
Reviving Maghreb Integration: Recommendations

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Attempts to revive the Arab Maghreb Union (AMU) have been unsuccessful mostly because of tense political relations among members. However, some cooperation can be observed among Maghreb countries at a bilateral level. Tunisia and Morocco have made good progress in port infrastructure and air traffic rights. The Tunisian project to build a deep water port in Enfidha will complete the Tangiers-Med plan and establish a direct maritime link between Tunisia and Morocco. In November 2007 the two countries signed an air traffic agreement to liberalize the carriage of passengers and cargo, and the Tunisian minister of transport has expressed a willingness to extend the agreement to the rest of the AMU.¹ These and similar initiatives could pave the way for regional integration.

To foster integration, the region needs to develop a strong institutional framework and progress further on trade liberalization and facilitation. The United States and the European Union could be important to promoting the needed reforms, especially as both parties are already involved in various trade and investment agreements as well as aid initiatives with the Maghreb countries.

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1. "Bientot Une Ligne Maritime Directe Avec Le Royaume" ["Soon a Direct Maritime Line With the Kingdom"], *Comtex*, February 22, 2008.

US-Maghreb Economic Ties

Table 13.1 summarizes the bilateral trade and investment relations between the United States and each of the Maghreb countries. The extent of economic association with the United States varies widely across the region. At one end of the spectrum stands Morocco, which signed its free trade agreement (FTA) with the United States in 2004; at the other end is Libya, which has no trade or investment agreements with the United States and is not currently eligible for the Generalized System of Preferences (GSP). Libyan economic relations with the United States were nonexistent until the lifting of US sanctions in 2004 and not until June 2006 did the United States remove Libya from the list of states sponsoring terrorism. Economic ties between Libya and the United States are thus new in the making. Libya's recent blockage of a UN resolution sponsored by the United States to condemn violence in the Middle East may again put a strain on political relations.² The US Congress recently amended the Foreign Sovereign Immunities Act to allow prejudgment attachment of Libyan government assets, even though Libya has been removed from the US government's list of terrorism sponsors; this move also has strained relations. That said, the United States and Libya are in the final stage of negotiating a trade and investment framework agreement (TIFA).³

Tunisia and the United States have signed a TIFA as well as a bilateral investment treaty (BIT). The two parties are contemplating negotiations for an FTA.⁴ While economic relations between Algeria and the United States include a TIFA, political relations are fragile. In March 2008 Algeria accused the United States of interfering in its internal affairs by expanding a dialogue with Algerian civil society and welcoming opposition parties to Washington.⁵ Mauritania has been designated as a least-developed beneficiary developing country for the GSP program. Mineral fuels—principally oil—accounted for 99 percent of US imports from Mauritania in 2006.

In addition to trade and investment agreements, the United States provides Maghreb countries with technical and financial assistance. The two most important vehicles are the Middle East Partnership Initiative (MEPI) and the Millennium Challenge Corporation (MCC). The MEPI program funds reform in politics, economics, education, and women's empowerment in Algeria, Morocco, and Tunisia. Currently, the MCC only provides

2. John Heilprin, "Libya Blocks UN Council From Condemning Fresh Violence in the Middle East," Associated Press Newswires, March 6, 2008.

3. Gary G. Yerkey, "US, Libya 'Very Close' to Signing Bilateral Trade, Investment Agreement," *Bureau of National Affairs*, May 30, 2008.

4. Unpublished reports indicate that Tunisia is also considering FTA negotiations with Japan.

5. "Algeria Officials 'Accuse' US of Interfering in Country's Domestic Affairs," BBC Monitoring Middle East, March 5, 2008.

