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► To cite this version:

Aouatif El Fakir. Two decades of liberalization reforms in Morocco: Successes and failures. Harrigan, Jane, El-Said, Hamed. Globalisation, Democratisation and Radicalisation in the Arab World, Palgrave Macmillan UK, pp. Pages 71-87, 2011, Globalisation, Democratisation and Radicalisation in the Arab World, 978-0-230-30700-1. 10.1057/9780230307001 . hal-01347753

HAL Id: hal-01347753

<https://hal.science/hal-01347753>

Submitted on 21 Jul 2016

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Chapter Four: Two decades of liberalization reforms in Morocco: Successes and failures.

Aouatif El Fakir¹.

I. Introduction

The declared objective of the liberalization reforms during the 1980s and the 1990s was to accelerate the transformation of pre-capitalist developing economies into “modern” market economies. With this objective in mind, International agencies and donors promoted policies to confine the State to service-delivery and to integrate these economies in the global trade. After more than two decades, however, developing countries that implemented these reforms are still dependant on a conjuncture of external factors and their growth rate remains stunted. Furthermore, the increasing openness of their markets, as illustrated by the larger percentage of merchandise trade in GDP (gross domestic product), had little impact on income and investment. During the 1980s and the 1990s, gross capital formation in Mexico, Morocco, Argentina or Tunisia was reduced (World Bank database <http://www.worldbank.org/>). Growth in income per person fluctuated without paralleling trade trend. These questions we are trying to answer are: Why did the liberalization reforms fail to make national markets more efficient and private sector more active? Why did not these reforms increase investments, growth and welfare, as the liberalization theories had predicted?

In this paper, we try to answer these questions for the case of Morocco by focusing on sustainable competitiveness and growth. We assess the effects of reforms on the country’s capability to design and manufacture competitive products and processes taking advantage of technologies, whether imported or domestic. In other words, we evaluate the consequences of the reforms with respect to: i) the emergence of an institutional framework for economic take-off and ii) technological learning.

Our point of view is that an actual economic take-off of developing countries occurs when companies are able to improve their competitiveness through the technological learning. Without such learning, firms will not be able to use imported technologies efficiently, to expand production capability or innovate on the basis of their own research and development (R&D) efforts.

In Section 2, we expose the theoretical background and the analytical framework of our research. In Section 3, we use this framework to examine the liberalization reforms and discuss their outcome in terms of technological learning. We outline in Section 4 some recommendations leading to sustainable competitiveness and effective take-off.

II. TECHNOLOGICAL CAPABILITIES AND THE ROLE OF THE STATE:

The competitiveness and the growth of companies, industries and countries depend on their capability to meet demands in terms of quality, quantity and timeliness. Viotti (2003) calls this capability ‘technological capability’ and defines it as ‘managerial and technical skills and

¹ The Author is grateful to Mostafa Hashem Sherif and Jacques Ould-Aoudia for the support received in the preparation of the manuscript.

know-how that allow to manufacture products and processes and to change incrementally or radically their design or performances'. Lall (2001) distinguishes 4 levels of technological capabilities. As we can see in Figure 2.1, basic capabilities enable firms to use imported technology efficiently; duplicative capabilities enable them to use some technology elements to expand production; adaptive capabilities enable them to adapt and improve foreign technologies and to carry out complex engineering and innovative capabilities lead to develop new technologies.

Figure 2.1: The pyramid of technological capabilities according Lall (2001).

In theory, policies and strategies are designed and implemented to guarantee the acquisition of the needed technological capabilities for each stage, what we call here the “technological learning”. In practice, however, some companies (or countries) improve their capabilities while others stagnate. Scholars of the development process have tried to explain this difference and especially the stagnation of some developing countries. Sen (1975) considers that the failures of the market have lead to the transfer of inappropriate technologies. That is, some imported technologies are labor-saving even with an abundant workforce. According to Helleiner (1975), the solution is to make information on technology available, enhance the bargaining power, limit suppliers’ influence and have a consensus about national policies. On the other hand, studies of successful technology transfers show that it is crucial to have a threshold of skills and knowledge to use, adapt or improve imported technologies (Lall 1993, Bell and Pavitt 1993). In addition, Perez and Soete (1988) have shown that it is essential that the combinations of infrastructure, knowledge, skills and externalities available match the different stages of technologies and paradigms. Pack and Saggi (1997) explain that technology transfers and domestic R&D are complementary in the beginning of the development process and end-up by competing at the top of the pyramid of technological capabilities. Others consider that domestic R&D system is the best tool to resolve domestic problems and satisfy domestic demand. (Sagasti 2004,).

