FROM DEVELOPMENTAL TO OPEN REGIONALISM: THE CASE OF THE ARAB MAGHREB UNION

Kato Lambrechts

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ABSTRACT

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This study investigates the evolution from developmental regionalism to open regionalism in the Maghreb. The Maghreb region comprises five states. Since their independence, these states have been engaged in regional cooperation attempts. The thesis sets out to examine the reasons these attempts have evolved from a developmental orientation in the 1960s and 1970s, to an orientation of structural engagement with a more powerful economic partner, the European Union, in the 1990s.

It explores both the internal (regional and domestic) and external (global economy) circumstances, which have led Maghreb states first to engage in a joint Consultative structure and project coordination strategies in the 1960s, to concluding individual free trade areas with the European Union in the 1990s. This followed the failure of the Arab Maghreb Union, established in 1989, to deliver political, social, or economic benefits to Maghreb states. The reasons for this were varied, ranging from the nature of the Maghreb state, regional political conflicts, and structural economic impediments, to the rapidly changing global economic environment. This evolution in regionalism in the Maghreb has concurred with the shifts in thinking about regional cooperation and integration elsewhere in the developing world.

The thesis explores the above theme in five chapters. One examines the evolution of regional integration theory, two chapters describe and analyse the actual attempts at regional cooperation and integration in the Maghreb, first in the 1960s, then in the 1990s, and another discusses the reasons for the failure of developmental regionalism. Finally, the last chapter analyses the shift to an open regionalism with the European Union of two of the core Maghreb countries, Tunisia, and Morocco. It then proceeds to explain these developments in the context of globalisation. Based on the evidence from these chapters, the study reaches the conclusion that Maghreb states will not be able to develop their economies and societies through a strategy of open regionalism. Rather, they will be better off first pursuing developmental regionalism.

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DECLARATION

I declare that this thesis is my own unassisted work. It is submitted for the degree of Masters in International Relations in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any other degree or examination in any other university.

Kato Lambrechts

17th day of December 1999

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INTRODUCTION

In 1964 the heads of state and economic ministers of Morocco, Algeria, Tunisia and Libya established a Permanent Consultative Committee, which was active until 1970 and disbanded in 1976. T' is was their first attempt at regional cooperation. More than a decade later in February 1989 the same heads of state, including that of Mauritania, signed a treaty that proclaimed again their commitment to pursuing regionalism – this time in the form of a political and economic union – the Arab Maghreb Union (AMU). By 1999, ten years later, this grouping has again effectively disintegrated. Instead, Tunisia and Morocco have proceeded to negotiate Association Agreements with the European Union (EU), which include the establishment of free trade areas between themselves and the EU, and the Algerian government is seriously contemplating negotiating a similar agreement with the EU. Meanwhile, the Libyan government has signed the Tripoli Treaty in 1998, creating the Community of the Sahel-Saharan states.[1] The Mauritanian government, which is part of the group of African, Caribbean, and Pacific states that have been in a special aid and trade relationship with the European Community since 1975, is focusing its policy resources on the negotiation of the fifth Lomé Convention.

Region-building in the Maghreb has not only been a political and ideological project situated in a particular historical structure, but the Maghreb economic and political area has also been reconstructed over time. Regionalism, a state-led project, is the outcome of detailed bargaining and negotiation among domestic political actors, based on their strategic policy calculations pre-empting and in reaction to the structural power of international capital as well as the continuing pull of multiple national interests. In this context, Maghreb political leaders over time have viewed regionalism as a strategy that offered them the opportunity to accelerate, modify or reverse the direction of social and

[1] This Community aims to strengthen cooperation among signatory states, establish a joint commission with the Organisation of African Unity and support conflict meditation efforts. Its members are Libya, Chad, Egypt, Mali, Niger, Sudan, Tunisia, and Burkina Faso, with a Libyan as the secretary general.

economic change, brought about by the emergent structures of both globalisation and, to some extent, regionalisation.

This thesis will examine the relationship between approaches to regionalism in the Maghreb and domestic, regional, and global developments since pre-independence until the late 1990s. It will test the hypothesis that both structural (external) forces, as well as national and regional (internal) factors have caused the Maghreb political and economic establishment to evolve from commitment to a limited form of developmental regionalism during the 1960s, to an active pursuit of 'open' regionalism by the mid-1990s. In so doing, it will attempt to offer an explanation for the changing rationale and form of regionalism among developing states during the 1990s. It will therefore test to what extent region building is subject to factors particular to the social, historical, political, cultural and economic systems of different regions, as well as global structural forces.

During the first wave of regionalism in the immediate post-independence period, and following the success of the European experiment with regionalism, third world governments saw this as a means of overcoming their profound dependency on external industrial markets in what was essentially a periphery-core relationship between themselves and their ex-colonisers. The ideology of collective self-reliance, prevalent at the time, offered hopes of overcoming their underdevelopment. This social and economic condition of dependency was characterised by declining terms of trade, an over concentration on primary commodity exports to the markets of their ex-colonisers and fluctuating prices on international markets for primary commodities. It was further complicated by, small national markets and thus a lack of economies of scale or sufficient demand to achieve the required levels of economic growth for development; low productivity; underdeveloped or almost non-existent secondary and tertiary sectors; and growing indebtedness.

Theoretically, the dynamic effects of regional economic integration were to assist the industrialisation process in small third world economies, which seemed impossible at a national scale. For dependencia theorists, regionalism was a framework that would enable third world countries to manage politically and socially their negotiated interdependencies, but also challenge what Samir Amin has called the five monopolies of core countries, namely technology resources, financial resources, natural resources, media and communications, and weapons of mass destruction. According to him, these monopoly processes have annulled the impact of industrialisation on the periphery, devalued their productive work, and overvalued the 'value-added' to the activities of new monopolies from which the centre profits. As a result the distribution of income on a world scale has become even more unequal than before, often reducing the industries of the periphery to mere subcontracting.[2]

Many regional groupings were formed in the developing world during this time, with Latin America leading the way. In Africa, regional integration schemes were starting to proliferate by the 1960s. These included the Southern African Customs Union (1910), the Southern African Development and Coordination Conference (1980), the Preferential Trading Area [for eastern and southern Africa] (1981), the West African Customs Union (1959), the West African Economic Community (1970), the Economic Community of West African States (1975), the West African Monetary and Economic Union, the Central African Customs and Economic Union (1966), the Economic and Monetary Community of Central Africa, and the East African Economic Community (1967). However, most of these groupings, including the Maghreb Permanent Consultative Committee, have failed to increase intra-regional trade, accelerate industrialisation and diversify production, and bargain collectively in international markets or with international creditors to improve their terms of trade and alleviate their external debt.

[2] See Samir Amin, 'Regionalisation in the third world - in response to the challenge of polarising globalisation', mimeo, 1998, pp 12-3

The post-Cold War period has seen a gradual reshaping of capitalism into a hyper liberal form, which gained ascendancy during the 1980s. This new form of capital accumulation has come to be termed economic globalisation – a process facilitated by the information technology revolution and drastic reductions in the cost of transport globally, as well as the political consensus of core countries to pursue trade liberalisation globally. This consensus has been institutionalised by the signing of the Uruguay Round of the General Agreement on Tariffs and Trade in 1994 and the subsequent establishment of the World Trade Organisation. These technological and political processes have allowed an unprecedented amount of capital to flow across national and continental borders since the late 1980s and have led to a fundamental restructuring of production. National boundaries have become subordinate to the rationality of global production processes, which were increasingly managed by flexible networks of productive entities composed and recomposed around specific projects.[3] Production processes were therefore no longer circumscribed within the bureaucracies of large multinational corporations. This has resulted, amongst others, in a break in the link between production and the provision of employment

Not only have these developments led to an accentuation of the dominant-subordinate relationship in industrial relations throughout the world, but a large part of the world's population has increasingly been marginalised from trade, investment, financial and technology flows. The gap has widened between those that are superfluous to these processes and those that are integrated into the global economy within industrial, developing and least developed countries. In the global South, social and economic disparities have increased between Asia, Latin America, and the Middle East on the one hand, and Africa, on the other, but also between them and the Group of Seven countries.[4]

[3] For a detailed explanation of new production processes and their consequences, see Robert Cox, 'Critical political economy', Bjorne Hettne (ed) *International political economy: understanding global disorder*, SAPES SA, Cape Town, 1995, pp 39-40

[4] In 1965 the average per capita income of the G7 was 20 times that of the world's poorest seven countries, by 1995, it was 39 times that of the world's poorest seven countries. See UNCTAD, *Trade and Development Report, 1997*, United Nations, New York and Geneva, 1997, p IV. In 1996, Africa's share of foreign direct investment flows to developing countries was a mere 3.8 per cent, of which more than half went to Nigeria and Egypt, with Morocco the third largest recipient. At the same time, the share of Latin

These patterns of production and inequality have gradually been reproduced in regional settings. They are especially pronounced in East Asia (with Japan as the core and the NICs as the semi-periphery and periphery); the Mediterranean (with Europe as the core and southern Mediterranean countries – including the Maghreb – as the periphery); and the Americas (with the US and Canada as the core and Mexico, and other Latin American and Caribbean countries as the semi-periphery and periphery).

State action is necessarily defined and limited by these historical and emergent structures. It was embedded in the structure of globalisation that a new 'wave' of regionalism emerged in the late 1980s. This new wave coincided with gradual demise of the Cold War, declining US hegemony, and an impending world recession. In the Maghreb, it also coincided with a rapprochement between the two pivotal states in the region, Algeria and Morocco – both proxies of the Cold War – and in the face of ever deepening and expanding political and economic integration in western and southern Europe. As opposed to the 'closed' regionalism pursued in the 1960s and 1970s, characterised by inward-looking regional development strategies, almost all regionalist projects in the 1990s display a commitment to the elimination of obstacles to trade within a region without raising external barriers to trade with the rest of the world. This is partly to comply with Article 24 of the 1994 General Agreement on Tariffs and Trade, which rules that in regional trade arrangements, *substantially* all trade has to be free and that trade barriers should not be lifted against imports from third parties.

So-called open regionalism is also a function of the stringent liberal economic reform programmes that World Bank and International Monetary Fund clients in Africa, Asia, and Latin America have started to implement since the mid-1980s, as a condition for continued access to credit from these financial institutions. These reform programmes

America and the Caribbean in developing country FDI inflows has declined from 39 per cent in 1986 to 30 per cent in 1996. In Africa, 38 per cent of total FDI flows went to North Africa during the period 1991 to 1996. See UNCTAD, *World Investment Report 1997*, United Nations, New York and Geneva, 1997, pp 59-61.

were all driven by similar objectives: to privatise public enterprises, deregulate the economy, encourage monetarist policies, and generally restrict public (state) intervention in economic processes.

In both the developing and industrialised world trade policy has become increasingly driven by the pursuit of strategic trade objectives, as opposed to protectionistist or free trade objectives. Through strategic trade, states are aiming to protect key sectors of the economy to ensure that they become internationally competitive, while gradually opening up less-strategic sectors of the economy. This has given rise, in an era of unprecedented global capital flows, to the emergence of the 'competition' state, vying for a share of the massive volumes of capital, up to $10bn a day, traversing global markets. Thus, the role and form of the state has been transformed from that of a 'buffer' between external economic forces and domestic economies, to that of an agency or 'transmission belt' for external capital, driving the domestic economy to adapt to the exigencies of the global economy. This has become a marked tendency in the Maghreb.

