increased power. After the 1997 election, King Hassan finally reached his goal after the 1997 election of inducing the victorious opposition parties, who were united in a democratic bloc, to assume power. Nothing changed in the ruling system established since Moroccan independence in 1956, so the political influence of the new government remained limited, and it merely implemented the king's directives, as had all prior governments.

The Moroccan monarchy has both a traditional and modern governing sector. Both sectors of government are dominated by the king as ruler and head of both the secular and religious states, not to be judged by any worldly authority. Morocco does have a constitution; however, the Moroccan system of rule cannot be considered a constitutional monarchy in the European sense. It is rather a

monarchy with a constitution and a constitutionally anchored multiparty system, a modern administrative system, and, since 1997, a renewed bicameral Parliament.

(2) *Market-economy transformation*: The market-economy transformation was begun in 1983. Despite reform efforts since the early 1990s leading toward a healthy economic policy, which efforts brought the problems of external debt, the balance of trade deficit and runaway inflation under control, the high level of dependence on the agricultural sector—intensified by climatic fluctuations and drought since the beginning of the 1990s—continues to cause problems. Losses in productivity during years of drought drive up inflation, endanger jobs, raise the need for imports and suppress growth. This hurts domestic investment further, which shows generally low growth outside the agricultural sector, and no long-term planning is evident.

3. Examination of criteria for democracy and a market economy

In transforming the political order within its modern governing sector, Morocco has made progress in some of the areas under evaluation. Deficiencies still exist, particularly in the rule of law and the implementation of resolutions once they are passed. The traditional governing sector (king, governors) takes precedence over the modern sector (prime minister, government, Parliament), meaning that its power is unchecked by any constitutional authority. The prime minister and government answer to the king, not to Parliament. The Moroccan Constitution establishes the king's special status.

The dual system of government is dominated by the king, who rules, governs and directs policy. The king functions as a negotiator and mediator; he is the highest decision-making authority and functions in this regard as a stabilizing and unifying force for the majority. Despite falls in some stability indicators—increasing social problems, public dissatisfaction with the lack of social development, increasing activity by the Islamic opposition—these problems did not reach a system-threatening level during the observation period.

3.1 Democracy

3.1.1 Political organization

(1) *Stateness*: There is no problem with state identity in the core territory of Morocco. The “Moroccan-ness” of the segments of the Western Sahara annexed and occupied by Morocco is being called into question by the Polisario freedom movement, which calls for a referendum on self-determination. Except for the unresolved Western Sahara question and the issue of Spanish enclaves in northern parts of Moroccan territory (Ceuta, Melilla), state identity is not an issue, and the

state has an unrestricted monopoly on the use of force. Defining citizenship and who qualifies for citizenship is not a politically relevant issue. All citizens possess equal civil rights.

Church and state (Islam is the official state religion) are closely intertwined in the special role of the king as secular and religious head, even though the modern governing sector is largely secular. The Moroccan Jewish community is protected, as is the foreign Christian community in Morocco, but missionary work is a criminal offense. The king uses religion for purposes of legitimization. Public safety and order are largely guaranteed, but criminal activity by organized groups and crimes out of poverty are increasingly jeopardizing public safety, particularly in urban centers.

(2) *Political participation*: Universal suffrage and the right to run for office exist effectively. Elections have been held at regular intervals since 1993; there had been delays in previous years due to the domestic political situation. Election fraud was common among the parties and the administrative system up to now; the 2002 parliamentary elections were described as the first relatively fair elections. The prime minister and government are only free to act within the bounds of the king's directives. Parliament is obligated to reach decisions by consensus. The institutions of the modern governing sector—the executive and legislative authorities—serve to assist the king in directing policy. The constitutional bodies and powers possess autonomy only within the parameters defined by the king. The king has the final veto authority and at the same time guarantees the consideration of the vital interests of all social groups.