On the basis of national systems of innovation (NSI) approach, Arocena and Sutz (2000) argue that developing countries stagnate because of the lack of interactive learning spaces (ILSs). These are interactive activities and processes where individuals and organizations

generate, exchange and use knowledge to enhance their ability to learn and to resolve problems in a systematic way. For instance, without an ILS involving a domestic company and a technology's supplier (through training and technical assistance), the former cannot acquire basic manufacturing capabilities. If the company does not interact with its clients, it cannot identify which product features to upgrade and thus cannot acquire adaptive capabilities. Finally, if the company does not interact with public research structures or universities, innovation process can be longer and more difficult.

Studies of industrialized countries show that the acquisition and the upgrading of technological capabilities depends on specialized institutions and on the co-evolution of technologies, institutions and organizations¹ (Freeman and Soete 1997; Nelson, 1993, Lundvall, 1992). Formal institutions (property rights system, tax system) and informal institutions (habits, norms of cooperation) regulate relationships between individuals and groups and supports interactions, learning and innovations (Edquist 1997). Moreover, these studies point out the crucial role of the State that enforced formal institutions and encouraged informal institutions in order to perform technological learning. In addition, Governments turned learning toward specific areas through policies and procurement.

The role of the State is actually the subject for debate between two views. The dominant liberal-market consensus confines the State to service-delivery whereas the 'social transformation model looks at the role of the State on the context of the transition to capitalism'. (Khan 2006). The first view asserts that by achieving markets effectiveness, protecting property rights, fighting corruption and enhancing democratization and accountability, the State guarantees automatically growth and welfare. The liberal-market consensus, based on new classical economics and new institutional economics, is still underpinning plans, reforms and recommendations of international agencies and donors regarding developing countries as International Monetary Fund, World Bank or European Union. Paradoxically, the current financial crisis re-establishes the intervention of the State to save institutions even among the proponents of free markets.

The social transformation model argues that development process is a transformation of pre-capitalist economies into advanced capitalist ones. Regarding technology development in particular, Lall and Teubal (1998) observe that, in developing countries, the basis of technological knowledge internal to firms is relatively weak and that the supporting network of outside enterprises, institutions and human capital is underdeveloped. As a result, technological learning is costly and risky. They argue that governments must establish institutions and policies for setting national priorities for industrial and technological development and providing incentives to economic agents for prior activities where more externalities are generated than others and where markets fail to do so adequately. As Khan (2002) sums up, the capability of the State to enforce effectively institutions and policies with low costs enable capitalists to emerge and technological learning to take place.

The comparative study of some emergent countries achieved by Dahlman and Nelson (1995) shows that the macroeconomic environment and incentives regime determine technological and economic take-off. Appropriate human capital, foreign technologies, industrial infrastructure, public support and funding are crucial for the acquisition of technological capabilities. Other studies point out the crucial role of Governments in providing resources, setting up incentives, anticipating needs and coordinating actors. For instance, the South Korean government invested in infrastructure and education, promoted large domestic firms (the Chaebols), provided direct funding and subsidies to them, intervened in bargaining with foreign suppliers and set up tax incentives and protection to encourage technological learning. (El Fakir 2008).