Maghreb economies, due to their different colonial legacies but also due to the very different economic development policies Maghreb governments have followed in the post-independence era, fall across the economic spectrum: high (Libya), middle (Algeria, Morocco, and Tunisia) and low (Mauritania) income. Despite their different levels of growth and income, they do share salient features. One of these is their level of external debt. Mauritania, classified as a highly indebted poor country by the World Bank, is the only country that qualifies for substantial debt relief. However, the debt service levels of Algeria and Morocco, despite their potentially high-earning petroleum and phosphate exports, have remained unsustainable.[5] In 1995, Algeria, Morocco, Tunisia, Egypt and

[5] In 1995, Algeria's debt service level was 39 per cent, and that of Morocco was 32 per cent The debt to exports ration of Mauritania between 1992 and 1994 amounted to 469 per cent in nominal terms. See United Nations Conference on Trade and Development, *Trade and Development Report 1997*, United Nations, New York and Geneva, 1997, p 46. In 1995, Mauritania's external debt constituted 235 per cent of GDP. The external debt of Tunisia, Morocco and Algeria constituted respectively 61 per cent, 75 per cent and 73 per cent of GDP in the same year. See Africa Institute of South Africa, *Africa at a Glance 1997/8*, Africa Institute of South Africa, 1998, Pretoria p 51

Libya were responsible for about 30 per cent of the total external debt owed by the African continent which amounted to US$337bn.[6]

Another shared structural economic feature is their historical and present trade dependence on the European Union, which accounts for more than 60 per cent of the Maghreb region's total imports and absorbs close to 70 per cent of its total exports. Finally, Maghreb economies have remained highly vulnerable to fluctuating international commodity prices, with the possible exception of the Tunisian and to some extent the Moroccan economy, both of which have sufficiently diversified by the mid-1990s not to be dependent on the extraction or production of one or two commodities. Driven by these concerns, and aware of the fact that political clout can improve economic opportunity, Maghreb regimes have since independence pursued an array of strategies to alleviate the above conditions.

One of these strategies has been regionalism. Due to its historical and ideological nature this strategy has evolved since the 1960s from 'closed' regionalism, to an 'open' form of regionalism. The 'region' has also shifted to include the southern European and eastern Arab Mediterranean countries by the late 1990s, as has the objectives of region building in the Maghreb. The nature of this evolution, its manifestation, as well as its structural and internal causes, will be examined in the five chapters of this thesis.

Chapter one will provide a literature overview of the evolution of regional integration theory. It will examine the main theoretical traditions in the fields of international relations and economics that have influenced the debate around and implementation of regional cooperation and integration. The neo-realist and liberal institutionalist schools have made a significant contribution to the understanding of the political motives and instrumentalities of regional cooperation and integration. The neo-classical school in the discipline of economics has inspired a vast literature, which is still relevant, on the static and dynamic impact of economic integration on trade patterns and the welfare of states.

[6] Ibid.

Dependencia and world systems theorists were the first to bring to the fore the structural necessity of regional economic groupings among developing and least developed countries, and have been very influential in the ideology and strategies of African and Latin American leaders in the 1960s and 1970s. Finally, a neo-structuralist perspective, emerging concomitant to the 'new' wave of regionalism, has re-introduced the pre-eminence of states and policy elites, whose motives and objectives drive regionalism. This chapter forms the framework for the analysis in subsequent chapters.

Chapter two examines the first attempt at regionalism in the Maghreb after independence. The first half of the chapter explains the motives c ependence leaders in establishing the Permanent Maghreb Consultative Committee, as well as the thinking informing their actions and expectations in this regard. It examines the institutional form of cooperation, as well as the political, economic, historical and structural context of this initiative. The second half examines the obstacles to this first region-building attempt. These are wide ranging and include historical circumstances, regional and domestic political conflicts, regional economic structure, and a lack of appropriate institutions and mechanisms to pursue regionalism in a developing region.

Chapter three examines the second attempt at regionalism in the Maghreb, namely the establishment of the Arab Maghreb Union in 1989. It describes the political alliances in the region that provided the basis for multilateral as opposed to bilateral cooperation, and analyses the motivation of Maghreb regimes to revive regionalism. The chapter analyses the approach of Maghreb leaders and their advisors to regionalism, which differed from the approach followed in the previous region building attempt. It also examines the institutions, structures, and mechanisms set up to facilitate regional cooperation and integration. Finally it gives a detailed description of the six Maghreb summits, the decisions made at these summits, and their implementation.

Chapter four analyses the obstacles to the second attempt at regionalism in the Maghreb. It does so in two broad categories: economic and political obstacles. Within each of these categories, it identifies both internal (domestic and regional) and external (historic structure and peripheral status) factors that have contributed to the disintegration of the Maghreb regional project by the end of 1995. The chapter also attempts to move away from problem-solving theory alone, and interrogates the class-related obstacles to developmental region building, including the emergence of a 'transnational managerial class', which did not share the attributes of a developmental elite.

Chapter five examines the shift from 'developmental' regionalism to an open form of regionalism in the Maghreb. By the mid-1990s, the political and economic establishments of the core Maghreb states have started exploring new strategic avenues to integrate their economies with that of the European Union. This process whereby developed and developing states form region groupings is a fairly recent one, and is usually driven by industrialised countries. However, the fact that Maghreb policy makers have responded the initiative of the European Union to form free trade areas, does not derive them from agency. Rather, they seem to have pursued this strategy as an alternative to an intra-Maghreb Union for several reasons, both internal and structural. The chapter evaluates their strategy in terms of its welfare impact on Maghreb societies and economies.

Finally, the thesis ends with three key sets of conclusions on the relationship between national, regional, and global factors and the evolution of regionalism in the Maghreb. The first set of conclusions examines the evolution of regionalism and elites and regimes; economic structures; and democracy and pluralism in the Maghreb. The second set of conclusions examines the evolution of regionalism and regional conflict management; balance of power; and regional institutions and processes. The final set of conclusions examines the evolution of regionalism and that of the global economic structure; as well as changing forms of state and state strategy in the Maghreb.

CHAPTER ONE

Theories of regionalism

Introduction

Although regions cannot exist without a physical reality, they are neither naturally constituted geographical units nor 'common sense' expressions of shared identity. On the contrary, they are the outcome of a complex interaction between the structures of the international system, the political and ideological struggle among states and social actors, as well as their conscious strategies in response to global changes. In this sense, they are above all 'imagined communities', like the nations of Benedict Anderson.[7] Their boundaries are therefore not fixed, and who is 'inside' and 'outside' are both a matter of political negotiation and the configuration of structural forces in the world system.

To contextualise the domestic, regional, and global factors that have influenced the twin processes of regionalism – the political project of building a regional community, and regionalisation – the regional expression of of the global processes of integration and the changing structures of production and power in the Maghreb region, this chapter will map out key theories of regionalism. These can serve as analytical tools to understand the motives for region-building among Maghreb countries, but also the reasons why development regionalism has failed in the Maghreb. Since there exists no single theory of regionalism it would be both reductionist and limiting to try to understand this phenomenon from any single perspective, or for that matter, to use a study of regionalism in the Maghreb to refute any specific theory of regionalism.

[7] See Benedict Anderson, *Imagined Communities: reflections on the origin and spread of nationalism*, Verso, London, 1991.

In this sense, the aim of this thesis is not theory-building, but rather to gain a deeper understanding of regionalism in the Maghreb, a much-neglected regional grouping in the Anglo-American literature, which would hopefully add to the understanding of the evolution of regionalism in the developing world. What the thesis will point out is that Maghreb states have continued to rely on a voluntaristic, instrumentalist and mimetic approach well into the 1990s, instead of following a developmental regionalist approach, called for by the complexity of their social, economic, and political realities, and their position in the world system.

Terms that are often used to depict different forms of strategies regionalism are *regir al integration* and *regional cooperation*. *Regional cooperation* refers to a range of situations in which individual countries will act together for mutual benefit out of a common interest in an issue. It can be limited to a single issue, field of activity, or a particular sector. Cooperation agreements are born of special circumstances to address particular problems. This would include situations in which countries make available their resources, technologies or expertise to one another. They can collaborate in joint projects or act jointly in their external economic relations.[8] However, cooperation does not necessarily imply a relationship of equality among partners.

The notion of *regional integration* is more closely associated with community-building. It takes into account 'the collective nature of the process of building a common space in a conscious, negotiated and irreversible manner by partners who have chosen to share a common destiny in a politico-institutional framework, which is pre-established through negotiation and based on a strategic vision of a common future'.[9] It can also be understood as a process in which the economies or markets of individual states are merged into a distinct entity by eliminating any existing discriminatory barriers between them that would restrict the movement of people, goods, and services. This process can

[8] See Rob Davies, 'Approaches to regional integration in the southern African context', *Africa Insight*, Volume 24(1), 1994, p 13 and F Machlup, *A history of thought on economic integration*, McMillan, London, 1977, pp 4-9

be gradual or immediate, but its end purpose is always to establish a single economic space.[10] Regional integration is therefore voluntary, collectively undertaken, and geographically defined (as opposed to economic integration, which refers to the integration of economic activities, sectors, or sub-sectors irrespective of geographic proximity). Regional cooperation can therefore be seen as part of the process towards regional integration. This process also includes the regional coordination or harmonisation of policies, strategies and regulations in areas that are seen to be of mutual benefit to all the regional partners.

This chapter will examine the most prominent theories of regionalism in the three dominant paradigms of the international relations discipline, namely neo-realism, neo-liberal institutionalism and structuralism.[11] It will also examine the theories of regionalism that have emerged in the neo classical economic paradigm parallel to institutionalist theories.

In the neo-realist paradigm, balance of power theory and the theory of hegemonic stability have attempted to explain how and why states relate to one another in regional groupings. A vast and influential theoretical literature on the process of regionalism in the European Community has been developed in the neo-liberal institutionalist paradigm, which aims to explain how and why states, and non-state actors, cooperate with one another in an 'interdependent' world system. The classical customs union theory of Jacob Viner, which has given rise to a vast literature on the subject of the static and dynamic effects of free trade areas and customs unions among regional groupings in the developing world, formed part of the neo-classical economic tradition of the period after the second world war. The structuralist paradigm incorporates various intellectual schools and theoretical developments. Firstly, it includes the theories of underdevelopment and *dependency*, which were popular during the first wave of

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[9] See Naceur Bourenane', Theoretical and strategic approaches', in Real Lavergne (ed) *Regional cooperation and integration in West Africa*, Africa World Press, New Jersey, 1997, p 51

[10] See IC Orantes, 'The concept of integration', in *Economic Integration and Third World Development*, p 51

regionalism and principally constituted an exercise in 'collective self-reliance' throughout the developing world during the 1950s and 1960s. Secondly, it includes the world-systems theory, which divides the world into a core and periphery and thirdly, a neo-Gramscian view of the world, whereby regionalism in the developing world becomes a response to a shift towards a 'neo-liberal disciplinary world order'. Finally, and closely related to this approach, is that of 'regional governance', a neo-structuralist concept, which examines regionalism as 'the outcome of detailed bargaining and negotiation among domestic political actors' in the periphery and the semi-periphery as part of conscious state strategies for development in a globalising economic order. This approach tries to avoid the determinism of world systems theory by pointing to the fact that some forms of regionalism may offer developing states a 'historical structural opportunity' to expand trade and industrial production in a world where they are increasingly marginalised.