Table 13.1 Bilateral agreements between the United States and Maghreb nations

| Country | Trade and investment framework agreement | Bilateral investment treaty | Free trade agreement | Other bilateral agreements related to trade or investment | Generalized system of preferences (GSP) status |
|----------------|---|--|--|--|--|
| Morocco | | Signed in 1985, entered into force in 1991 | Signed in 2004, entered into force in January 2006 | Agreement on Science and Technology Cooperation (2006) | Not applicable; Western Sahara is a “Non-Independent Countr[y] [or] Territor[y]” that is designated beneficiary developing country (no goods restrictions) |
| Algeria | Signed in 2001 | | | Investment Incentive Agreement (1990); Agricultural Commodities Agreement (1966); Memorandum of Understanding concerning Cooperation and Trade in the Field of Agriculture; Agreement on Science and Technology Cooperation (2006) | Designated beneficiary developing country (no goods restrictions) |
| Tunisia | Signed in 2002 | Signed in 1990, entered into force in 1993 | | Agreement on Science and Technology Cooperation (2004) | Designated beneficiary developing country (no goods restrictions) |
| Mauritania | | | | | Designated beneficiary developing country, least-developed beneficiary developing country (no goods restrictions) |
| Libya | | In negotiation | | | Not applicable |

assistance to Morocco and Mauritania. The MCC approved a grant of \$697 million over five years for Morocco to fund programs in three sectors, namely agriculture (specifically fruit trees), small-scale coastal fishing, and artisan crafts. In December 2007 the MCC selected Mauritania as the latest eligible country. Mauritania will participate in the MCC's two-year threshold program, which awards smaller grants to progress on specific indicators with the prospect of qualifying for larger grants in the future.

EU-Maghreb Economic Ties

EU relations with the Maghreb countries are governed by the Barcelona Process (see chapter 3). However, another large project is also underway: the proposal by President Nicolas Sarkozy of France to create a Union for the Mediterranean. Originally the union was to involve only those countries bordering the Mediterranean. However, at Germany's request, it was agreed that all EU members and Mediterranean countries would be invited to join.⁶ The new project, jointly proposed by France and Germany, significantly dilutes France's original ambitions; however, EU leaders approved the proposal unanimously on March 13, 2008. Though a detailed plan to implement the new initiative has yet to be revealed, the union is meant to revitalize the Barcelona Process. The Union for the Mediterranean was launched on July 13, 2008.

Some concerns have been voiced regarding the union's dual presidency concept and the need to avoid duplicating institutions between the Union for the Mediterranean and the European Union.⁷ Most important, the prospect of using EU funds to finance the union is controversial. Some observers also worry that President Sarkozy is using the union to sideline Turkey's accession to the European Union.⁸

Migration remains one of the key issues between the southern Mediterranean countries and the European Union. The Maghreb is both the source of large emigrant flows and a transit platform for migration from the rest of Africa to Europe. Faced with these pressures, Spain is multiplying its immigration agreements with northern and western African coun-

6. Countries bordering the Mediterranean are Albania, Algeria, Bosnia-Herzegovina, Croatia, Egypt, Israel, Lebanon, Libya, Montenegro, Morocco, Palestinian Authority, Syria, Tunisia, and Turkey. Jordan and Mauritania could be included as well, although they do not border the Mediterranean.

7. The dual presidency concept of the Union for the Mediterranean calls for a country from the northern bank (a member of the European Union) and a country from the southern bank to share the presidency, which raises potential governance issues.

8. "Nicolas Sarkozy et Angela Merkel veulent convaincre l'UE de l'utilité de l'Union pour la Méditerranée" ["Nicolas Sarkozy and Angela Merkel want to convince the European Union of the usefulness of the Union for the Mediterranean"], *Le Monde*, March 13, 2008.

tries, including Morocco and Mauritania. The agreements provide for joint patrols, cooperation in training, and liaison officers.⁹ Some success in tackling the immigration issue will be important to enlist public support within the European Union for further economic integration with the Maghreb.

Role of Bilateral Agreements

As both the European Union and the United States are working to raise their profiles in the region, it is important to suggest how bilateral trade agreements between one of the major parties and a Maghreb country can promote reforms at a regional level. The following sections detail salient features that the United States or the European Union might insist on, either in the text of a bilateral trade or investment agreement, or in a companion agreement designed to enhance regional integration.

Tariff Barriers

A Maghreb partner of the United States or the European Union could be required to lower or eliminate its own tariffs on selected products imported from other Maghreb countries. The Enabling Clause could be used to justify the World Trade Organization (WTO) consistency of these provisions.¹⁰ Ideally, tariff preferences that a Maghreb country grants to the United States or the European Union through a trade agreement would be extended fully by that Maghreb partner to its Maghreb neighbors. However, after negotiations, the Maghreb preferences might be limited to a subset of products covered by the US or EU bilateral FTA.