In the same way, the Chinese government swapped technology for market in strategic industries to support technological learning of domestic firms in mobile phone industry. China pressed the foreign firms to transfer their knowledge to domestic ones and allowed the domestic companies to improve their products through restricting indirectly the domestic market access to foreign companies. Chinese firms improved their competitiveness in their local markets very quickly before engaging in a harder contest on a global level (El Fakir 2007, Von Zedtwitz and Jin 2007). The Indian government restricted foreign investments flows in strategic industries to strengthen indigenous technological capabilities. Following a controlled opening of the economy, many large Indian companies are now able to compete on global markets thanks to technological learning, human capital and know-how accumulation (Lall 1987). Similarly, the Singaporean government stimulated strongly specialized high-skill/high-tech industries for export markets by attracting transnational companies (TNCs) into high value-added activities. The Taiwanese government protected and subsidized capital, skill and technology intensive industry, set up incentives for exports of more advanced products and provided intense support for local R&D and upgrading of small and medium enterprises (SMEs). All of these countries did not follow the liberal-market consensus. It is acknowledged that many of these countries are still witnessing large corruption, rent-seeking behavior, weak property rights and lack of accountability.

On the basis of previous works and studies, we assume here that the technological learning is the way to achieve sustainable growth and economic take-off in developing countries. This learning depends on ILSs that emerge at the enterprise level: within companies or between companies and other actors (suppliers, clients, universities, services providers, competitors and so on). Learning could be intra-organizational, inter-organizational or both. ILSs cannot emerge if there are no incentives and pressures on the firms to be more competitive and if they do not have required resources. We assume also that the role of the State is to establish an institutional framework providing resources and incentives and exerting pressures and compulsions in order to stimulate the acquisition of technological capabilities.

Next, we analyze the impact of liberalization reforms on the acquisition of technological capabilities in Morocco. We examine how these reforms influenced the role of the State and thus the institutional framework and how they stimulated or prevented the emergence and the evolution of interactive learning spaces. On the one hand, we examine how the liberalization reforms were put into practices, to what extent they influenced the State capability to intervene and which institutional framework were set up. On the other hand, we assess the technological learning of Moroccan companies during two decades of reforms. This assessment is based on survey of a sample of large Moroccan companies in the most important industries. We discuss the effective outcome of reforms in terms of technological learning, competitiveness and growth.

III.IMPACT OF REFORMS ON ROLE OF THE STATE & TECHNOLOGICAL CAPABILITIES

In the 1970s, Morocco, as many other developing countries, was encouraged to increase its external debt. However, after the second oil crisis and when the US Federal Reserve raised its interest rate to reduce inflation in the beginning of the 1980s, Morocco could not pay back its debts. The decline in the price of phosphate and the jump of the price of petrol worsened Moroccan imbalances. The first attempt to bring the deficit under control by reducing demand led to the Casablanca bloody events in 20-22 June 1981, after the suppression of subsidies on

of subsistence goods by the government. Morocco then entered in negotiations with the Paris and London Clubs¹ to reschedule its debts and was forced to accept a stabilization program in an agreement with the International Monetary Fund (IMF) in 1983. A structural adjustment program (SAP) in cooperation with the World Bank (WB) followed in 1984-1985 with the aim of reducing deficit, tame inflation and improve market efficiency (Morrisson 1991). The 1990s witnessed the Good governance agenda, which aimed to perform economic and political reforms at the same time.

Reforms implementation:

In the 1980s, the financial support of the IMF and the WB was assured provided that the Moroccan government:

Reduced the budget deficit by cutting investment and operating expenditures;

Controlled inflation by reducing demand;

Transferred the economic power to the private sector by privatizing public companies and reducing State intervention;

Took steps to integrating the Moroccan economy into the global economy by deregulating protected sectors, opening domestic markets to foreign goods and capital and promoted exports on the basis of comparative advantages in commodity, low technology and labor intensive industries (Morrisson 1991).

In the 1990s, the good governance agenda, on the basis of new institutional economics, “re-habilitated” partially the role of the State in economic and social life. There are many definitions of Good governance, we quote here the most known and used. For OECD, it ‘encompasses the role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the relationship between the ruler and the ruled’ (www.oecd.org/dac/). For the World Bank, good governance ‘epitomized by predictable, open and enlightened policy making; a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rule of law’ (http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/EXTMNA_REGTOPGOVERNANCE/0,,contentMDK:20513159~pagePK:34004173~piPK:34003707~theSitePK:497024,00.html). The European Commission defined the concept of governance, as ‘the capacity for a State to serve its citizens’ (http://eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0428en01.pdf).