1. Neo-realist theories

Much of the debate on neo-realism has been inspired by Kenneth Waltz, who tried to develop a systemic theory of international relations in which the relations among states determine their mutual behaviour. In his view, the distribution of power is the main determinant of the behaviour of states in any political system, including the international one. Thus, the relative capabilities of one state vis-à-vis another will determine the nature of their relationship – states will always try to prevent other states from becoming too powerful or resist threats from these states, be it in an international or regional system.[12] In a region such as the Maghreb for example, states will form alliances to maintain the 'balance of power', or in other words, to prevent those states with more military capacity, and larger economies and populations, from dominating the region. Balance of power relationships are exclusive by nature and only last for as long as a state poses a threat to others, although collective defense and security alliances tend to be more long-term.

[11] The author has derived this schema from Wil Hout, *op.cit.*, with some modifications.

William Zartman has adapted the balance of power ry to explain interstate cooperation among developing countries. In his view, the weakness of post-independence states in the third world; the priority they give to internal affairs, their struggle to put into place a framework for interstate cooperation; and power that is borrowed from an external environment, have been the major causes of the failure of regionalism in the developing world. In light of these problems, the balance of power model, according to him, shows the most potential for deeper regional cooperation, although it would necessitate much political will to move from a balance of power situation to that of regional cooperation.[13]

The theory of hegemonic stability was first developed by Kindleberger to explain that an open world economy requires the existence of a hegemonic or dominant power. Keohane, Gilpin, and others later modified his hypothesis, maintaining that the existence of a dominant state or hegemon was a prerequisite for states to cooperate. A world power structure dominated by a singe country, according to Keohane, is 'most conduci to the development of strong international regimes whose rules are relatively precise and well obeyed'. Such leadership is based on a general belief in the legitimacy of the dominant power, as well as its prestige and status in the international political system.[14]

In the case of regional groupings, the theory of hegemonic leadership would imply that regionalism will develop 'more fully in those areas of the world in which there is a local hegemon able to create and maintain regional economic institutions' and will not

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[12] See Wil Hout, 'Theories of international relations and the new regionalism', in Wil Hout and Jean Grugel (eds) *Regionalism across the North-South divide*, Routledge, London, p 15

[13] See William Zartman, 'L'analyse politique du regionalisme', Sadok Belaid and William Zartman (eds) *Les experiences d'integration regionale dans les pays du tiers-monde*, CERP-CEMAT, Tunis, 1993, p 31

[14] A considerable degree of ideological consensus is required, according to Gramsci and other neo-Marxists, if the hegemon is to have the necessary support of other powerful states. See Robert Gilpin, *The Political Economy of International Relations*, Princeton University Press, Princeton, New Jersey, 1987, pp 72-3

progress 'in those areas where hegemonic leadership is less visible'.[15] The dominant state(s) will either be able to impose cooperation or bear a disproportionate part of the burden of the regional arrangement. In the case of the European Community, this role has been initially assigned to France and Germany. In regional groupings among developing countries, however, especially during the post-independence period, potential hegemonic states did not yet have the power to initiate regional cooperation, since all their resources and capacity were directed towards internal objectives, with their external initiatives mostly 'drowned' by internal problems. Neither did these states want to carry the burden of regional leadership, which would mean that they would have to offer more resources to this end than other states. This has clearly been the problem in the Maghreb where neither Algeria nor Morocco, the potential hegemons, were prepared to sustain the impetus for regional integration.

In this situation, smaller member states, which are often fragile and unstable, in regional groupings among countries of the developing world may view their reliance on a hegemon as a sign of dependency. This fear is particularly justified when the dominant power in a region, as has often been the case, does not share equally the benefits of integration. This has led Zartman to conclude that in developing regions, a regional hegemon may be counterproductive and may even force regional partner states to seek protection elsewhere, for example by joining other regional groupings. This would therefore lead to the disintegration of a regional grouping, which the hegemon has tried to create.[16]

The relative-gains argument, which is closely related to the balance of power theory, posits that in the absence of a regional hegemon. Even if states can derive an absolute gain from cooperation they will refrain from entering into a cooperative relationship if they expect that other member states will benefit relatively more from the relationship

[15] See JM Grieco, 'Systemic sources of variation in regional institutionalisation in Western Europe, East Asia and the Americas' in ED Mansfield and HV Milner (eds), *The Political Economy of Regionalism*, Columbia University Press, 1997, p 173
[16] Zartman, *op.cit.*, p 30

and end up comparatively stronger. This is relevant for both political and economic cooperation among states. For example, the reason why many regional integration groupings in developing world, but especially Africa, have failed, was that smaller regional partner states, being 'defensive positionalists', saw more benefits accruing to other partners in the regional scheme, and they therefore opted out of the agreement.[17] Similarly, the reason why elites in developing countries want to form alliances with those of developed countries, is because an economically more powerful state might provide scarce military, economic and technical resources, which, in turn, could resolve internal economic and political problems. The developing country partners will therefore end up comparatively stronger in these alliances.[18]

2. Neo-liberal institutionalism

This paradigm departs from realism in its conception of the nature of the world system. In the view of neo-liberal institutionalists, relations among states are not primarily determined by their relative power, but by the 'complex interdependence' (the seminal formulation of Nye and Keohane) of the international political economy. The power of states therefore varies according to the issue area involved and cooperation is the rule rather than the exception, especially in areas where policy coordination is necessary to secure public goods such as stable monetary relations, free trade, and sustainable development.[19]

Institutionalists also assume that regimes, or the 'sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations', influence substantially the policies of

[17] This has been one of the main causes for the failure of the East African Economic Community, and the Economic Community of West African States (Ecowas). See Peter Robson, *Integration, Development, and Equity: economic integration in West Africa*, George Allen and Unwin, London, 1983, for more detail
[18] See JS Levy and MM Barnett, 'Alliance formation, domestic political economy, and third world security', *Jerusalem Journal of International Relations*, Volume 14(4), 1992, p 23
[19] See RO Keohane and JS Nye, *Power and Interdependence: world politics in transition*, Little Brown, Boston, 1977

national governments.[20] The creation of such regimes does not depend on the existence of a hegemon, as neo-realists would argue, but on the existence of shared interests. The creation of regimes also offers possibilities for states from the periphery and the semi-periphery to influence the outcome of international political and economic relations. As such (semi)-peripheral states will try to minimise the working of the market allocation mechanism in certain areas, preferred by core countries, and replace it with allocation through international regimes. Peripheral countries are thus engaged in a structural conflict with core countries.[21]

Neo-liberal institutionalists view regional schemes as regimes through which the allocation of certain public goods can be established. Many neo-liberal institutionalist theories were based on the integration experience of Western Europe since the late 1950s, and their focus has been on processes whereby states and elites cooperate and the preconditions for such cooperation. They therefore neglected to examine the world structure within which cooperation takes place, as well as the agency of cooperation, namely states, elites and non-state actors. Three main schools of thought can be distinguished in this theoretical tradition: the functionalists, the neo-functionalists and the federalists.

2.1 Functionalist school

According to the functionalist school, represented amongst others by David Mitrany, Karl Deutch and Amitai Ezione, cooperation between states in economic and technical issue areas would lead to cooperation in political areas. During the period following the second world war, the growing complexity of governmental systems, the expansion of government involvement outside traditional spheres, partly because of the accumulation of technical problems at the international level, have greatly increased the scope and content of governmental tasks, especially in technical fields. This created not only the

[20] See Stephen Krasner, *International regimes*, Cornell University Press, New York, 1083, p 2

demand for highly trained specialists in national governments, but also for increasing collaboration among technocrats, rather than among political elites. This situation has created a new framework for international cooperation.[22]

According to functionalists, technical and functional cooperation would reorient international activity away from national competition, war and conflict towards peace. This assumption is based on the hypothesis that national loyalties can be diffused and redirected to a framework for international cooperation. This will happen, according to Mitrany's 'doctrine of ramification', because functional collaboration in one sector or field would lead to the need for collaboration in other sectors or fields, including the political. For example, the effort of the European Community to create a common market has generated pressure for further collaboration in policy-formulation around pricing, investment, transport, insurance, wage, tax, social security, banking, and monetary practices.[23]

Karl Deutch has made a substantial contribution to the theory of regionalism in his work on the relationship between communication and the integration of political and security communities.[24] He employed communications and systems theory in examining the building of a political and security community in the North Atlantic region. This was used to explain the endurance of the political system in this region, which depended, according to Deutch, on the flow of communication within the unit, as well as between the unit and the outside world.[25] He distinguished three prerequisites for the formation of

[21] See Stephen Krasner, *Structural conflict: the Third World against global liberalism*, University of California Press, Berkeley, 1985
[22] See AJR Groom and P Taylor (eds), *Theory and Practice in international relations: functionalism*, Crane Russak, New York, 1975 for an in-depth analysis of functionalism.
[23] See JE Dougherty and RL Pfaltzgraff, *Contending theories of international relations*, Harper and Row Publishers, New York, 1981, pp 419-20
[24] See KW Deutch, 'The impact of communications on international relations theory', in Abdul Said (ed), *Theory of International Relations: the crisis of relevance*, Prentice-Hall, New Jersey, 1968
[25] According to Deutch, political systems endure mainly as a result of a systemic cycle of abstracting and coding incoming information into appropriate symbols, storing the symbols. This happens while the system is dissociating important information from the rest of the symbols, recalling stored information as the need arises, and recombining stored information entered into the system. In this approach, Deutch

pluralistic security or political communities: (i) the compatibility of values among decision-makers, (ii) mutual predictability of behaviour among decision-makers and (iii) mutual and non-violent rapid responsiveness to the actions and communications of other governments. Community-building is not a linear process: background conditions could influence the sequence of communications and coding at any given time.

In addition, he identified conditions that would lead to the disintegration of a political or security community. These included extended military commitments of any member government; an increase in political participation in the community on the part of a previously passive group; growing ethnic or linguistic differentiation; prolonged economic decline or stagnation in any of the community members; relative 'closure' of political elites to outside influences; excessive delay in social, political and economic reforms; and the failure of a formerly privileged group to adjust to its loss of dominance.[26]

Another functionalist, Amitai Ezione, has examined efforts to form political units beyond the nation-state to trace the evolution of political communities. To this end, he has identified four stages: (i) the pre-unification of states, (ii) the process of unfication, (iii) integration of certain sectors of the union, and (iv) the termination of the union. He attributed a prominent position to the existence of politically-aware elites as 'carrier agents' in the process of regional integration. In this regard, he concluded that unions that are more egalitarian with fewer elites, are more likely to succeed than less egalitarian unions. He also concluded from his examination of political unification in the EEC that as the usefulness of the union increased in the view of the elites, they started identifying more with the collectivity, thus becoming more committed to its success. Support for the process of political integration also increases with the reward of 'units' and 'sub-units' in the process.

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drew heavily on the writings on cybernetics of the mathematician Norbert Wiener and on Talcott Parsons' work on general systems. See Dougherty and Pfaltzgraff, *op.cit*, p 424

[26] See KW Deutch et al., *Political Community and the North Atlantic Area*, Princeton University Press, Princeton, 1957

Drawing from a comparative study of the Nordic Union, the EEC, the United Arab Republic and the West Indies Federation, he concluded that those unions ruled by systems elites (from both the member governments and the collective union) were more effective that those ruled by elites from member governments only.[27] Vertical communication between elites of member governments and those of the collectivity also enhance the prospects for political unification, which necessitates that elites from member states are adequately represented in the collectivity, and that they are responsive to the actions and communications of the collectivity. The efforts at political integration among developing countries would be much less likely to succeed than those of industrial countries, according to Ezione. This would be because their elites lack the political and organisational skills necessary to generate vertical communication in the union; deal with the problems of regional unification; and because elites 'from member governments, and not 'systems' elites generally rule the union.[28]

2.2 Neo-functionalist theory

Neo-functionalist theory, the intellectual descendant of functionalism, has its empirical basis in the process of regional integration in Europe. Its main proponents, Ernst Haas, Joseph Nye, Robert Keohane, and Philippe Schmitter have attempted to refine functionalist theory of integration. Following his research on the European Coal and Steel Community, Ernst Haas suggested that the expectations of gain or loss, of major groups within the unit to be integrated, will determine the decision of political elites to proceed or not with the process of integration. Actors in government and the private sector, he maintained, would support this process for essentially pragmatic, rather than altruistic reasons.