In contrast to the parties, unions and associations, the king represents “Moroccan interests.” The Moroccan constitution establishes freedom of political association. Political, civic and union pluralism is also established. Associations have leeway for activity, as long as they avoid taboo subjects for criticism such as the king, religion and territorial integrity. These restrictions also apply to freedom of information and opinion.

Freedom of assembly and demonstration are partially limited. Cleavages based on language identity have played a greater role in the pace of forming the civil society since the mid-1990s. With their demands to promote the Berber language and culture receiving royal support, the Berber-speaking population is breaking through the cultural monopoly, or rather language monopoly, upheld by Islamists and Arabo-nationalists to the benefit of the actual multicultural identity of Morocco. The press landscape is traditionally diverse; however, it is subject to the taboos mentioned above. The usefulness of the press as a forum for public debate is limited because of the high illiteracy levels of about 50 % of the population.

(3) *Rule of law*: The dual system of government causes deficiencies in the balance of power. The formal executive and legislative institutions of the modern state

sector are subordinate to the king, thereby diminishing parliamentary participation in the political decision-making process. The judicial branch is institutionally separate, but exhibits functional flaws such as lack of modernization and computerization, lack of personnel training and corruption.

Moroccan citizens consider political and bureaucratic corruption widespread and pervasive. During the assessment period, there was an increase in isolated corruption-fighting measures in urban and rural communities, in provincial and prefecture administrations, and in the judicial branch. Since King Mohammed's ascended to the throne in July 1999, his directives have called for more transparency and efficiency. For example, the law dictates that the reputations of candidates for administrative positions must be scrutinized, holding several offices is illegal, and members of Parliament are subject to more stringent monitoring for corruption. "Moralizing" the public arena by reducing corruption is intended to raise the reputation of state leadership and the parties among wide strata of the population, depriving the Islamists of any basis for criticism or promises that could mobilize the electorate.

The Moroccan section of Transparency International was officially approved in 1999. Civil rights are infringed upon partially and temporarily. Human right violations committed under King Hassan in the 1970s and 1980s are beginning to be processed; after King Mohammed's enthronement, a few exiled opposition leaders returned with his approval. The approval of Amnesty International's Moroccan section (April 2001) reinforces the king's intention to achieve improvements in the area of human rights.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: The traditional and modern governing sectors are institutionally stable. However, the institutions of the modern governing sector are plagued by inefficiency; the pronounced hierarchical mentality paralyzes the decision-making process, blocking the implementation of reform resolutions. The administrative system is cumbersome, and administrative officials for the most part stick to the old patterns of thought and behavior and remain bound in an informal structure; this has resulted in increased difficulty in modernizing processes and implementing legislation and reform resolutions.

(2) *Political and social integration*: Public disappointment in the government increased continuously during the observation period because there was no discernable breakthrough in resolving worsening social and economic problems; this primarily benefited the Islamists. The Islamic party Justice and Development Party (PJD) emerged from the relatively free parliamentary elections in September 2002 as the third strongest party, with 42 seats in the Chamber of Representatives.

In the opinion of numerous observers, the proliferation of parties, in the wake of deregulation of the political party market, has triggered political confusion among voters. The parties with liberal and union leanings that were established shortly before the elections were unable to mobilize voters. While disappointments with the job-market situation and promised standard-of-living improvements that failed to materialize have led to criticism of modern state institutions (prime minister, government, ruling parties), broad segments of the population have placed greater expectations on the king; his decisions are expected to bring a better future. The public meanwhile regards the government coalition parties as representing special interests and belonging to the patronage system, just as the former government parties did.

The organization of civil society made great strides in the 1990s (about 20,000 associations); it is most prevalent in urban areas. The majority of associations are active locally. Civic organizations are quite willing to cooperate within the system as a rule. The government has been consulting regularly with unions and employers since 1996. There is no reliable data from opinion polls on the extent of public approval of democracy as a form of government. Although the liberal, well-educated elite support democratic development, they do not oppose the current dual system, choosing instead to integrate themselves into the existing structures.