In addition to increasing market openness and supporting existing comparative advantages; the agenda argued that, in developing countries, transaction costs could be high not only because of State intervention but also because it is difficult to enforce the property rights and contracts. Therefore, it added the topics of property rights protection, fight against corruption, accountability, democratization, the rule of law and services delivery to the poor (Khan 2006). Economic, political and institutional reforms had to be performed simultaneously.

During this decade, Moroccan government accelerated the privatization and started to remove the market protections. Morocco took advantage of € 27,6 millions to modernize its judiciary system and € 85 millions to reform its administration.

The impact of reforms on the role of the State: unproductive bias:

The SAP and good governance agenda were based on the liberal-market consensus. Thus, they imposed markets supremacy in terms of resources allocation, confined States to service-delivery and advocate the integration of developing countries in the global production chain according to the theory of comparative advantages.

In Morocco, the reforms led to the reduction of budget deficit and inflation. From 1983 to 1988, the budget deficit decreased progressively thanks to significant reduction of investment expenditures. The inflation dropped from 7 percent by the end of the 1980s to 2 percent by 2000 and total debt service declined monotonously from 35 percent in 1985 to 11 percent in 2005 except the peak of 33 percent in 1995 (World Bank database <http://www.worldbank.org/>). The stabilization program led to a rise of foreign currencies reserves so that Morocco could reimburse the WB loan. The Moroccan government also learned how to achieve budget discipline and maintain national accounts in balance as much as possible. These two aspects made the macroeconomic environment more stable and more attractive for investors.

One of the negative aspects of the downsizing of the State is that it created a vacuum in many areas, including industrial planning and long-term development strategies. Today, these are designed according to the international lenders' or private consulting firms' advice and following "best practices" that do not necessarily match the context of the Moroccan economy. At the end of the 1990s, the best practices suggested to setting up many incentives to increase private R&D expenditures, while most companies did not have the necessary capabilities to conduct R&D. Furthermore, the government could not direct private investments towards industries/technologies that could provide sustainable growth prospects and time to learn. As the Moroccan State transferred strategic industries to private entrepreneurs (domestic and foreign), companies followed the rational course for the short-term profit rather than upgrade their technological capabilities. For instance, Morocco's entrepreneurs took advantage of garment quotas for European market to export cheap and low value-added products. As a result, private expenditures account for 12 percent of gross R&D expenditures which accounts for 0,8 percent of GDP in the late 1990s. Finally, in the 2000s, the government launched the "Emergence" plan to support specific industries that account for the future of Morocco such as the Offshoring or Aeronautics. But, a closer look at this plan shows that it actually supports a new kind of sub-contracting by private or foreign investors in search for cheaper labour and seeking short-term profitability.

Despite the implementation of the good governance agenda, corruption and rent-seeking networks are still operating:

The actors do not trust each other or the impartiality of the courts. In 2006, Morocco ranked 53rd in terms of rule of law compared to South Korea ranked 72nd, Tunisia 60th or Malaysia 65th.

It is very difficult for new actors to enter into lucrative sectors. In 2006, Morocco ranked 47th in terms of regulatory quality while South Korea ranked 70th, Tunisia 58th and Malaysia 69th².

All monetary incentives continued to benefit the established capitalists rather than to encourage new entrants, while weak growth and low productivity prevented the attainment of development targets. As a consequence, the majority of manufacturing industries grew at a rate slower than that of global trade. Their market share increases in declining industries as manufactured fertilizers or in slow-growing industries as equipment of for distribution of electricity. On the contrary, exports declined on fast-growing industries in the world like textile materials or leather and. In only very few industries, Morocco share grew faster than global trade (Finance ministry 2005). By and large, Moroccan growth was feeble from 1980 to 2005 and the income per person progresses from 1831 to 2883 fixed PPP\$ (high commission of plan 2008 www.hcp.ma). But, there is no convergence of income per person regarding European countries for instance.

