

Chapter Four

North Africa Awakening: New Hopes for Faster and Inclusive Growth

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Empower the private sector. Business communities must be on the front lines of trade liberalization. In South Asia, economic relations are better served by the action-oriented, proactive, problem-solving approach favored by the private sector than by the more plodding, reactive, and bureaucratic style associated with governments. Additionally, the private sector is a powerful shaper of public opinion on trade (popular support for trade normalization increased in Pakistan after its business community became convinced of India's willingness to move forward). Public-private partnerships, particularly those that facilitate more interconnectivity through infrastructural improvements (such as by upgrading highways), should also be embraced.

Michael Kugelman, *The Pakistan-India Trade Relationship: Prospects, Profits, and Pitfalls*

Maghreb Integration, a Series of False Starts

By taking the initiative to create the Arab Maghreb Union (AMU) in 1989, the five North African countries (Algeria, Libya, Mauritania, Morocco and Tunisia) took the first concrete step towards the realization of the historic declaration of Tangier 1958, whose vision remains a reference for all North Africans. But the process they had planned in order to establish a Maghreb Common Market by 2000 has derailed. Six AMU summits were held in the last 23 years, equaling one about every four years. For many observers, the reasons behind such a stalemate are to be found in the Western Sahara conflict between Morocco and Algeria. However, the root causes have not been clarified with the care they deserve in terms of fundamental issues of the project, the enormous cost of “non-Maghreb” and the “nobility” of the project. Today, more than twenty years since its creation, and amid profound political changes in the region, the Maghreb could well now find a new impetus allowing the hope for a resumption of Maghreb process on new bases and in new forms.

Assessment and Evaluation of the AMU Project

Maghreb construction never took off. Several attempts were made to achieve political integration in the Maghreb since its inception in 1989. A comprehensive strategy was adopted in the town of Ras Lanuf, Libya, in 1991. It planned for the following steps, as agreed in the treaty: a free trade area, including the dismantlement of all tariff and nontariff obstacles to trade; a customs union with a common external tariff with the rest of the world; and a common market with no remaining restrictions on the movement of production factors.

This strategy aimed to intensify trade among member countries in order to enable the creation of a North Africa customs union by 1995 and an economic common market by 2000. This plan failed amid political tensions between member states and strong resistance to trade liberalization.

The first step was not reached until the Arab Free Trade Area was set up and the accession of Algeria to it in 2009, which allowed a very basic form of economic integration to be established between the five North African countries.

Since 1994, when the last AMU Heads of State summit—the union’s decision-making body—was held the North African construction is stalled and each country has been acting alone in economic openness and trade agreements with the EU and the rest of the world.

The cost of a non-Maghreb is considerable and has been evidenced in several articles and studies. On the economic front, the bulk of the Maghreb’s trade is with the EU. The level of intra-Maghreb trade is lower than that of many of the world’s trading blocs. Intra-Maghreb trade does not exceed 3 percent of consolidated foreign trade.

Although trade with the EU—both import and export—remains predominant, there is a growing trend in trade between Maghreb countries and the rest of the world. This is a positive movement towards a wider diversification of origins and destinations of traded goods. This movement should be the subject of a deeper analysis in order to identify which sectors (or at least which types of products) and what partners are concerned, and what are the consequences on Maghreb economies.

The absence of such economic integration entails a loss of two to three percentage points of GDP in the Maghreb countries, as well as lost opportunities for job creation in the region. In fact, unemployment rates, although declining, remain very high: 18 percent in Algeria, 11 percent in Morocco (19 percent in urban areas), and 16 percent in Tunisia, with youth unemployment exceeding 20 percent in the region. North African countries need to build up momentum in policy reforms to make a sustained reduction in unemployment by accelerating growth.

This also extends to many areas of insufficiently exploited cooperation that need to get organized and leverage the exchange of skills and expertise available in a variety of sectors, sharing and capitalizing on cross-peer experiences in areas that are similar, increased bargaining power in areas of common interest vis-à-vis the rest of the world, etc.

Recurrent Obstacles Encountered by the AMU Project

The reasons for the failure of AMU have been extensively discussed here and there, but in superficial terms that sometimes reflect national biases. Basically, these reasons revolve around issues that are not specific to the Maghreb. The European construction, which is recognized as the most accomplished and most successful integration, was also facing similar challenges. But unlike the Maghreb, Europe has addressed them through a rational political process centered on the strategic interests of the collective project and not on positions and calculations of short-sighted politicians.