3.2 Market economy

Morocco has made progress in transforming its economic order since 1983. Since the enthronement of King Mohammed VI, promoting economic development has become a more central theme, with its priorities being economic development, creation of jobs, practical education, promoting investment and fighting poverty. However, deficiencies exist in every area.

3.2.1 Level of socioeconomic development

The key indicators show a low level of development, expressed by an inferior HDI ranking. Fundamental social exclusion on the basis of poverty, education or gender-specific discrimination has increased during the observation period. The poverty rate climbed between 1990 and 1999 from 13.1 % to 19 %, while disparities in income increased. The restructuring measures prescribed by economic policy and years of drought with its negative effects on the key economic sector, agriculture, caused income levels to deteriorate as well as unemployment and poverty rates to rise in the 1990s. As a result, vast numbers have abandoned rural areas for the cities, or were prepared to emigrate, legally or illegally, to other countries. For this reason, existing developmental imbalances between regions were not reduced.

3.2.2 Market structures and competition

Traditionally, the economy in Morocco is the least centralized of all the Maghreb states. The Moroccan economy ensures the foundations of market economy-based competition, particularly following transformation measures of recent years. The high level of regulation in the domestic economy was reduced by deregulation measures, as in the foreign trade and investment promotion sectors, and not least in regard to the 1995 conditions of the EU Association Agreement, in force since 1996. For that reason, deregulation is pushing ahead in all sectors, including the media sector (January 2003), at varying speeds. Promoting foreign direct investment was drastically simplified by new administrative regulations in 2002, placing pressure on local companies to reform. Repatriation of profits and currency convertibility are ensured.

3.2.3 Stability of currency and prices

The Moroccan government has pursued a successful policy of macroeconomic stabilization in recent years and has shown further success in price stabilization. In contrast to the 1980s, the inflation rate is currently almost at the level of the EU (1999: 0.7 %; 2000: 1.9 %; 2001: 0.6 %; 2002: 2.9 %). The central bank does not yet have de facto independence, and there is a high degree of coordination with the Ministry of Economy and Finance. The disastrous debt situation of the 1980s has been steadily overcome through arrangements with the London and Paris Clubs and the IMF; external debt is currently at about \$14 billion. However, domestic debt is too high at approximately 40 % of the GDP. The balance of foreign currency is generally favorable, but fluctuates from year to year due to large transfers from Moroccans living abroad and tourism. The government is pursuing a strict consolidation policy.

3.2.4 Private property

Property rights and the acquisition of property are codified. Following the Privatization Law of December 1989, numerous state-owned companies have been privatized in accordance with the 1983 IMF agreement, but this occurs in surges, depending upon political resistance. The partial privatization of Maroc Telecom in 2000–2001 was the largest privatizing action to date. Market concentration in Morocco, which is not an oil-producing state, is limited.

3.2.5 Welfare regime

There are deficiencies in the existing welfare system, which covers only a portion of employed workers. Measures for avoiding social risks exist in a rudimentary

form. They are available to members of specific professions in the formal economic sector and the administration. Only about 15 % of employees have social insurance. Despite the passage of a basic agreement on a mandatory insurance plan in September 2000, this has not yet been implemented. Fighting poverty has been a focal point of King Mohammed's activities since 1999, as shown by the founding of a corresponding solidarity fund, among other things.

However, the extent of the problems and the state leadership's lack of financial leeway hinder improvement of the welfare situation. The increasing disintegration of traditional family structures is hurting families' abilities to act as a safety net for unemployed, aging and sick family members. The state has no safety net in place as an alternative. Equal opportunity is not ensured; family and class affiliation, family influence, and existing patronage relationships secure access to resources such as better education, training, jobs and high office. The urban-rural contrast also affects educational opportunities. Depending upon class affiliation and place of residence (urban-rural contrast), women have less access to educational institutions than men, and they traditionally constitute a smaller portion of high-level officials.