The impact of reforms on technological learning: learning stagnation.

From the 1960s until now, Moroccan companies (either public or private) imported technologies in the form of equipment, turnkey plants and engineering. They supposed to be involved in a process of technological learning since that time.

In 2007, we surveyed 21 large Moroccan companies (account for 4 percent of companies with more than 200 employees) to assess this process of technological learning. Our survey covered industries that account for 89 percent of employment, production and exports (agro foods, chemicals, refining, non-metal mineral manufactures, garment, textile, machinery and electric devices, metallurgy and metals manufactures). The survey shows that equipment importation is still the main source of technology and Moroccan companies acquire basic manufacturing capabilities through on-the-job training and technical assistance providing by the supplier. Few companies expanded their production facilities; a smaller percentage adapts technologies through their own engineering. A very small number of companies carries out R&D to innovate and keep pace with technology frontiers.

Even innovative Moroccan companies, interact weakly with their customers and hardly bring production or design problems to domestic engineering and R&D structures. The technology suppliers are the main consultants in terms of equipment selection, projects design, plants installation and even R&D implementation. The small and medium enterprises (SMEs) behave similarly. According to the study of innovation performed by 'R&D Maroc' in 2005 (Moroccan association that promotes innovation), SMEs sub-contracted 50 percent of their R&D and technology suppliers account for 47.2 percent of sub-contracting.

Importations of equipment reach 6 billions constant \$ in 2006 in comparison with 3 billions in 2000 (Université de Sherbrooke 2008 <http://perspective.usherbrooke.ca/bilan/statistiques/>) while engineering importations reach 500 millions \$ in 2000 (Kleiche 2000).

On the other hand, TNCs confine their Moroccan subsidiaries to basic manufacturing tasks and provide them standards solutions for production and design problems.

In short, interactive learning spaces in Morocco involve mainly domestic companies and foreign technology suppliers or parent-companies. Moroccan enterprises seem to generally stagnate at the level of basic manufacturing capabilities even if they have the human, financial and organizational resources to go through complex and innovative ones.

Consequently, total factor productivity that reflects technical progress decreased by 0,36 percent from 1971 to 2004 (Drissi 2007), whereas Moroccan companies with low productivity³ (compared to the productivity mean of Moroccan companies) account for almost 89 percent of SMEs and almost 78 percent of large ones. These low productivity companies account for almost a half of production, two third of exports and more than 75 percent of employment (Finance ministry 2007). In addition, the arrival of cheaper labour countries and damages Morocco's competitiveness and performance in the global market.

Historically, Moroccan capitalists were promoted by an authoritarian regime that garnered their support by giving them rents in protected areas. As defined by Khan (2006), rents are 'incomes that individuals can earn that are higher than in their next-best opportunity and so rents exist if those in the next-best activities are prevented from getting access to particular resources or opportunities'. For instance, the nationalization of foreign companies in the 1970s (called Moroccanisation) benefited only from few rich families. Again, the privatization (promoted by reforms) of public companies in the 1980s and the 1990s rewarded the same capitalists and TNCs. These rent-seekers did not have the motivation to start new and risky businesses. Another example is the engineering sector where imports have been large from the 1960s onwards because dominant bureaucratic and economic rent-seekers prevent the domestic development (Germouni 1978).

While the good governance agenda tried to cut this rent-seeking, by promoting intensive-labour industries or commodities, they simultaneously prevented technological learning. Companies saw their interest in exploiting natural resources or cheap labour without

the need to improve either products or processes. Also, the gospel of efficiency discouraged companies from upgrading their technological capabilities for the following reason. Moroccan companies were cost-competitive in short-run; therefore, efficiency required them to focus on markets where they could sell their products at the right price. However, this strategy was not competitive in long-run because their capabilities did not change to match new market needs and technology changes. Moreover, The lack of trust lead to the lack of interactions between actors and prevents technological learning and dissemination. Innovative companies in Morocco seem like competitive islands disconnected from the majority of vulnerable companies.