Rules of Origin

Rules of origin for shipping merchandise through cross-border supply chains can be particularly cumbersome when a country is a partner in several bilateral trade agreements. In the context of the Euro-Med Partnership, Algeria, Morocco, and Tunisia apply full cumulation among them-

9. "Spain in the Fight against Illegal Immigration," Parliament of the United Kingdom documents, available at www.parliament.uk (accessed on March 4, 2008).

10. In its decision, titled "European Communities—Conditions for the Granting of Tariff Preferences to Developing Countries," the Appellate Body ruled that the Enabling Clause did not require that countries grant identical tariff preferences to all developing countries, but instead that the level of preference be based on the specific development, financial, and trade needs of the developing countries in question; available at www.ejil.org (accessed April 15, 2008).

selves and diagonal cumulation with the other pan-European countries. Those provisions could be extended to Libya and Mauritania as well, especially as they are working toward full participation in the Barcelona Process.

The United States and any of its Maghreb partners, starting with Morocco, could negotiate agreements similar to the qualified industrial zones (QIZ) agreement with Egypt and Jordan. The QIZ agreement allows duty-free entry to the United States for Egyptian goods produced in the zones that use Jordanian inputs.¹¹ QIZs for other Maghreb countries, starting with an extension of the US-Morocco agreement, could help the Maghreb integrate regionally and with the global economy. As a larger-scale version of the QIZ agreement, the United States could allow for the cumulation of inputs across the Maghreb in meeting rules of origin. This approach could be coupled with a requirement that Maghreb countries lower their own tariff barriers for shipments within the region.

Aid for Technical Assistance and Capacity Building

Dennis (2006a) shows that the benefits of a regional trade agreement between Middle East and North Africa countries could triple if accompanied by trade facilitation measures. Detailed models for Morocco and Tunisia suggest that flexibility in the markets for capital, labor, and land would increase the payoff from trade liberalization by a multiple of six (Dennis 2006b). Rigidities in factor markets include delays in securing finance, controls on land and construction, and restrictions on majority ownership by foreign firms. These econometric findings reflect a poor business climate throughout the Maghreb. Comparing regulation and reforms in 178 economies, the World Bank's *Doing Business 2008* report finds that Algeria, Morocco, and Mauritania rank in the bottom third while Tunisia barely makes the top half.¹² Mauritania is the lowest ranked of the Maghreb countries. Among Mauritania's business handicaps are limited access to financing, an inflexible labor market, low educational attainment, and corruption and taxation levels that are among the highest in the world.¹³

The European Union has improved the business climate in Eastern Europe by accelerating reforms. It might do the same for the Maghreb through the framework of the Union for the Mediterranean. Bilateral US

11. To qualify, a good must be "substantially transformed" and must have at least 35 percent of its value added in the QIZ factories.

12. Libya is not included in the report.

13. Enterprise Surveys Country Profile: Mauritania, *World Bank Enterprise Surveys*, 2006. Available at www.enterprisesurveys.org (accessed April 20, 2008).

and EU trade agreements with individual countries could likewise contribute. Creating systems for independent administrative and judicial review of customs determinations could be a starting point, but much else can be done.

As the World Bank (2006) argues, investment and services are particularly important to Maghreb economic integration. To this end, the United States and European Union should encourage harmonization of investment and regulatory regimes throughout the region to the highest standards set forth in bilateral trade agreements. In addition, they should promote sector-specific investment and regulatory reforms, particularly for the service sectors. For example, the Euro-Med Partnership is seeking to complete the integration of electricity markets in the Maghreb.¹⁴ Only some countries have linked their electricity grids, such as Algeria and Tunisia. Morocco and Algeria are in the process of setting up a joint venture to link the Algerian power grid to the European Union via Morocco.¹⁵ The ultimate goal is to connect all North African countries to the EU single energy market. The project would promote electricity generation at low-cost plants and reduce the amount of spare capacity across the Maghreb. A trans-Maghreb power grid would also provide energy security for the region. But much remains to be done. Integration could likewise be fostered for natural gas at both the production and distribution levels.