3.2.6 Strength of the economy

Relative to the crisis-induced developments beginning in the early 1980s, macroeconomic conditions have improved despite many structural problems. This improvement is due to the government's willingness to engage in crisis management by following the external guidance of the IMF. However, periodic problems in the world economy (2001, 2002) as well as the agricultural sector's extreme dependence on climate and the negative effects of drought in 1999, 2000 and 2001, among other things, have prevented greater success in economic transformation. Potential for further growth could be tapped by removing bureaucratic hindrances and implementing reform in the taxation sector, among other areas. The dimension of poverty throughout the country, and deficiencies in education, health care and infrastructure, rule out the possibility of substantial improvement of the situation within a short time.

3.2.7 Sustainability

In Morocco, environmental consciousness has a tradition reaching back to the 1970s, even if important environmental legislation was not passed until the mid-1990s. An initial national environmental report was presented in 2001. The government's markedly increased environmental consciousness was demonstrated by the signing of the Kyoto Protocol at the UN Climate Conference in Marrakech (October–November 2001). In addition, a national plan for the prevention of forest fires was established for the period from 2001 to 2010, and measures were

postulated for increasing the proportion of energy derived from renewable sources. Three years of drought (1999, 2000, 2001) and extremely destructive, deadly floods have evidently made the state leadership more sensitive to the environment and the possible destabilizing consequences it can have for the system.

State educational institutions exist for all levels of education, but they are unequally distributed, with a large urban-rural discrepancy, and show deficiencies in terms of educational level and performance. The state's expenditures for education from 1995 to 2000 were on average 5.2 % of the GNP, or 24.8 % of total government expenditures. The government's goal is to increase school enrollment and to promote literacy through special measures; the rate of illiteracy is approximately 50 %. The performance of the universities will be strengthened by financial autonomy over pedagogic and administrative matters (resolved 2002) and—a new concept—university administrative officials will be selected for their management abilities in the future. There is a modern infrastructure.

4. Trend

(1) *Democracy*: State identity remained at a consistently high level (see above) for the central territories. Political participation and the rule of law have substantially improved in individual areas. Compared with previous elections, the 2002 parliamentary elections were characterized by a demonstrably greater degree of fairness, also on the side of the administration. The Berber-speaking ethnic group receives more intensive support than in the past—for example, through the creation of the Royal Institute for Amazigh Culture to study proposals and programs to implement practical support.

In 2002, a person with party affiliation was appointed to one of the key ministries (Justice) for the first time. The justice minister was a member of the strongest parliamentary faction, the USFP; with this action, the king signaled his intentions concerning promised judicial reforms of increased autonomy and grass-roots relations, among other items. The king and members of the royal family are strongly engaged in promoting support of neglected groups within society (orphans, the disabled, children, women in rural areas, etc.), launching concrete support projects and collecting donations accordingly.

The relationship between the state administration and citizens was formally and legislatively improved in 2001–2002. Rejection notices from the administration must contain a justification of the rejection; an authority was established for citizens to lodge complaints against government offices; and torturers can now be punished by law, with the exception of events occurring in the 1980s.

The king's will to expand human rights engagement and the legal security of individuals is demonstrated by his willingness to collaborate with international human rights organizations along with their Moroccan counterparts and allow NGOs to form accordingly—for example, the Consultative Council for Human Rights at the end of 1999. The new press law did not actually eliminate the taboo on criticism or reporting on the king, religion or territorial integrity; it did, however, reduce the punishment for breaking the taboo. The state monopoly on radio broadcasting was lifted in January 2003. Numerous reform actions are too recent—or were only announced at the end of 2002—to assess their impact within the context of the transformation process. But they do represent a clear signal from the king showing his willingness to support systematic reform.

(2) *Market economy*: Although the developmental indicators show a slight improvement of the HDI for the years 1998–2002, in view of the worsening poverty problem, this actually indicates unequal development with a negative trend in the Gini index.