On the other hand, the government does not provide the necessary resources to the companies as facilities, funding, information, qualified workers or bargaining power to improve their capabilities. For instance, the WB claimed that an emphasis on primary education and a bigger role of private sector would make the educational system more efficient. However, the enrolment in secondary and tertiary education continued to increase whereas the system had lower means and the private expenditures did not substitute public ones (Benlahcen Tlemçani, 1997). Thus, the educational system is currently unable to train more people with appropriate skills regarding the new competitive context. The labour force is widely unqualified and unemployed people are young and qualified. For instance, working persons without any education accounts for 70.5 percent of total working persons while those with tertiary education account for 8.5 percent. Unemployed persons with tertiary education account for 26.8 percent of total unemployed persons while those without any education account for 5.2 percent (HCP 2008 www.hcp.ma).

In summary, the reforms did not encourage the emergence of the interactive learning spaces and the upgrading of Moroccan technological capabilities. The big concentration of outputs and exports in low technology industries expose Morocco to loose competitiveness. As a result, Morocco's growth is still low and dependent on exogenous factors such as the rain, the phosphate or foodstuffs prices.

IV. TECHNOLOGICAL LEARNING AS A REFORM OBJECTIVE

It is clear that Morocco will not be competitive in low technology/ value-added industries because the real wages increase and cheaper countries walk off with customers. Moroccan companies can survive only if they become more creative and innovative. Sustainable growth can be achieved by moving into new specific areas where Moroccan companies can have a comparative advantage on the basis of higher value-added products and services. However, to reach this new competitiveness, Morocco must implement reforms and policies that lead to an appropriate institutional framework and then to the upgrading of technological capabilities. In our opinion, the role of the State is undeniable in the transformation of Moroccan economy. Next, we argue that Moroccan State have to acquire growth-enhancing governance and set up specific management of technological catch-up.

4.1 State efficiency versus Market efficiency:

The success of some Asian countries has to be contrasted with the failure of most of developing countries where the State was the main culprit for resource waste. But, in our opinion, the market-liberal consensus and its reforms did not address critical problems of the technological catching-up and sustainable growth. According to Khan's (2006) study of the governance indicators in high-growth and low-growth developing countries, the market-enhancing governance is not significantly better in the first group. In addition, the data

suggest a very weak positive correlation between the quality of market-promoting governance and economic growth.

The Moroccan State, as most of developing countries, cannot manage the technological and economic development because of structural failures. First, a weak fiscal system puts limits on public resources. In Morocco, fiscal system is not reliable and most actors are of low productivity and cannot even pay for their own protection. Second, achieving the necessary political stability for investment, growth and accumulation in strategic sectors requires resources that do not exist in the budget. Consequently, the State must maintain weak and contested property rights to achieve non-market asset transfers (allocate land to specific groups or use the right of “expropriation” for infrastructures and productive facilities).

But, managing political stability and non-markets asset transfers could generate political corruption and clientelism. In contrast, developed countries carry out costly protection of property rights because the fiscal system is reliable and very productive actors pay taxes and private expenditures to protect their interests⁴.

Successful developing and even developed countries actually did not eliminate the rent-seeking behaviours; they only managed them to not waste resources and made these behaviours more productive. For instance, South Korean centralized government transferred in the 1960s public resources to private entrepreneurs to build Chaebols. But, failing companies could not buy protection and continue to take advantage of these assets. The Chinese government transferred public assets to private company to enhance competition and upgrade telecommunications networks and services in the 1990s. The government continues to call companies to order if they do not follow instructions. (El Fakir 2008 and El Fakir 2007).

In summary, current opportunities and pressures require an efficient Moroccan State that set up institutional framework according to pre-existent political structure to:

- Maintain political stability.
- Involve the State and the majority of the population in the development process⁵.
- Manage and make rent-seeking behavior in favor of productive activities.
- Transfer assets and property rights from unproductive to productive groups.