As another example, Maghreb partners could be asked to open their insurance and leasing sectors not only to US and EU firms, but also to other Maghreb countries. Regulatory regimes for insurance and leasing could be harmonized across the Maghreb. Finally, the United States and the European Union could extend so-called fifth freedom rights to air carriers based in the region,¹⁶ provided the home nations accorded similar rights to other regional carriers.

Instruments similar to the Economic and Technical Cooperation (Ecotech) agenda of the Asia Pacific Economic Cooperation (APEC) forum

14. In December 2003 in Rome, Algeria, Morocco, Tunisia, and the European Commission (as nonparticipant promoter) signed a protocol of agreement for the progressive integration of the electricity markets of the three Maghreb countries into the EU electricity internal market. The long-term objective is to sign a Euro-Maghreb energy community treaty that also would include Libya and Mauritania. See "Establishment of the 'Rome Euro-Mediterranean Energy Platform' within the Framework of the Euro-Mediterranean Energy Cooperation," decree of the Minister of Productive Activities of the Government of Italy, October 15, 2004. Available at <http://ec.europa.eu> (accessed on March 23, 2008).

15. "Algeria Plans Power Export to Spain Via Morocco," Reuters, May 10, 2008.

16. Fifth freedom rights are the rights of an airline of one country to land in another country, drop off some passengers and pick up others, and continue traveling to a third country, rather than returning to its own country.

could facilitate capacity building and technical cooperation in the Maghreb.¹⁷ The United States and European Union could assist in harmonizing standards throughout the region following the precedent established in the US–Association of Southeast Asian Nations (ASEAN) TIFA and applied to pharmaceutical and agricultural products. Likewise, while much of the Maghreb transportation infrastructure is relatively good, the United States and the European Union could encourage the World Bank to initiate selected projects to improve ports, airports, roads, and pipelines. Technical and financial assistance for transportation infrastructure should focus on transnational networks. In April 2008 the ten western Mediterranean countries—Portugal, Italy, Spain, France, Malta, and the five AMU members—signed a memorandum of understanding introducing a series of infrastructure projects, including a high-speed train and motorway across North Africa.

Improving the Efficiency of Intraregional Shipments

The last set of features concerns the need to decrease the time and cost of shipments to Maghreb neighbors. At US or EU insistence, a Maghreb country might agree to streamline its customs procedures to ensure the faster release of goods, not only for goods arriving from the United States or Europe, but also for goods arriving from its Maghreb neighbors. New procedures should strictly follow the principles of the Kyoto Convention, which state that customs authorities must maintain formal consultative relationships with importers and that customs formalities must be specified in national legislation and be as simple as possible.

Consistent with these principles, Maghreb customs authorities should permit express shipments by qualified traders and open all borders for certified truckers. The authorities could publish applicable laws and regulations on the Internet and permit electronic submission of customs information before the arrival of shipments, whether by land, sea, or air. Each Maghreb partner should apply risk management principles for customs control so that officers only inspect shipments that are considered medium or high risk.

In addition, the Maghreb partner should allow broker guarantees to cover potential duties and taxes while goods are in transit through a country. This element is essential if businesses are to take advantage of the improved transportation measures. When goods are diverted or lost, the

17. The Ecotech agenda was created to support the Bogor Goals for open trade and investment. Six priorities were identified: developing human capital, fostering safe and efficient capital markets, strengthening economic infrastructure, harnessing technologies of the future, promoting environmentally sustainable growth, and encouraging the growth of small and medium enterprises (Yamazawa 2000).

issuer of the guarantee would compensate the host country for duties or taxes that ought to have been paid.

Conclusion

Economic integration in the Maghreb has stalled due in large part to political tensions within the region. Meanwhile the international community has come to view the Maghreb through the twin lenses of terrorism and migration. These facts on the ground and perceptions in the air need to change. Cooperation already exists in regional business activities, in trade agreements, and in diplomatic ties between the Maghreb countries and their major international partners. Initiatives toward regional and global integration should be nurtured. This volume has set forth an array of cooperative measures that the United States and the European Union can pursue with the Maghreb nations to promote integration within the region and more widely. Several of those measures can be accomplished in the short term. In turn, they can foster larger economic reforms in the region, which would, hand in hand with political reforms, greatly enhance the role of the Maghreb in world affairs.

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