Two subjects come back repeatedly to explain the non-Maghreb:

- Firstly, the clenched relations between Morocco and Algeria. Even though it is true that the relationship between the two countries is a drag for the entire Maghreb, it seems that by repeating it, we ended up giving undue importance, without realizing that it is this detail that is actually preventing the big picture from being grasped. How can we possibly explain otherwise, that the axes of intra-trade between Maghreb countries with excellent relations are also far below their potential? With regard to Algeria and Morocco, we would rather “incriminate” political or even cultural incapacity of the

authorities of these two countries to even out their differences and settle old liabilities in order to be able to consider a common regional future.

If European integration was carried out successfully, it is in great part because the member states have managed to turn the page on the Second World War, the bloodiest conflict of all time. In 1954, less than ten years after the end of military hostilities and the Paris Agreements, Germany and Italy were fully integrated in the process of European integration. This is a masterful political lesson that demonstrates that in the Maghreb, major historical choices may remain hostage to narrow-mindedness based mostly on irrationality than to actual foreign policy vision. The obstacle to Maghreb construction does not lie in actual political disputes that arise between the states, but to the failure of the latter to solve them or at least to avoid that they interfere with strategic options of common interest.

- Second, using a different approach, the failure of the AMU project is explained by the lack of political will of the authorities to echo the aspirations of the people of the entire region, who feel committed to building a Maghreb entity, as was formally confirmed by field surveys. In other words, the non-Maghreb is attributed to a deficit of democratic political regimes, specifically on the issue of regional integration.

Thus, the Marrakesh Agreement of 1989 is merely a hint of nationalist reflexes, irresistible, narrow and rigid that would have quickly taken over anyway. This step backward could find easy excuses, between the desire of some to preserve the sovereignty of their national choices, and the fear of others to be overwhelmed by new leadership or hegemony of one country in the region—naturally at their expense.

Once again, the European example demonstrates that some very real national rivalries such as the ones between France and Germany have not adversely affected their involvement in the regional integration process. In a rational way, cooperation and solidarity prevailed over defection, and the Franco-German couple ended up playing a leading role in this process, without anyone losing sight of their own

national interests. Second masterful policy lesson! The obstacle to the Maghreb construction, therefore, does not lie in the preservation of the national interests of states, but in their disabilities to articulate these national interests in a well-understood manner, with a regional dynamic in the service of all.

By placing the experience of the AMU back in context, it appears that it was unable to succeed due to nationalist narrow-mindedness overfilled with irrationality. But apart from these considerations, we must also admit the existence of several other constraints mentioned very little because of their latent character:

- The Maghreb civil society was considered as a beneficiary and not as active agents of the project, and was therefore kept away from any possibility of initiative or influence. The only actors involved were the governments of member countries;
- The governments of the Maghreb countries did not have synchronized policies regarding economic openness; the openness was in reality related to cycles of economic crisis differed from one country to another.

Notwithstanding the narrowness and the nationalist rivalries of the governments, the monopolization of the Maghreb project by them and the asynchronous nature of their openness policies may mainly explain why the realization of the AMU project in the context of the 1990s was impossible.

Reactivation of the Maghreb Integration Agenda

Recently, due to the increasingly heavy cost of the non-Maghreb and the Arab Awakening, there is a renewed interest at different levels in a revival of the Maghreb process. Thus, the second half of the 2000s saw the launch of remarkable initiatives by government agencies as well as the business community of the three central Maghreb countries. These initiatives were supported, encouraged or tolerated by the governments in the region. This is heralded as the start of a recovery in the Maghreb process. The emerging route is the combination of three conditions that are more or less now in place:

- The first is that the Maghreb ideal, far from being reduced to an idea defined by a visionary elite, or even a formal official document, should be internalized in the consciousness of the entire civil society, ready to move as involved in the realization of this ideal. It now seems possible and promising to build on the setting in motion of the community of North African businessmen and other components of forces in the region, such as youth, senior managers and associations, intellectual elites, researchers, experts, etc.
- The second condition is that national policies are in phase with each other in terms of economic opening to the outside, which is now ascertained that the five Maghreb countries are part of the Arab Free Trade Area, and various trade agreements have gone through all of them, even though in a broader context, as the Agadir Agreement of 2004. Moreover, the AMU countries are now either members of the WTO (Tunisia, Morocco, Mauritania) or candidates with observer status (Algeria and Libya).
- The third condition is that the governments seek to establish favorable conditions for economic dynamics within the Maghreb, encourage, support and assist initiatives within the Maghreb construction, and this in the context of their regular tasks of economic regulation. On behalf of the sovereign control, it is legitimate that each government retains the latitude to implement safeguard measures to counter the possible risks. Such risks, however, would not constitute grounds for withdrawal, but they will be monitored in order to start with the activities that have positive or at least neutral impact on their national economies.

Even if the three conditions for a revival of the Maghreb construction are met, we still need to define a strategy. A starting point would be to identify what sort of Maghreb we need and take it from there in order to conceive how to build it. In view of considerable shortfalls due to the deadlock that has prevailed for twenty years, and internal and external issues, common and country-specific issues, the only means of recovery that today are worthy of being retained are two in number:

- Catch up with the delay in the implementation of the regional project since its blockade in 1994, taking into account all the changes that have happened since then; and
- Release in a strictly win-win spirit, the full potential of regional integration that lies in the countries of the region.

A Maghreb Common Market in the Short Term

If we consider that the first step of the original strategy, i.e. the Free Trade Area, has been achieved with the establishment of the Arab Free Trade Area, it is clear that the Customs Union would bring nothing more than the adoption of a common customs tariff vis-à-vis third countries. A bold and effective move in the integration process would require the establishment of free movement of people, capital and possibly services. In a word, we should now be aiming at a Maghreb Common Market.

The Maghreb Common Market would be a step in the transition towards medium-term economic union, a more demanding stage, because it involves a degree of harmonization of national economic policies, up to monetary union, even up to the Maghreb single currency. Then, on a slightly more distant horizon, it is hoped that the Maghreb will move up to harmonize the unification of its national economic and social policies. If this ultimate challenge is met, the Maghreb Union will be born and will prevail alongside the European Union and other regional groupings as a major hub in the Mediterranean. Then the dream born in Tangier on April 30, 1958 would be completed.

Greater transatlantic engagement and focus on the topic of regional integration in North Africa will be essential. The U.S. and EU can serve as a catalyst for greater economic cooperation through their leadership and economic diplomacy. In particular, they can provide expertise and technical assistance to Maghreb governments and private sector actors.

They could push for further North African strategic cooperation on global food security and the role of phosphates in ensuring it. The importance of phosphates, a key component in fertilizers, is crucial to

fight food insecurity and a key driver of the agricultural productivity gains. Given the cumulative market share of Morocco, Western Sahara and Tunisia, North Africa could become an important supplier of phosphates, but also a key part of the solution to addressing food insecurity given ever-present resource realities.

Phosphate, oil and gas could be for North Africa what coal and steel were for Europe. The European Coal and Steel Community was the first international organization to be based on the principles of supranationalism and ultimately led the way to the founding of the European Union.

Economic integration in North Africa will not see progress without support from average citizens, business leaders and policymakers throughout the region. That is why innovative programs like the one elaborated by the Mediterranean Development Initiative jointly with the Center for Transatlantic Relations at Johns Hopkins University seek to build this support on the ground starting in Tunisia through an education and awareness campaign. They will use radio interviews, opinion pieces and other media interventions in order to sensitize and to highlight how integration will benefit citizens, communities and countries, as well as “door-knock” efforts, and town halls or other face-to-face encounters, among other activities. This program will prepare the ground upstream for, among others, the European Commission, World Bank, USAID and North Africa Partnership for Economic Opportunity (NAPEO) activities.

Cross-Maghreb roundtables will complement country-to-country efforts and seek to bring people from across the region together for further dialogue and relationship building. A series of roundtables will gather different combinations of policymakers, civil society leaders, and businesspeople to discuss prospects of stronger regional trade integration among the Maghreb countries.

Immediate Release of the Integration Win-Win Potential

The business community will play a leading role in the Maghreb integration process. The first step in this direction would be for the business community to get structured in this perspective and establish the tools to provide insight and the necessary operational capability.

Much attention should be given to its coordination channels within countries and between them, and to the establishment of specific frameworks for consultation with the respective governments in each country.