[27] See Amitai Ezione, *Political Unification*, Holt, Rinehart and Winston, New York, 1965, p 296
[28] Dougherty and Pfaltzgraff, *op.cit.*, p 430

In contrast to Mitrany, Haas suggested that power play a large role in integration. By implication therefore, technical cooperation would lead to new forms of political action, instead of bypassing it. Thus, functionally specific international programmes would give rise to organisations whose 'power and competencies gradually grow in line with the expansion of the conscious task, or in proportion to the development of unintended consequences arising from earlier task conceptions'.[29] In his definition therefore, power cannot be separated from welfare, and as a result of the learning process in international programmes, power-oriented governmental activities can evolve towards welfare-oriented action. This is because actors realize gradually that their own interests are better served by commitment to a supranational organisation, and therefore apply those lessons learned in one functional sector to others. The most effective 'carrier agents' of regional integration, in his opinion, are likely to be the expert managers of functionally specific bureaucracies from different states joined together to meet specific needs, rather than a combination of system elites and ruling elites, as proposed by Ezione.[30] Thus, central to neo-functionalist integration theory is the gradual politicisation of actors' tasks and purposes, which were initially regarded as 'technical' or 'non-controversial'.[31]

The neo-functionalists, especially Ernst Haas and Phillipe Schmitter, also coined the important 'spill-over' effect. 'Spill-over' can be defined as the process whereby

> 'members of an integration scheme...agreed on some collective goals for a variety of reasons, but unequally satisfied with their attainments of these goals...attempt to resolve their dissatisfaction

[29] See Ernst B Haas, '*Beyond the nation-state*, Stanford University Press, Stanford, 1964, p 48

[30] Haas rephrases the functionalist position as follows: 'International integration is advanced most rapidly by a dedication to welfare, through measures adopted by experts aware of the political implications of their task and representatives of homogenous and symmetrical social aggregates, public or private'. See Ernst B Haas, *The Uniting of Europe*, Stanford Univesity Press, Stanford, 1958, p 49

[31] See Ernst B Haas and P Schmitter, 'Economics and Differential patterns of political integration: projections about unity in Latin America', *International Organisation*, Volume 18, Autumn, 1964, p 707

either by resorting to collaboration in another related area or by intensifying their commitments to the original sector, or both'.[32]

From Haas' empirical observation of the European Coal and Steel Community, it became clear that actors such as leaders of trade unions and politicians who had experienced benefits of integration through supranational institutions in one sector, would favour integration in another sector. Based on his study of integration in Latin America, however, Haas concluded that for authorative and legitimate international tasks to assume a high degree of functional specificity, they have to be related to the needs and demands of important national elites. He also found that issues such as human rights are more conducive to spill-over than for example, trade union issues.[33]

Haas and Schmitter identified three sets of variables that would influence the evolution of the integration process from an economic to a political 'union'. These were (i) background variables: the size of member states, the extent of social pluralism within the member states, elite complementarity, and transaction rates among states; (ii) variables of the economic union: powers delegated to supranational structures, and the level of shared governmental purpose; and (iii) process variables: decision-making style, rates of transaction between states after integration, and their responsiveness to crises. They used these variables as a measuring instrument of integration – the higher the score on each variable, the higher the degree of integration.

However, by the mid-1970s, Haas has become highly self-critical about his and others' neo-functionalist propositions. He conceded, after having examined the movement towards European integration in the 1960s, and the difficulties of achieving a common external tariff, uniform rules of competition, a freer market for the movement of labour, and the formulation of a Common Agricultural Policy, that 'pragmatic interest politics concerned with economic welfare has its own built-in limits'. That is, if pragmatic

[32] Haas refers to spillover as the 'expansive logic of sector integration' and maintains that actors, desiring to adapt integrative lessons learned in one context to a new situation, will generalise the lesson'. See Ernst B Haas, *Beyond the nation-state*, Stanford University Press, 1964, p 48

[33] Haas, 1964, *op.cit.*, p 409

interests can be satisfied by a low degree of integration, there will be no incentive or support for a higher degree of integration. He noticed that, in spite of an accumulation of more complex issues confronting national governments, elite politicians did not resort to supranational institutions to resolve these, which refuted his 'spill-over' thesis to some extent.

This led to his formulation of two distinct concepts: that of 'fragmented issue linkages', and 'externalisation'. According to the concept of fragmented issue linkages, governments would accept the surveillance of their domestic and foreign policies in issue areas such as foreign trade and investment, energy, outer space, and technology by the international system. They would also accept the fact that their domestic policies could affect the economic security of other states, and therefore that the international system should interfere in the operation of markets.[34] The concept of externalisation referred to the fact that external factors often necessitate that regional communities adopt common positions vis-à-vis non-members.[35] Through these concepts, Haas attempted to overcome the deficiencies in the 'logic' of spill-over and incrementalism.

Haas did acknowledge that the findings of regional integration studies can be no more than empirical generalisations. This was also a general critique against all the theories of neo-liberal institutionalism, since the causal relation between behaviour and attitudes of political elites, and certain political conditions and events, could not be justified in terms of a comprehensive intellectual structure, and therefore had very little theory-building value.[36] Several scholars after Mitrany and Haas have attempted to refine neo-functionalist theories of integration, mostly criticising their findings for their narrow empirical focus on the integratiopn experiences of Europe and North America alone.

[34] See Ernst B Haas, 'Turbulent fields and the theory of regional integration', *International Organisation*, Volume 30(2), 1976, p 184

[35] According to Phillipe Schmitter, regional integration encourages 'policy externalisation' in the case of new regional institutions due to the influence of public authorities and private interests. See PC Schmitter, 'Autonomy or dependence as regional integration outcomes: Central America', *Institute of International Studies Research Series*, No 17, University of California, Berkley, 1972 pp 9-10

[36] See Ernst B Haas, 'The study of regional integration: reflections on the joy and anguish of pretheorising', *International Organisation*, Volume 14, 1970, p 614

It was in this context that Joseph Nye developed a neo-functionalist model based on the integration experiences of both Europe and developing countries. Following this expanded empirical evidence, he modified the following seven process concepts in neo-functionalist literature[37]:

i) Spill-over: The adverse effects on national employment, inflation and monetary affairs of an increase in cooperation or linkages of tasks among the units of a regional grouping, might cause 'spill-back', or the reluctance of political actors to develop further common institutions and interests. This is especially important for groupings in the developing world. Both the reality and the perception of the unequal distribution of gains among the members of the grouping have been a major cause of disintegration.[38]

ii) Transactions: Rising transactions among units do not necessarily lead to a widening of the scope of integration, but can strengthen the capacity of common institutions to act on their specific tasks. This implied that integration should not only be measured along quantitative lines, but also along qualitative lines such as the institutional capacity emerging from increasing transactions.

iii) Linkages and coalitions: Nye has refined the concept of 'spill-over' to that of 'accentuated spill-over'. In this revision, state actors and others do not cooperate only because of common 'technical' and economic concerns, but also because of the political feasibility of increasing cooperation. Public support for the integration project, for example, will intensify the process of cooperation among political actors and technocrats.[39]

[37] For more detail see JS Nye, 'Comparative regional integration: concept and measurement', *International Organisation*, Volume 22, 1968.
[38] A case in point is the East African Community. See J Ravenhill, 'Regional integration and development in Africa: lessons from the East African Community', in *Journal of Commonwealth and Comparative Politics*, Volume 17(4), 1979
[39] See Dougherty and Pfaltzgraff, *op.cit.*, p 440

iv) Elite socialisation: The extent to which national bureaucrates become participants in regional integration projects will determine their support of the regional grouping, as they become socialised in a regional 'consciousness'. This will in turn determine the eventual success of the grouping.

v) Regional group formation: According to the neo-functionalist thesis, regional integration stimulates the creation or non-governmental transnational associations. Based on his findings, Nye rejects this thesis, arguing instead that national interest groups prefer to maintain their prerogative around specific interests

vi) Ideological-identification appeal: Nye argued that a sense of regional identity is a powerful driving force of regional integration. According to him, 'the stronger the sense of permanence and the greater the identive appeal, the less willing are opposition groups to attack an integration scheme'.[40] As such the regional project could even legitimate authoritative governments in the eyes of opposition groupings or forces.

vii) External actors: Apart from governments, international organisations, as well as international non-governmental actors could act as catalysts of regional integration schemes. These external actors, such as international financial institutions, could either give financial, administrative or technological support to the grouping, or serve as a common 'threat', which would be a motivation for cooperation among states.

The notion of 'integrative potential' has been central to Nye's revisionist model of the neo-functionalist concept of 'spill-over'. The commitment of actors to regional integration, and the evolution of regional integration would therefore depend not so much on 'spill-over', as the 'integrative potential' among states. Such potential can be measured as follows:

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[40] See JS Nye, *Peace in parts: integration and conflict in regional organisation*, Little Brown, Boston, 1971, p 73

i) the higher the level of domestic stability and the greater the capacity of key decision-makers to respond to the demands within their respective political units, the more likely will be their participation in a regional unit;

ii) the more symmetrical states are in economic size and level of development, the greater the likelihood of regional integration;

iii) the higher the degree to which elites think alike in a regional grouping, the more likely the prospects for a sustained impetus towards regional integration; and

iv) the existence of pluralistic societies, especially functionally specific groups such as banking, educational and commercial groups, will ensure feedback from process mechanisms, thus driving the regional integration process.[41]

A final institutionalist theory, dating from the same era as the functionalist school of thought, but much less influential, has been that of federalism. According to federalists, regional groupings should establish supra-national institutions and a common constitution, similar to those of a central government among member states, from their inception. In the case of regional schemes among developing countries, for example, this could contain nationalism and promote economies of scale much more effectively. Such institutions would attend to legal, administrative and budgetary matters, and thus facilitate the integration of national economies.[42] This theory has not gained much support among scholars on regionalism. No regional grouping in history has been successfully driven or constructed through supra-national political institutions, either in the developing or developed world. This school of thought has therefore given false hope to many groupings especially in the developing world, which have emulated the establishment of supra-national institutions in the European Community, not taking account of the fact that these took several decades to develop and then only because of

[41] Nye, 1971, *op. cit*

[42] For more detailed information on federalism see D Mazzeo (ed), *African Regional Organisations*, Cambridge University Press, Cambridge 1984, Machlup, *op.cit*, p 41 and Ahmed Aghrout, 'Africa's experiences with regional integration schemes; *Africa* Volume 47(4), December 1992, p 564

specific economic and political conditions, which do not exist among developing countries.[43]

The functionalist and neo-functionalist 'pioneers' of integration theory have been criticised on many fronts. A major criticism against the neo-functionalist school has been its emphasis on process, particularly in the aftermath of the second world war, and subsequent neglect of agency, notably the state. In fact, the integration process was seen largely as an antithesis to the nation-state and assuming the formerly dominant position of the nation-state.[44] This has led to a bifurcation between theory and practice in 'classical' integration theories, particularly since automatic 'spill-over' has been countered time and again by member states of the European Economic Community. In the words of Alan Milward, 'neofunctionalism failed the test of history, because it did not ask the crucial question about where the power lay in the post-war period, and its enthusiasm for theory with predictive value practically did away with the nation-state as the central unit of political organisation'.[45]

Although the intergovernmentalist school, in response to these criticisms, tried to bring the state back into the integration discourse by examining integration as a phenomenon resulting from the interaction among states in a bargaining process, it failed to sufficiently explain state strategies for integration.[46] This discourse was only revived in the 1990s by liberal intergovernmentalists such as Andrew Moravcsik and Alan Milward. Their 'state-centric' approach on integration is premised on the fact that regional integration is not the outcome of some process variables, but rather of states' actions in the interstate political bargaining process. States cooperate because, in an interdependent

[43] For an overview of integration and supra-nationalism in the European Union, see Richard Griffiths, 'The dynamics and stages of European integration: 1945-1995', *European Union and Southern African Development Community Seminar on the regional integration process*, Centre for the Study of sub-Saharan Africa, Bordeaux, 1995, pp 65-84

[44] See Karen Friis, 'Challenging a theoretical paradox: the lacuna of integration policy theory', *Global Society*, Volume 11(3), 1997, p 360

[45] A Milward et.al., *The frontiers of national sovereignty*, Routledge, London, 1993, p 3

[46] Stanley Hoffman was one of the main proponents of the intergovernmental school. See Friis, *op.cit.*, p 361

international system with increasing trans-border flows of goods, services, and factors of production, they are constantly subject to policy externalities or situations where the decision of one government creates costs and benefits for socially significant groups outside its jurisdiction. The wish to avoid negative externalities thus provides the main incentive for cooperation.