Table: Development of socioeconomic indicators of modernization

	HDI	GDI	GDP Index	UN Education Index	Political representation of women^a	GDP per capita (\$, PPP)
1998	0.589	0.570	0.544	0.48	0.6 %	3,305
2000	0.602	0.585	0.60	0.50	0.6 %	3,546

^a Percentage of women delegates in Parliament after the 1997 parliamentary elections (after the 2002 lower house parliamentary elections: 10.8 %).

The institutional framework conditions for market-economy activity have improved slightly in the last two years, compared with previous years. After a year of primarily climate-induced economic recession (1999), the economic development of 2000 and 2001 stagnated not only as a result of world-economic developments and continued drought in Morocco, but also because of a lack of institutional framework conditions.

Overall, of all the proposed bills concerning worker's law, community charters to expand the self-government of communities, mandatory medical insurance, tax reform and others, none were passed in Parliament until the end of 2001. A new trend emerged only after a new prime minister and government took office following the September 2002 parliamentary elections. This trend focused specifically on promoting economic development and modernizing the economic sector through restructuring or re-evaluating ministerial responsibilities as demonstrated by the founding of a ministry for modernizing the public sector and

a ministry for foreign trade, for example. Ministerial appointees were chosen more on competence than on their services to the political party.

Table: Development of macroeconomic fundamentals (1998–2002)

	1998	1999	2000	2001
Growth of GDP in %	7.77	0.04	0.87	6.54
Export growth in %	-3.35	8.18	3.66	-1.19
Import growth in %	13.17	6.28	10.21	-3.95
Inflation in % (CPI)	2.8	0.7	1.9	0.6
Unemployment in %	18.6	23.4	25	20
Budget deficit in % of GDP	2.13	2.46	-	-
Current account balance in billions of US\$	-	-	-0.387	-0.263

5. Transformation management

5.1 Level of difficulty

The transformation was difficult to implement due to the low level of economic and social development at the start of the observation period, insufficient framework conditions for a market economy, inadequate education level, behavior guided by corruption and a patronage mentality, and serious social problems that were exploited by an Islamic opposition that had been gaining strength during the 1990s.

The Islamic opposition is against neither private economic activity nor democracy, which can only increase its leeway for action. Its primary state and social objectives are the implementation of religious law (*sharia*) and an illiberal system. It demands a monopoly for religion-based identity. Among other things, the Islamists are currently mobilizing against the fundamental modernization of family law, and the resulting equality of women in the modern sense, as well as against the adjustment of individual legal requirements to suit diverse social realities. This opposition from Islamists and other patriarchal, conservative citizens hinders the reform process and requires the king and government to make concessions within the reforms in order to avoid open resistance.

Although the king plays a decisive role in the orientation and rhythm of the transformation process, his influence has its limits. In the current situation of

social tension, he must take powerful opponents into account to avoid endangering domestic political stability. For this reason, King Mohammed repeatedly emphasizes—mainly to international actors—that Morocco must pursue transformation in its own way and at its own pace. By continuously repeating this stance and traveling throughout all of the regions of his country, King Mohammed is attempting to rally support for his development concept and explain the necessity of individual measures.

The mentality of maintaining status held by profiteers from the previous system (*haute bourgeoisie*, middle class), the cumbersome bureaucracy, and the patronage-based structures and behavior of influential political and social actors all serve to hinder reform. Slackening in the pace of reform during the observation period has been primarily caused by domestic political hindrances. The king initiated a new attempt to intensify the transformation following the change of government in autumn 2002.

5.2 Reliable pursuit of goals

King Hassan charged Prime Minister Youssoufi, who took office in 1998, with the task of implementing social reform to fight unemployment, poverty and illiteracy, in order to reduce social degradation and regional disparities. The new government was faced with considerable problems inherited from the old regime, so no breakthrough in fulfilling the task had been achieved at the time of King Hassan's death in 1999. Actions determined by considerations of short-term benefit, such as avoiding mobilization of the opposition and unrest, led partially to contradictory decisions, such as the decision to integrate 12,000 unemployed persons with college degrees into the administrative system—rather than reduce the number of government positions.