There are several initiatives fulfilling this regional consultation mission, such as the Maghreb Employers Union and its Maghreb Entrepreneurs Forum. The objective of the Forum was to strengthen economic integration in the Arab Maghreb Union and promote intra-Maghreb exchanges. The Forum sessions paid particular attention to the important role of entrepreneurs and small and medium-sized enterprises to accomplish this objective in the region, and established the Maghreb Initiative on Trade and Investment (IMCI) to develop intra-Maghreb cooperation.

Other important initiatives include the North Africa Partnership for Economic Opportunity (PNB-NAPEO), which is a public-private partnership of U.S. and North Africa business leaders, entrepreneurs, civil society leaders, and governments with a mission to foster job creation, entrepreneurship, and education with a focus on youth.

The EU participated in two key meetings of the Western Mediterranean Forum (also known as the 5+5 Dialogue): a meeting of Foreign Ministers in Rome in February 2012 attended by Commissioner Füle, and the Summit in Malta held in October 2012, attended by President Barroso and Commissioner Füle. At both meetings, the EU underlined possible synergies between the 5+5 Dialogue and EU bilateral and regional cooperation and also with the Union for the Mediterranean (UfM). Informal meetings were held with the Arab Maghreb Union.

Last but not least, an innovative project, i.e. the Business Advisory Council for North Africa (BAC NA). This new platform will become a business-oriented body that will foster constructive public-private dialogue and advocacy aimed at realizing regional integration and economic growth in the Maghreb. A core activity within the platform will be to marshal support and buy-in for regional integration:

- Grow public awareness about the potential advantages integration will have for citizens through radio interviews, opinion pieces

- Engage specific communities on the borders through town halls or other face-to-face encounters
- Bring business associations from around the Maghreb to Tunisia or reach out to them to have a panel on regional integration, present the project goals, etc.

The large-scale exploitation and all forms of partnership opportunities between and among Maghreb enterprises—joint ventures, cross-ownership, outsourcing, co-sourcing, processing, BOT, syndication, banking, etc.—is the priority among priorities. This axis remains central and crucial to the extent that it fosters existing complementarities, synergies, brings job and wealth, and reduce substantially the costs lying with non-Maghreb and strengthens economically irreversible interdependency ties.

In this context, and until the reopening of land borders between Algeria and Morocco, land and sea trade corridors can be usefully arranged on an interim basis, at least for a pilot phase. Reserved only to the movement of goods, these corridors would be subject to a specific monitoring device, designed to maintain the facilitation of a win-win goods trade.

A similar agreement has been experienced successfully between India and Pakistan. They agreed to open a trade corridor allowing round-the-clock movement of trucks and containers through their main border crossing, i.e. the Wagah-Attari border. If it works between India and Pakistan (the goal is to reach 6 billion USD in 2014) it should work between Algeria and Morocco as a pilot experience with a daily monitoring of trade exchanges.

More generally, insofar as firms are normally required to assume the risks associated to their proactive initiatives, governments would benefit from developing a monitoring system enabling them to monitor the impacts of the Maghreb construction on their national economies and to propose fixes. They can also, by appropriate and agreed safeguards, ensure that the resulting externalities, in particular the trade balance, job creation and environmental protection, are positive.

Opportunities for public-public partnership, possibly involving the private sector—companies or associations—are not left behind. Just think of all the conventional cradles bringing together peoples, such as

the restoration of the Maghreb Games or shared strategic issues beyond the scope of intervention of private initiatives, such as food security, long-term water supply, environmental protection, including in particular the fight against desertification, penetration of renewable energy, technology transfer in various sectors, human resources creation and training, academic and professional, regional substitution/preference to import, sub-subcontracting and regional co-contracting, empowerment of regional negotiation, and so on.

For many young people in the region who continue to face high levels of unemployment, change is long overdue. The Arab Spring is a wake-up call for North African countries to take on economic reforms that will get the economy growing faster and create the jobs and opportunities that the youth are demanding for so long. There is a renewed impetus for regional integration among North African countries and closer cooperation between them. This movement, led by the private sector with the support of the civil society, is strengthened by the firm belief that the objectives of promoting higher living standards, stability and democratic transformation at the national level cannot be fully realized in the absence of deeper integration between the North African countries.