Unlike the traditional interdependence school the liberal intergovernmentalists do not draw a direct line from interdependence to integration. The latter will largely depend, they argue, on domestic politics, and more particularly, on the preferences of national social groups that may either benefit or be hurt by cooperation agreements.[47] Moravscik and his followers have departed even further from the neo-functionalists' argument that the state has been weakened substantially due to an increase in transnational alliances in the case of the European Economic Community. The former argue that the state has in fact been strengthened by these transactions, since they have allowed national executives to monopolise the initiative over many policy areas that which used to be the domain of domestic politics, due to the exclusiveness of the interstate bargaining process. This process has also bolstered the domestic power of executives by providing them with additional sources of ideological legitimacy by enabling them to frame unpopular policies in regional terms.[48]

Neo-institutionalists therefore expect regional schemes to be negotiated in situations where states have clearly defined common interests, brought about by their interdependence. Such states then create mechanisms for policy coordination, which leads to deeper cooperation. Such arrangements are seen as necessary to procure a public good or avert negative externalities, which may result from interdependence. Neofunctionalist theorists and their revisionists have also emphasised the importance of domestic politics, and especially policy elites and interest groups, in regionalist arrangements.

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[47] See Wil Hout, *op.cit.*, p 18

The relevance of this theory for regional integration groupings in the developing world has been questioned on several grounds. Amitai Ezione has already touched on some of these, notably the lack of administrative and political skills and a preoccupation with problems of domestic modernisation, which present major barriers to successful integration along this model among developing countries. Secondly, Western European nationals could afford to treat functional economic integration as a matter of 'welfare' politics since they started integrating from a relatively industrialised base. In developing regions, however, functional economic integration is a matter of 'high' politics, because countries embark on regional integration from an underdeveloped economic base. Therefore, instead of a 'gradual' politicisation of functional cooperation, there has been an immediate and premature 'overpoliticisation' of technical and economic cooperation issues among developing countries, thus greatly reducing the scope for bureaucratic initiative and quiet deal-making, which is the backbone of neo-functionalist theory.[49]

In regional groupings among developing countries, the primacy accorded to the institutionalist instrumental approach in building regional communities, has severely handicapped their past attempts at economic integration. The reason is threefold. Firstly, excessive state control has characterised the definition and implementation of regional schemes. Secondly, throughout Africa, regional bodies have attempted to emulate the European experience by creating bodies structurally similar to those of the European Community, but without according them the same functions or powers. Thirdly, regional integration among developing countries has also been characterised by inordinate voluntarism in the face of obvious operational constraints (such as timing, geographic impact, and the neglect of national strategies). In light of this, Naceur Bourenance has argued that

[48] See A Moravcsik, 'Why the Community strengthens the state: domestic politics and international cooperation', *Centre for European Studies Working Paper Series*, No 52, Harvard University, 1994
[49] See SKB Asante, *The political economy of regionalism in Africa: a decade of ECOWAS*, Praeger, New York, 1986, p 12

the instrumentalist stance taken in most scholarly treatments of regional integration led to a dearth of analysis regarding the socio-economic, political, cultural, and spatial feasibility of integration projects and helped to reinforce the voluntarism of state-led initiatives. This helps to account for the excessive optimism of government leaders and high officials at summit meetings of [regional] organisations. Heads of states were thus reinforced in their apparent belief that it was sufficient to agree among themselves at the highest level for regional integration to magically occur over the whort or medium term. Everything was done as though the authority of heads of state was absolute, as though they were the total masters of their respective societies and totally independent of their regional and international environments, and only had to copy the experiences of others to succeed.[50]

3. Neo-classical economics

The theoretical foundations of conventional economic approaches to regional integration date back to three important economic schools of thought in the 1960s. The most influential one, which developed parallel to the schools of thought in the liberal institutionalist paradigm, was neoclassical economics. Even today, most mainstream economic literature on regional integration in the developing world examines regionalism as an issue of trade theory, in particular customs union theory, which is a branch of tariff theory. The main debate among economists on regionalism in trade theory is whether welfare and production efficiency will be maximised through the multilateral trading system, through 'protectionist' and preferential regional trading systems, or through both.[51] Today, regionalism and multilateralism represent competing, but not necessarily

[50] See Bourenane, *op.cit.* p 59

[51] For a summary of this debate see Wieslaw Michalak and Richard Gibb, 'Trading blocs and multilateralism in the world economy', *Annals of the Association of American Geographers*, Volume 87(2), pp 264-279. Also see Jaime de Melo and Arvind Panagariya, *The new regionalism in trade policy*, World Bank and the Centre for Economic Policy Research, Washington and London, 1992.

mutually exclusive, principles and processes underpinning the economic trade and integration in the global economy.

One of the major phenomena characterising international trading relations during the post-second world war period has been the development of regional trading groups, and primarily customs unions. In the aftermath of the economic nationalism of the 1930s, liberal economists were arguing that the reduction of trade barriers in a non-discriminating fashion would maximise welfare. This shift in thinking gained political currency through the conclusion of the General Agreement on Tariffs and Trade (GATT) in 1947, which aimed to eliminate tariff and non-tariff barriers to trade among countries on the most-favoured-nation principle in a gradual fashion.

The only exception to the most-favoured-nation principle was Article 24, which lied down the rules for the establishment of customs unions and free trade areas in regional groupings.[52] The reasoning was that because customs unions were a move towards free trade they would certainly increase, even if they did not maximise welfare.[53] This thinking was based on David Ricardo's theory of comparative advantage, which argued that in a specific region, the marginal cost of production for similar goods and services would differ among countries, thus providing them with an incentive to trade with the purpose of maximising efficiency. Any distortion of these (assumed) perfectly competitive prices, such as import taxes (tariffs), would be detrimental to those producers with the comparative advantage, which is why the removal of tariffs would be welfare-creating.[54]

Another underlying principle of liberal trade theory is that of the division of labour. For the production of goods to be competitive on the international market, it needs quantities of output (scale economies) that can only be achieved when different economies divide

[52] See J Baghwati, *The New International Economic Order: the North-South debate*, MIT Press, Cambridge Mass, 1977, p 237
[53] See B Sodersten, *International Economics*, MacMillan, London, 1985, p 275
[54] See David Ricardo, *The principles of political economy and taxation*, Cambridge University Press, 1951.

amongst themselves the stages of production. This is especially true for smaller economies, which do not have the economic infrastructure to produce in large volumes, or absorb the output of large-scale production. Thus, efficient large-scale production would only become feasible when an export market is added to the domestic market, and labour is divided among the factors of production (capital, labour, natural resources) of countries who do not have any barriers to trade among themselves.[55]

The seminal worka of Jacob Viner (1950), Meade (1955), Lipsey (1957, 1960), and Balassa (1961/2), all of whom have written on customs unions, has inspired a vast economic literature on the theoretical and applied analytical aspects of economic integration. Using the concepts of 'trade creation' and 'trade diversion', Viner challenged the proposition that customs unions were a move in the direction of free trade worldwide. While a customs union did amount to free trade among members, it implied trade protection vis-à-vis the outside world. He thus demonstrated that customs unions and free trade areas are not always welfare improving.

According to Viner's pioneering study of the theory of customs unions, which focuses on the production effects of a customs union, and resultant changes in trade structure, the formation of a customs union would lead to increased trade between the union members. The desirability of this, be it from the point of view of the union member or the world as a whole, would depend on the balance between trade creation and trade diversion. Trade creation refers to a situation where the production of some goods is shifted from a less efficient source of supply within the union (i.e. previously protected domestic producers) to a more efficient source in the union. Trade diversion refers to a situation where the production of some goods is shifted from a non-member efficient producer or source of supply (the most competitive suppliers as long as the importing country's tariffs remained

[55] See Machlup, *op.cit.*, pp 43-4, 86-7

the same regardless of the origin of goods) to a less efficient member, which became a supplier only because the duty on its imports was abolished under the customs union.[56]

Both effects are likely to occur as a result of the tariff changes implicit in the formation of a customs union. In the view of classical economists, the former represents a move towards greater efficiency at both the union and the world level, and is therefore welfare improving. It also enables more efficient resource allocation within the union. Trade diversion, however, leads to reduced efficiency and to an adverse movement in member countries' terms of trade (since the union member is a more expensive source), and therefore has an adverse effect on welfare at both the union and the world level. Lipsey added to Viner's theory by arguing that the change in relative prices when a customs union is formed may lead to more efficient consumption and consumer satisfaction, which means that even a trade diverting union can be welfare improving. He, and others after him, also further refined the static welfare effects that could accrue from a customs union, including, amongst others, substitution and terms of trade effects.[57]

Various conditions, however, will determine whether a customs union among a group of countries will create or divert trade. Arthur Hazelewood, in his study of the East African Community, has classified these factors into those that tend to enhance trade creation and those that tend to minimise trade diversion. Factors that tend to enhance trade creation include an extensive overlap among union members in activities protected by the tariff, and a large difference between member countries in the cost of producing the commodities subject to protection. The reasons for this are that there would be a substantial re-allocation of resources away from inefficient domestic producers to more efficient producers within the union.

[56] See Jacob Viner, *The Customs Union Issue*, New York, Canergie Endowment for International Peace, 1950, pp 43-55

[57] See William Lyakurwa *et al.*, 'Regional integration in Sub-Saharan Africa: a review of experiences and issues', Ademola Oyejide *et.al.* (eds), *Regional Integration and Trade Liberalisation in Sub-Saharan Africa: Volume 1: Framework, issues and methodological perspectives*, McMillan and St Martins Press, London and New York, 1997, pp 164-5

Factors that tend to minimise trade diversion include the existence of many union members, pre-union trade being a small proportion of members' production, a high proportion of pre-union trade being with members, and a low common external tariff (CET) compared with the members' pre-union tariff, and low transport costs. The removal of a high pre-CET tariff would tend to lead to the substitution of high-cost domestic supplies with low-cost supplies from within the union. A low post-union tariff, in turn, would reduce the likelihood that low-cost producers from outside the union be excluded from the union market. A customs union between countries, which are separated by high transport costs, would not lead to the more efficient allocation of resources, since inefficient domestic producers would continue to be sheltered by the prohibitive cost of transport for exporters. [58]

This suggests that customs unions are likely to be most successful among countries with competitive, but potentially complementary industries and production structures. Very few developing countries that plan to form customs unions among themselves, including those of the Maghreb, fulfill the above conditions. Developing countries suffer from structural disequilibria and the lack of well-developed manufacturing sectors. Not only are their production costs similar, but they are often countries with a high trade propensity with the 'outside' world (trade represents a high percentage of the gross national product (GNP)), while trade amongst themselves are either very low (below 10 per cent of total trade), or almost non-existent.