4.2 Management of technological catch-up:

Technological learning is costly and risky. Companies have to invest in new equipment, train their employees or conduct R&D projects while changes speed up. If there are no incentives to carry out these investments, companies prefer to avoid them. Markets do not necessarily provide these incentives especially for the long-run competitiveness. This is the role of the State through its industrial and technological policies.

As we saw, thanks to the State interventions, Korean, Chinese, Singaporean or Indian firms go deliberately in many ILSs that involved diverse actors (suppliers, clients, R&D structures, TNCs and so on) in dynamic industries and new technologies that provide windows of opportunity with large prospects for learning and growth.

In Morocco, companies have little incentives to achieve the costly and risky technological learning for two reasons. First, they avoid investment because of the structural failures (lack of trust, unproductive rent-seeking behaviour). Second, they do not have the requisite resources (information, skills, funding and bargaining power) to choose, acquire and assimilate the right technologies.

The rent-seeking behaviour is actually very rational. Capitalists try to invest in profitable activities preferably without competitors. Schumpeterian entrepreneurs innovate to have a monopoly's rent for a while. The problem is that, in Morocco, the rent is achieved by unproductive groups thanks to the links with the regime not to the efforts of innovation. They

simply withdraw precious resources from the majority. In addition, the companies do not have enough information about new and even mature technologies to choose the right one. Finally, some suffer from the lack of qualified and productive workers because of educational system failures.

Markets direct capital to low value-added /technology sectors that have already achieved competitiveness (or in which productivity gap does not matter) instead of high value-added sectors because requisite skills, facilities and spillovers are not available. Therefore, Moroccan industrial and technological policies must encourage companies to go into interactive learning spaces through:

- Evolutionary policies establishing priorities and supporting technological learning in each stage;
- Clear compulsions and objectives that prevent wasting resources;
- Technology-watch in order to provide information about technological options and strategic activities;
- Learning and innovation rents (subsidies and incentives) to encourage strategic activities, interactions between actors, dissemination of technologies and generation of positive spillovers; and Long-term investment in education, research and infrastructure to consolidate learning skills in strategic areas.

V. CONCLUSION

Some of the developing countries that did not follow the liberalization reforms achieved higher levels of accumulation, productivity and sustainable growth. Countries that spent their time and effort to improve markets efficiency were less successful.

By and large, reforms proposed by the international institutions tend to be normative, promoting the applications of “best practices” derived from advanced countries to developing countries. But, these practices are considered as the best “ex post”. In others words, these institutions decree what normally must be applied in developing countries based on experiments that are not reproducible. The normative aspect of reforms leads to two difficulties. First, these reforms are basically exogenous and do not address local concerns. Second, to enforce exogenous norms, they must be fully embraced by the majority or imposed by force.

But, the technological and industrial successes of emerging countries are closely related to the institutional and political framework that made technological learning sustained. Markets are mostly inefficient because of structural characteristics of these countries. The success of these countries is rooted in requires governance capabilities that ensure technological learning regarding the most appropriate window of opportunities and regarding specificities of each country. But, many questions remain unanswered especially how the State changes into a promoter of productive groups and how unproductive rent-seekers capitulate.

¹ The Paris Club is an informal group of financial officials representing public lenders from the 19 richest countries. London Club is the corresponding informal group of private creditors.

² Rule of law indicator measures the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence. Regulatory quality indicator measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. The percentile rank (0-100) indicates rank of country among 212 countries. 0 corresponds to lowest rank and 100 corresponds to highest one.

World Bank development indicators database.

http://info.worldbank.org/governance/wgi2007/sc_country.asp

And Ould-Aoudia (2006).

³ Productivity is measured by the ration added value/number of workers in all Moroccan companies between 1986 and 2003.

⁴ Property rights protection costs are part of the transaction costs that may account for as much as half of all economic activity (Khan 2006. p. 33).

⁵ A study of Ould Aoudia and Mesiel (2007) of high-growth developing countries shows that they were successful because the development was a priority for the elite and there was a dialogue to strive towards the general interest.

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