King Mohammed reaffirmed his political goal to promote economic and social development. The new king's strategy is suited to the true conditions and political balance of power. On the whole, he is concentrating his efforts on implementing the economic and social transformation, which is emphasized among other things by his policy of appointing positions based on management criteria, as in the case of the prime minister in 2002, and provincial governors. The goal orientation remains consistent and the will to accelerate the transformation exists, conditions permitting. However, the king and government must make an effort to cushion the social costs of the transformation. Unanimity between the king and government concerning the market-economy transformation makes forming a coherent transformation strategy easier at the highest levels. The conditions of parliamentary activity can sometimes hold up action, because intramural party fragmentation can delay decisions and influence legislation despite the coalition government's parliamentary majority.

5.3 Effective use of resources

The government does not make optimal use of available staffing and organizational resources in view of existing transformation deficiencies. In particular, bureaucratic hindrances and long decision-making processes in all areas must be acknowledged. A total of 2.3 % of the entire population is employed in the administration, in comparison with Tunisia's 3.7 % and Egypt's 6.2 %. 40 % of the wages go to 20 % of the officials, making social disparities within the administration enormous.

An attempt to reform public services is being made; the first steps toward modernization were introduced in 2001–2002. The patronage mentality and corruption are widespread throughout the administration and have hindered modernization. The pronounced hierarchy mentality impedes administrative processes and decision-making. The responsibility for this lies not only with the government: All political and social actors are responsible for supporting these behaviors and the underlying mentality.

There are large deficiencies in the area of public and social services, specifically urban-rural differences and interregional differences. The fight against corruption is pursued selectively and is deficient when considering the extensive poverty present in the country; the legal regulations exist, but there are no laws for enforcement in place. The media are relatively free and able to exercise criticism of economic and social conditions, as long as they avoid the taboo subjects (see above). But the social significance of the patronage-based structures and corruption hinders the media from serving a monitoring function in this capacity.

The reform goals announced in 1998 and 1999 by the government under Prime Minister Youssoufi have been approached gradually, but the implementation must be considered deficient when judged in light of the extent of the goal. The government is constantly striving for a consensus with employers and unions to avoid social unrest. Dissatisfaction with the precarious social situation manifested itself in 2002 with numerous strikes by workers and protests by the unemployed. Deficient public service offerings are holding up the transformation; human resources are not optimally utilized. Reform has been promised in the areas of education and training. The king is successfully appealing to the religiously and socially integrated culture of solidarity to rally support for social measures, thereby drawing on cultural heritage.

5.4 Governance capability

The influential political actors are acutely aware of the necessity for fundamental economic reform, but they are divided in both their willingness to quickly implement reform, as well as the range of those reform measures. Private-sector

businesspeople support a rapid pace, while the king and government support a more moderate pace to avoid consequences that could threaten stability. The unions are primarily concerned with preserving jobs.

Although the current state leadership supports a policy of economic reform, domestic stability considerations are slowing its implementation and reducing its scope. The existing deficiencies of transformation indicate that misallocation of resources has not yet been eliminated, shown by subsidies for basic foodstuffs, charges for energy and water, etc.

For the king and government, implementing the market-economy transformation means a permanent balancing act between reform measures and requirements, and securing loyalty and cooperation from the social elite and civil servants who are primarily interested in maintaining their own status. The state leadership is facing difficulties in implementing reform from within the administration and partially from the public.

The king capitalizes as much as possible on his position and prerogatives to support the economic transformation as well as non-Islamic segments of the population. In the sphere of democratic reform, the king has limited interventions in strengthening the rule of law, promoting human rights and deregulating segments that do not call the dual system of government into question.

5.5 Consensus-building

The influential political actors do fundamentally agree on the goal of a social market economy, but there is disagreement over the future role of the state, the social components, the scope of state regulation—or rather state disengagement—and the time frame of the reforms. The unions have taken a negative stance because of the threat of companies folding. The topic of political democracy or of the democratic transformation to a constitutional democracy is taboo (see above). Only a small, well-educated elite discussed this topic immediately following King Mohammed's accession to the throne, which the king's expatriate cousin addresses in the foreign media from time to time.