They also produce similar goods (mostly minerals and agricultural commodities) and have similar industrial structures, i.e. light manufacturing and textiles. This has led Ahmad Aly to conclude that 'reallocation gains are therefore not expected to accrue from

[58] See Arthur Hazelwood, 'Customs Unions', J Eastwell *et al.* (eds) *The New Palgrave: A Dictionary of Economics*, MacMillan, London, 1987. For a detailed analysis of these conditions, which takes into account the elasticities of domestic demand and union and 'third party' supply, as well as the potential for substitution of external supplies by union supplies, see Harry G Johnson, *Money, trade and economic growth*, George Allen and Unwin, London, 1962, p 57

these unbalanced patterns of production and foreign trade'.[59] According to him, integration along this model may at best be neutral, and hence useless for increasing trade among developing countries. When neither country produces a certain commodity, the removal of tariffs on trade between trading states would cause no change in the pattern of trade in this commodity – each country will continue to import it from the cheapest source outside the regional group.

Therefore, although the customs union static welfare approach is still prevalent in much of the literature on regional integration among developing countries today, there are serious analytical limitations to this model, which focuses primarily on static efficiency in the allocation of resources. This is particularly irrelevant for developing countries whose main interest lie in the dynamic benefits of regional integration for the development and industrialisation of their economies. Although dynamic effects are more difficult to measure than static effects, they are far more important for developing countries. The basis for the emergence of dynamic effects lies in the imperfect competition and employment conditions among the different national markets united by a customs union. Under these conditions, rapid change occurs when tariffs are removed. For example, hitherto protected producers have to either initiate new production or emulate more competitive producers to survive. This leads not only to a reshuffling of resources from high-cost to low-cost firms and industries, but also to a change in the attitude, behaviour and management of firms. In a situation of free movement of labour and capital, and where states share common institutions and jointly formulate policies, enterprises are pressed to copy best production practices.[60]

In his critical follow-up of Viners' work in 1961, Bela Balassa was the first to theorise the dynamic effects of regional integration.[61] Dynamic effects relate to the various means

[59] See Ahmad AHM Aly, *Economic cooperation in Africa: in search of direction*, Lynne Riener Publishers, Boulder, Colorado, 1994, p 37
[60] For more detail see PT Ellsworth and JC Leith, *The international economy* (fifth edition), McMillan, New York, 1975, pp 526-9
[61] See Bela Balassa, *The theory of economic integration*, Richard D Erwin Inc, London, 1961.

by which economic integration may influence the rate of growth of the gross national product of the participating states over the long term. These include the following:

i) **scale economies** made possible by the increased size of the market for both firms and industries operating below optimum capacity before integration occurs. Various studies of German, American and New Zealand industries have shown that productivity increases with a proportional increase in plant size. Plant sizes in small markets are far from optimal and attempts by individual firms to increase the size of their plants will be mostly unprofitable in stationary or slowly expanding markets, which cannot absorb their output. In most developing countries, for example, the population and thus the effective demand are too small to be able to exploit fully economies of scale, especially in manufacturing activities that involve significant fixed costs (such as the automotive industry). If manufacturing production is concentrated *and* the entire market expands, then 'optimum-sized' plants could be established in a region.[62] Scale economies are usually associated with the use of expensive and specialised equipment, the specialisation of labour, savings on inventories, savings from bulk handling, and savings from relatively smaller outlays for non-operational activities such as research and planning;

ii) **economies external to the firm and industry**, such as the creation of upstream or downstream industries, technology transfer, a joint pool of skilled labour, an increase in investment due to the modernisation of plants and equipment as well as greater product specialisation due to increased competition, and more rapid technological progress, since larger firms will have more financial resources to spend on research and development because of their better access to capital markets. A larger market and an increase in economic growth may also encourage foreign direct capital investment in a customs union;

[62] Lipsey also investigated the dynamic effects of a customs union on demand and substitution as a result of economies of scale. See RG Lipsey, 'The theory of customs union: a general survey', *Economic Journal*, No 70, 1960.

iii) **the polarisation effect**, or the cumulative decline in relative or absolute terms of the economic situation of a member state of an economic grouping, or a region within this grouping, due to the benefits of trade creation becoming concentrated in one region, or the fact that one area or country may develop a tendency to attract factors of production;

iv) the effect on **economic efficiency** and the smoothness with which trade transactions are carried out due to enhanced competition and changes in uncertainty.[63]

Other dynamic *benefits*, which have motivated developing countries to establish customs unions, include increased competition and consequent efficiency benefits as a result of integration; increased capital formation through a reduction in the barriers to technology transfer; and externalities from export growth and the increased marginal product of capital. Finally, a customs union will enable union members, acting as a cohesive bargaining group, to influence the terms of trade they face.[64] Externalities of demand may also accrue to customs union members when firms that are suppliers or users of intermediate inputs are located in the same region, as well as when production is concentrated in one instead of two or more member countries as this would increase local demand for intermediate goods.[65]

However, despite these dynamic benefits, the classical integration process may cause more harm than good as a result of dynamic effects such as industrial polarisation and the unequal distribution of the costs and benefits of integration among member countries. This is largely because orthodox customs union theory is based on underlying assumptions such as full employment, perfect competition, and elasticity of demand – conditions that do not exist in developing countries. For example, the demand for the main export products of many developing countries, namely agricultural and mineral products, is highly inelastic. Also, due to imperfect competition and other structural

[63] See Ali M El-Agraa, 'The theory of economic integration' in Ali M El-Agraa (ed), *Economic integration world wide*, MacMillan and St Martins Press, London and New York, 1997, pp 45-6
[64] See William Lyakurwa *et.al., op.cit.*, p 167
[65] Willian Lyakurwa et.al., *op.cit.*, p 169

disequilibria among developing countries, the likely positive effects of trade creation (if the preconditions exist), and industrialisation (a dynamic effect), often accumulate in certain countries because of their infrastructural advantages, higher income levels, or better possibilities of forward and backward linkages in the domestic economy. Other regional members may thus merely become a market for the manufactures of their more industrialised partners, since the unbalanced movement of capital and labour towards the more industrialised poles could accompany the clustering of industries. The cumulative effects of this situation would eventually increase and reinforce divergences between the more advanced and less developed member countries, thus creating dissatisfaction among smaller economies, which have to bear disproportionate costs as a result of integration.[66]

Many other structural economic features specific to developing countries could lead to the disintegration of free trade area or customs unions in regional groupings among these countries. The domination of the manufacturing sectors of developing countries by multinational corporations has resulted in these large corporations becoming the main beneficiaries of regional integration, often to the detriment of indigenous enterprises.[67] The fact that customs duties provided an indispensable source of revenue for most governments in the developing world, especially during the 1960s to early 1980s (and still do in many countries today), have made governments reluctant to commit to trade liberalisation schedules in regional groupings. The scarcity of foreign exchange, partly due to the fluctuation of prices of primary commodities has discouraged especially countries in Africa from trading with one another, but has also encouraged the continuation of trade with industrial countries, which have an abundance of reserves to pay for their exports. A related problem has been that commercial banks and the financial sector were incapable of providing adequate credit or other banking facilities

[66] In the East African Community, most of the benefits went to Kenya, in the Central African Economic Union, most benefits went to Cameroon, in the Caribbean Community Council, most benefits went to Trinidad and Tobago, and in the Latin American Free Trade Area, most benefits accrued to Brazil, Argentina and Mexico. Similarly, El Salvador and Guatemala benefited most from the Central American Common Market, and Columbia and Venezueala from the Andean Group. Ahmad Aly, *op.cit.*, pp 37-8.
[67] See LK Mytelka, *Regional development in a global economy: the multinational corporation, technology and Andean integration*, Yale University Press, New Haven and London, 1979

required for the expansion of intra-African trade. The scarcity of foreign exchange has also thwarted the objective of regional organisations to create solidarity or 'compensation' funds for those member countries that would lose revenue or production as a result of the customs union.[68] In Africa, regional clearing-houses have been set up to facilitate intra-group payments by using national, instead of foreign currency. However, they have been paralysed by an absence of credit facilities and the increasing insistence of members on hard currencies for settling outstanding balances.

A further consequence of the instrumentalist approach inspired by neo-classical economic theories on regionalism, has been the transposition of the linear approach towards regional integration by most regional groupings in the developing world, irrespective of their political, economic, or operational capacity to sustain such an approach. Based on his study of the European integration experience, Bela Balassa was the first to distinguish among five different stages in the regional integration process, sequenced in a linear fashion:

(i) *Free trade area*: Member states remove all trade barriers amongst themselves, but retain their freedom to determine their own trade policies vis-a-vis the outside world and continue to levy customs duties on imports from 'third country' trading partners

(ii) *Customs union*: In addition to removing trade barriers amongst themselves, members of a customs union have to pursue a common external trade policy, for instance, they have to adopt common external tariffs on imports from non-member countries

(iii) *Common market*: This is a customs union, which also allows for the free mobility of factors of production, i.e. capital, labour, technology, and enterprises, across the national borders of member countries

(iv) *Economic union*: A common market, in which member countries adopt common monetary and fiscal policies and establish central monetary and fiscal authorities, and

[68] F more detail on the structural economic factors impeding customs unions in Africa and elsewhere in the developing world, see Ahmad Aly, *op.cit*, pp 41-70 and P Robson, *Integration, Development, Equity: Economic Integration in West Africa*, George Allen and Unwin, London, 1983, p 6. According to Robson (p 6), industries in developing countries would gain more by the reduction of tariffs on a most-favoured-nation basis, instead of a customs union.

harmonise their policies in other areas relevant for economic integration such as administration sytems, taxation, social welfare, and infrastructural planning.

(v) *Political union*: Members establish common supranational political institutions such as a parliament, a judicial body, and an executive body to legislate on common decisions and implement common policies.[69]

What most developing regional groupings did not take into account in emulating the above model, was that the institutional choices made by the European Community, both politically and economically, resulted from specific historic circumstances in Europe, and were based on high growth rates, low income differentials among members, considerable local managerial and technological capability, high levels of intra-regional trade, government structures with a high degree of legitimacy, and access to massive external support through the Marshall Plan after the second world war. The above model, like the process theories of the neo-liberal institutionalists, is mostly divorced from the socio-historical realities of developing countries.

For these reasons, Naceur Bourenane has suggested that regional integration strategies should build on national development and economic strategies; that regional groupings should follow a gradual and flexible approach, both concerning membership and timeframes, in their integration strategy; and that states, as the arbiters of resources and regulators, as well as private economic operators who would like to take advantage of trading opportunities, should play a prominent role in this process. He also argues that regional schemes would not succeed unless all the interested parties have sufficient knowledge of the regional integration process. Similarly, intergovernmental organisations, such as the secretariat of regional groupings, should be restructured to support the interests of all parties affected by regional integration, thus exercising their own prerogative, instead of serving as extensions of member governments.[70]

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[69] See Bela Balassa, 'Towards a theory of economic integration', in *Kyklos*, Volume 14 (1), 1961

[70] Naceur Bourenane, 'Theoretical and strategic approaches', *op.cit.*, pp 59-62

Peter Robson has gone further in stating that there is no automatic case for economic integration amongst a purely random group of developing countries. The following will determine whether a customs union among developing countries would benefit the economic development of each member: the weight attached to industrialisation in their development policies; the possibilities of exporting manufactures to world markets rather than a protected regional market; the magnitude of scale economies in prospective regional industries; the differences in the cost of producing industrial products in the different member countries; the geographical location of markets in member countries; and the costs of transporting raw material and finished products within the region. These factors would have varying importance in different developing countries and it would therefore be unlikely that every developing country would benefit from a customs union. For example, an optimal development strategy for some countries might entail the supply of domestic markets by low-cost, 'first-stage' import substitution production of consumer goods, followed by a direct move to export for world markets, without at any stage seeking the support of a regional integration arrangement. This has been the industrialisation experience, for example, of the newly industrialised countries of South Korea, Taiwan, Singapore, Hong Kong, and others. [71]

To give a more accurate account of regional integration processes in developing countries, many different types of stages towards regional integration have been identified. Faezeh Foroutan, for example, in his examination of regional integration as a means to economic development, has posited the following stages of regional integration: (i) goods market integration, (ii) labour market integration, (iii) capital market integration, (iv) monetary integration, and (v) integration of government activities and policies. In this scheme, these stages do not necessarily occur in a linear fashion, but can occur simultaneously or separately. In the first three stages, the barriers to the factors of production are removed. In the fourth stage, a common currency and central monetary authority is instituted, and in the fifth stage, common taxation and investment codes,

[71] See Peter Robson, *Integration, development, and equity: economic integration in West Africa*, George Allen and Unwin, Boston and Sydney, 1983, p 15

harmonised administration rules, and joint infrastructure and services policies are adopted.[72] His scheme is more pragmatic in that it does not advocate the conclusion of a customs union as a necessary step towards regional integration. However, it still suffers from the most serious impediment of the Balassa model, namely ignoring both the structural economic features of developing countries, as well as their systemic position in the international division of labour.

4. Structuralist theories of regionalism

During the period following the wave of independence in the 1950s and 1960s, political and intellectual dissatisfaction and disenchantment with the non-applicability to developing countries of neo-classical or traditional theories of economic growth has set in. Traditional growth theories, also associated with the modernisation paradigm, were primarily concerned with the efficient, least-cost allocation of scarce productive resources and with the optimal growth of these resources over time, has set in. In response, the new discipline of development economics started to emerge. In addition to investigating those questions preoccupying neo-classical economists, this discipline also concerned itself with the economic, social, political and institutional mechanisms, both public and private, that are needed to bring about rapid and large-scale improvements in the quality of life for peoples in the developing world. It acknowledged that the commodity and resource markets of these countries are highly imperfect, that their consumers and producers have limited information, that major structural changes are taking place in society and the economy, and that disequilibrium situations often prevail.[73]

In this context, the first coherent model of development to emerge in the early 1950s, after the second world war, was Rostow's linear stages of growth model of development. In the sterile intellectual environment at the time, the conceptual apparatus with which to

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[72] See Faez Foroutan, 'Regional integration in sub-Saharan Africa: past experiences and future conflict', Jaime de Melo and Arvind Panagariya (eds), *New dimensions in regional* integration, Cambridge University Press and Centre for Economic Policy Research, Cambridge and London, 1994

[73] Michael P Torado, *Economic Development*, fifth edition, Longman, New York and London, 1994, p 8

analyse the process of economic growth in largely peasant, agrarian and poor societies, characterised by the virtual absence of modern economic structures, was largely absent. This is why Rostow still relied primarily on neo-classical economic analysis. Steeped in the modernisation paradigm, Rostow coined the concept of economic 'take-off'. In his model, all societies were categorised in one of five stages: traditional society, society with the necessary preconditions for take-off into self-sustaining growth, society that has achieved economic take-off, maturing society, and high-consumption society. He argued that advanced countries have all passed the stage of 'take-off' into self-sustaining growth, whereas the underdeveloped countries were still in either of the first two stages. To 'take-off', they only needed to follow a set of pre-determined policy measures, which principally included the need to mobilise domestic and foreign savings. This would generate sufficient investment to accelerate the process of economic growth, a conclusion based on the findings of the Harrod-Domar model of economic growth.[74] His theory has been subject to two major criticisms: firstly, savings and investment, or the supply of capital, foreign exchange, and management skills was by no means a sufficient condition for economic growth, and secondly, it failed to take account of the external forces beyond the control of developing countries, which could influence and even nullify their economic development strategies.

Neo-Marxist, world-systems, and (neo)-structuralist theories of development have largely been a reaction against this type of traditional economic analysis of the causes of and solutions to underdevelopment in Africa, Asia and Latin America. Their disenchantment with classical economic analyses has led especially scholars of the third world to combine economic and institutional factors into a social systems model of international development and underdevelopment, also known as the international '*dependencia*' paradigm. This paradigm, in conjunction with structural change theories of development, has been the main influence behind the call for and objectives of developmental

[74] See W Rostow, *The stages of economic growth: a non-communist manifesto*, Cambridge University Press, London, 1960, pp 1,3,4,12

regionalism and collective self-reliance during the first wave of regionalism among developing countries in the 1950s and 1960s.

3.1 Structural change theories

Structural change theories of development have focused on how underdeveloped economies can transform their domestic economic structures (one reason why they did not benefit from customs unions) away from a predominantly traditional subsistence agricultural base to a modern, urbanised, and more industrially diverse manufacturing and service economy. However, they still used the tools of neo-classical price and resource allocation theory to describe how economic transformation should take place. These theories informed the desire of many regional groupings in the developing world, both during the first and second waves of regionalism, to use regional integration as a means to transform their economies structurally by encouraging the creation of new industries, the expansion of trade, and the diversification of national economies. This politically driven desire has been termed 'developmental regionalism'.[75]

According to Lewis' two-sector model, which informed development strategy in many surplus-labour developing states during the 1960s and 1970s, the underdeveloped economy consists of 1) a traditional, overpopulated rural subsistence sector characterised by zero marginal labour productivity and 2) a high-productivity modern urban industrial sector. Economic growth is the process whereby labour is transferred from the rural sector to the urban sector, and employment grows in the urban sector as a result of the expansion of output in that sector. The speed at which this expansion occurs is a function of the rate of investment and capital accumulation in the modern industrial sector, made possible by profits and their reinvestment in the modern sector.[76]

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[75] See SKB Asante, *The political economy of regionalism in Africa: a decade of ECOWAS*, Praeger, New York, 1986, p 13
[76] See W Arthur Lewis, *Economic Development with unlimited supplies of labour*, Manchester School, 1954, pp 139-191

According to the patterns-of-development analysis of structural change, investment and savings are not sufficient conditions for the transition from a traditional to a modern economic system, through a sequential process of economic, industrial and institutional structural change in domestic economies. What is needed in addition, is a set of interrelated changes in the economic structure of a country, which includes the transformation of production, changes in the composition of consumer demand, changes in its international trade patterns, and resource use. The structural change model therefore recognizes the fact that developing countries form part of a highly integrated international system that can either promote or hinder their development.[77]

3.2 *Dependencia* theories

During the 1970s, a radical political move which viewed newly independent Third World countries not only as beset by institutional, political and economic rigidities, both domestically and internationally, but also as caught up in a relationship of dependence and dominance vis-a-vis industrial countries, was gaining momentum. It identified the following inadequacies with both the linear growth and the structural change models: a) their explanation of economic development was partial and narrow, and ignored the role of colonialism in the early industrialisation process of some countries, b) they did not satisfactorily explain the economic backwardness of many countries as a function of their long encounter with imperialism, c) they assigned a limited role to the state and, d) they did not sufficienty emphasise poverty and redistribution.[78]

[77] The best-know model of patterns-of-development analysis is that of Hollis B Chenery, who examined the patterns of development for numerous Third World countries during the postwar period. His empirical studies led to the identification of several characteristic features of the development process. These included a shift from agricultural to industrial production, the steady accumulation of physical and human capital, the change in consumer demands from an emphasis on food and basic necessities to manufactured goods and services, the growth of cities and urban industries as a result of migration, and the decline of overall population growth as children lose their economic value and parents substitute education for quantity children. See Torado, *op.cit.*, pp 79-80

[78] See S Dube, *Modernisation and Development: the search for alternative paradigms* (second impression), Zed Books, London and New Jersey, 19[illegible], pp 10-[illegible]

The forerunners of the Neo-Marxist *dependencia*-school, which inspired this radical political movement, were the early structuralist theorists, notably Raul Prebisch and Hans Singer. Both have analysed the Latin American development experience, and especially the phenomenon of deteriorating terms of trade in the developing world. Another influential structuralist, Gunnar Myrdal, explained underdevelopment in broader terms through his theory of societal development. Raul Prebisch can be considered the 'pioneer' of the import-substitution industrialisation strategy. From his analysis of the deteriorating prices of raw materials vis-à-vis manufactured goods since the 1870s, until the second world war Prebisch concluded that developing countries had no option but to industrialise and produce their own manufactured goods. Deteriorating terms of trade implied that developing countries, which are the primary exporters of raw materials, had to sell even greater quantities of raw materials to acquire the same export income. The German economist, Hans Singer, reached the same conclusion after showing that this trend continued during the following decades. This trend, they argued, could not be explained by traditional theory of comparative advantage, but rather by the downward wage and price rigidities in industrialised societies.[79]

Moreover, from his empirical observations, since the 1950s Raul Prebisch had started developing a centre-periphery model of the world system.[80] According to this model, centre countries were rich industrialised countries who fully enjoyed the benefits of international trade, while peripheral countries were those poor countries in Latin America, Africa and Asia, who did not derive significant benefit from their foreign trade. Capitalists and industrialists in peripheral countries were unable develop a sustainable capital and industrial base because the centre countries were dominating manufacturing world wide, and were also responsible for the declining terms of trade in developing countries. To overcome the small size of their markets, raise productivity, facilitate technology transfer and use regional resources efficiently, industrialisation via regional

[79] See Martinussen, *Society, State and Market: a guide to competing theories of development*, Zed Books, London and New Jersey, 1997, pp 74-5

import-substitution was necessary. To succeed, especially infant industries would need to be protected from foreign competition by high trade barriers, and the state would need to engage in investment planning to ensure that scarce resources were used rationally, as a necessary complement to market mechanisms and private initiative. This 'industrial programming' strategy informed the development policies of most third world countries, including those in the Maghreb, for the larger part of the 1960s and the 1970s.