The current dual system does not in itself pose any hindrance to the implementation of economic goals; on the contrary, the king can use his position to better discipline conflicting political and social elements and to push ahead reform. The accompanying measures to strengthen the rule of law garner the involvement of liberal, secular segments of the population. The king is the sole vetoing agent in Morocco. His dual function as religious and secular ruler has so far allowed him to minimize the political-ideological and political-religious cleavages and negotiate pacts.

5.6 International cooperation

The government has been cooperating with external actors (IMF, World Bank, the Paris and London Clubs) since 1983. Since the 1990s, the transformation processes have been supported by the World Bank and the European Union, with the Association Agreement signed in 1996. The king's willingness to fulfill the conditions and recommendations of the IMF and World Bank reaches its limits in areas where destabilizing consequences are feared from individual reform measures or the reform pace. This also holds true for the fight against illegal drug trafficking and cultivation of drugs in Northern Morocco in the Rif region.

Morocco has close relationships with the EU and the United States. Bilateral tensions of both economic (Spain, for example) and political (Algeria/Western Sahara question, Moroccan immigrants to Spain, Spanish enclaves in Northern Morocco) origin are negotiable; the Moroccans show a general willingness to solve issues through negotiation. Collaborative integration in the international system guides political policy. Some domestic political actors and media are advocating cautious involvement in the world economy because of negative effects feared for the domestic economy. However, the influential actors are all aware that there is no alternative to this step. An abrupt change in policy is not expected under the current government.

6. Overall evaluation

In view of the originating conditions, current status and evolution achieved, as well as the actors' political achievements (management), this assessment arrives at the following concluding evaluations:

(1) *Originating conditions*: The starting conditions for transformation can be rated as difficult overall. Before the observation period, the country had ineffective market-economy structures. The rule of law and democratic traditions are insufficiently anchored in society. The society is diverse, but democratic values and ideas shape the objectives of only a relatively small, liberal elite.

(2) *Current status and evolution*: The transformation of the rule of law as well as the market-economy transformation evolved only a short distance, with the dual political system exempt from a fundamental transformation. The decision-makers were able to achieve qualitative improvements in the rule of law, and in the areas of human rights and civil rights. During the observation period, a relatively coherent, decisive policy was implemented in the area of domestic political reform, while at the same time serving to stabilize the power structure. The transformation toward a market economy is under way, albeit slowly; the scope of the transformation steps that were intensified in 2001–2002 cannot yet be determined. The political decision-makers succeeded in stabilizing

macroeconomic development and introducing individual measures to improve the ambient market-economy structures. These measures must be intensified.

(3) *Management*: King Mohammed clearly outlined the goals of the economic transformation process in 1999, which flowed into the five-year plan (2000–2004) for economic and social development. However, the pace of implementation is too slow to bring significant success. Nevertheless, structural reforms of the market economy—healthy banking sector, capital market, diversification of business, establishing a competition/antimonopoly policy, social expansion of the market economy—are being planned or have already been introduced. The economic transformation process is continuing definitively. Nevertheless, the impact of the new government’s management performance cannot yet be determined, because a number of legal measures strengthening the transformation process were only passed in 2002, or promised for 2003.

7. Outlook

The transformation picture is ambivalent. The macroeconomic stability that has been achieved is without a doubt the most important transformation success in the market-economy sphere to date. The key strategic work of democratic and market-economy reform to be addressed in the medium term lies particularly in the areas of the rule of law, institutional efficiency of the state and of administrative systems, the fight against poverty, and sustainable development, as well as developing business competition. It remains to be seen just how the newly introduced reforms play out. In the political arena, it is highly unlikely that there will be any progress in the democratic transformation toward a constitutional monarchy in the medium term.