Swedish economist Gunnar Myrdal's structural theory of societal development was particularly influential during this period. He agreed with the *dependencia* school that international trade under the prevailing circumstances in the first decades after the second world war could not function as an engine of growth for developing countries. But he went further by suggesting that the economic development process was characterised by a dynamic, which favoured the already rich and resourceful – be they regions, countries, or population groups. According to his hypothesis, rich industrialised countries, because of the active involvement of states in their development, had been able to reach a high degree of national integration. Thus, economic growth in these countries would spread more effectively to localities, sectors and social groups within the country in a 'virtuous circle', or a cumulative process of self-reinforcing growth. In less developed countries, however, growth was concentrated in small enclaves and a few branches of industry. The demand for production equipment and other inputs from these enclaves was not directed towards other domestic producers (as was the case in industrial countries), but rather towards suppliers in the industrial countries. Similarly, the demand from domestic elites with considerable purchasing power was directed towards luxury goods from industrial countries, whose consumption pattern these elites tried to emulate. Less developed and less integrated countries were therefore trapped in a 'vicious' circle, or a combination of factors and forces that would keep them in a state of poverty.[81]

[80] For a detailed description of Raul Prebisch's structuralist theories of development, see Raul Prebisch, 'Five stages in my thinking on development', Gerald M Meier and Dudley Seers, *Pioneers in Development*, Oxford University Press, Oxford, 1985, pp 175-91

[81] See John Martinussen, *op.cit.* pp 78-9

Proponents of the *dependencia* school, which formed the theoretical basis of the demand for a new international economic order, argued that the structural disequilibria of third world economies was the outcome of the nature of their incorporation into the global capitalist division of labour, mostly through colonialism. Third world economies have been restructured under colonialism to supply the colonial powers with inexpensive labour, raw materials and primary commodities. This has led to the historical evolution of a highly unequal international capitalist system, divided between a powerful centre and a powerless periphery. This unequal power relationship rendered the attempts of poor states to become self-reliant and independent virtually impossible. The theories of dualistic development underlined this view, by maintaining that the co-existence of rich and poor states was chronic, and not merely transitional, and that the gap between these was likely to increase.[82]

Theories about the unequal nature of the international system, and the peripheral status of developing countries, drew to a large extent from the world systems theory of Immanuel Wallerstein. Although his theory did not originate from the classical dependency school, but from a significantly longer historical perspective, his analysis was based on the assumption that the development prospects for developing countries depended more on the nature of the capitalist global system than on their internal structures. He grouped countries into three main categories: periphery, semi-periphery and centre. While countries can shift upward or downward in this hierarchy, the framework for these shifts are set by the structures and prevailing conditions in the world system.[83]

Their integration into the colonial division of labour, therefore, is why production systems and infrastructure that would supply local developing economies and link third world economies horizontally have not been developed. In many cases, local populations were even prohibited by law from participation in production of key export cash crops. Despite political independence, this distortion and extroversion of third world economies

[82] See Michael P Torado, *op.cit.*, pp 83-4

remained largely unchanged, with 'enclave' sectors of the economy (those connected to the global market) continuing to absorb most of the available economic resources.[84] Paul Baran developed this idea further by stating that the increasing prosperity of the capitalist west has caused 'underdevelopment' (as opposed to '*un*development' or *lack* of development) in the third world. The industrialised countries' expropriation of economic surplus from the third world has led to the development of small export-oriented economies dominated by a small mercantile capitalist elite (or a comprador class), which has an interlinked and dependent relationship with capitalists in more advanced societies.[85]

André Gunder Frank, seen by many as the 'father' of the theory of underdevelopment, further argued that this imperialist-satellite relationship of dependency permeated the entire global system in a chain-like fashion. Not only did it characterise the relationship between states, but also between urban and rural areas, and landowners and peasantry. According to him, capitalism in the wealthier core countries *actively* underdeveloped poorer or peripheral countries, mainly through 'surplus extraction' via the market, or in other words, unequal conditions of trade. The gradual deterioration of the terms of trade of developing countries meant that capital was continually being transferred from the periphery to the core. This exploitative relationship, according to him, was facilitated in the post-colonial period by the comprador bourgeoisie, which assisted the capitalist system and its agents, notably transnational corporations. Under these conditions, therefore, the possibilities for development in peripheral countries were minimal unless they were able to break out of the capitalist system.[86]

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[83] See Immanuel Wallerstein, 'The rise and future demise of the world capitalist system: concepts for comparative analysis', *Comparative studies in history and society*, Volume 16, pp 387-415
[84] See Kidane Mengisteab, *Globalisation and Autocentricity in Africa's development in the 21st century*, Africa World Press, New Jersey, 1996, p 70
[85] See Geoffrey Wood, 'Towards a political economy of development: the radical critique of imperialism', in Jan K Coetzee and Johann Graaff (eds), *Reconstruction, development, and people*, International Thomspson Publishing, Johannesburg, 1996, p 75
[86] See Johann Graaff, 'Changing ideas in Marxist thought in southern Africa', JK Coetzee and J Graaff, *op.cit.*, pp 84-5

The Egyptian economist, Samir Amin's model of self-reliance has inspired the movement towards regional 'collective self-reliance' in African and Latin American regional groupings. An autocentric economy, in his definition, is characterised by the manufacturing of both the means of production, as well as goods for mass consumption. In such an economy, these two sectors, as well as the industrial and the agricultural sectors are interlinked, so that they each support growth in the other. Such an economy would be self-reliant in that the intra-societal linkages between the main sectors of production would predominate over and shape the economy.

This he opposed to a peripheral economy, which is dominated by a) an overdeveloped export sector, dependent on the world market and its links to capital accumulation centres in the 'core' countries and b) a sector which produces goods for luxury consumption. In peripheral economies, development-promoting links between agriculture and industry, and different branches of the industrial sector do not exist. Most African, Asian and Latin American countries fell in this category during the 1970s. Amin argued that their distorted production structure and dependence were the result of the dominance of countries of the centre, which have inflicted their overdeveloped export 'enclaves' on peripheral countries by their extraction of raw material and exploitation of cheap labour in these countries.[87] This polarisation between centre and periphery, according to Amin, cannot be overcome as long as developing countries remain subordinate to the rules of capitalist globalisation. For these 'victims', he argues, there is no alternative than to 'delink' from these rules by reconstructing regions as 'integrated autonomous systems'.[88]

3.3 The new international economic order and collective self-reliance

It was the *dependencia* school that inspired the political movement towards a new international economic order (NIEO) among Third World regimes. These regimes argued that the major impediment to development in the third world was the unequal balance of

[87] See Johan Martinussen, *Society, State and Market, op.cit.*, p 90

economic and political power internationally. The desire for such a new order manifested in the formation of a number of political forums such as the Group of 77, the Afro-Asian Solidarity Organisation, and the Non-Aligned Movement during the immediate post-independence era of the 1950s and 1960s. In May 1974, the United Nations General Assembly, which has just adopted the Charter of the Economic Rights and Duties of States, adopted a resolution, sponsored by the Group of 77 developing countries, calling for a new international economic order. This resolution, called for, amongst others,

> the achievement of more rational and equitable international economic relations and the encouragement of structural changes in the world economy; the creation of conditions, which permit the further expansion of trade and intensification of economic cooperation among all nations; the strengthening of the economic independence of developing countries; and the establishment and promotion of international economic relations that would take into account the agreed differences in development of the developing countries and their specific needs.[89]

The Programme of Action for a NIEO, which formed part of the resolution, called upon the international community to assist in increasing food production in developing countries; formulate commodity agreements to regulate and stabilise world markets in commodity products; implement, improve and enlarge the General System of Preferences, which accords preferential access to industrial imports from developing countries on the markets of developed countries; maintain the principle of non-reciprocity and preferential access for developing countries in multilateral trade negotiations; reform the international monetary system to benefit developing countries; facilitate the transfer of appropriate technologies to developing countries; implement an international code of conduct that governs the practices of multinational corporations; *promote cooperation among developing countries*; strengthen the role of the United Nations in international

[88] See Samir Amin, 'Regionalisation in the Third World - in response to the challenge of polarising globalisation', mimeo, 1998, pp1, 15
[89] Quoted in OS Saasa, *Joining the future: economic integration and cooperation in Africa*, African Centre for Technology Studies, Nairobi, 1991, p 3

economic cooperation; and adopt an emergency aid programme to assist the least developed and land-locked countries.[90]

The term collective self-reliance was used and explained for the first time at the third Non-Aligned Movement (NAM) Summit in Lusaka, Zambia in 1970. Coupled with the call for cooperation among developing countries in the Programme of Action for a NIEO, and through the further elaboration of collective self-reliance at important international meetings throughout the 1970s, collective self-reliance came to be seen as an alternative development strategy.[91] This strategy implied (i) the severance of existing links of dependence operated through the international system by the dominant countries, (ii) full mobilisation of domestic capabilities and resources, (iii) the strengthening of collaboration with other underdeveloped countries and (iv) the reorientation of development efforts in order to meet the social needs of people in underdeveloped countries.[92] In political terms collective self-reliance represented a coordinated stance among developing countries in their negotiations with industrial countries on a NIEO. Developing countries, in cooperating with one another, could improve their collective bargaining power vis-à-vis the industrial countries, mobilise countervailing pressure, and acquire more leverage.[93]

Another facet of collective self-reliance was the intensification of trade and other linkages among developing countries, firstly through increasing cooperation among groups of countries at the regional or sub-regional level, and secondly, through collaboration across the third world. In the long term, collective self-reliance would aim to replace the dependent and assymetrical relations between developing and industrialised countries

[90] *Overseas Review*, 1975, p 8

[91] The most important meeting at which the concept of collective self-reliance was elaborated included the fifth NAM Summit in Sri Lanka in 1976, the Group of 77 conference on economic cooperation among developing countries in Mexico in 1976, and the conference on technical cooperation between third world countries in Argentina in 1978. See Ahmad Aly, *op.cit.*, pp 76-7

[92] See E Oteiza and F Sercovich, 'Collective self-reliance: selected issues', *International Social Science Journal*, Volume 28(4), 1976, quoted in V Matthies, 'Collective self-reliance: concept and reality', *Intereconomics*, March/April, 1979

[93] See SKB Asante, *op.cit.*, p 21

through establishing integrated autonomous regional production and trading systems among developing countries. This, however, would necessitate the integration of their technological, services, and communications and information infrastructure, with the primary purpose of meeting the social needs of the poorest layers of society.[94]

In Africa, Adebayo Adedeji, executive secretary of the UN Economic Commission for Africa since 1975, played a significant role in promoting regionalism as a means of 'economic decolonisation'. He viewed regional integration not simply as a supportive measure to national development strategies, or a mere adaptation of the doctrine of import substitution, but at a regional scale, but rather as 'a sine qua non for the achievement of national socio-economic goals'.[95] As such it should not be viewed as an addition to the process and strategies of development, but should form an integral part of the strategies of African states to 'combat and reduce external economic dependence'.

The tenets of *dependencia* theory, as well as the calls for collective self-reliance in the transition to a NIEO, thus largely inspired the decisions of third world regimes to form regional integration groupings from the 1950s to the 1970s, or the 'first' wave of regionalisation. But they were certainly also motivated by the demonstration effect of the 'success' of the EEC. Thus, their *modi operandi* were based not only on structuralist models of import-substitution industrialisation, autocentric or 'self-reliant' development, and the structural theory of change models of economic development, but also on the emulation of the institutions developed over time in the European Community. In

[94] The evolution of economic development thought from a measure of GNP or economic growth per capita to that of meeting basic needs, was greatly assisted by economists who did work on poverty, in particular Amartya Sen and Amhbub ul Haq. Ul Haq maintained that the world is seperated by a 'poverty curtain', in his book, *The Poverty Curtain*, published in 1976. In this seminal work, he explored the following ideas: the market mechanism is often distored by the existing distribution of wealth and income, institutional mechanisms are generally more decisive than price signals for fashioning development strategies, development strategies should be based on the satisfaction of basic human needs (people-centred), and not on growth in total production, distribution and employment strategies must be an integral part of any production strategy, investment needs to be directed to the poorest layers of society, and development will not spread to the vast majority of the population in developing countries unless there is a drastic restructuring of political and economic power relationships, both domestically and internationally.
[95] See A Adedeji, *Africa, the Third World and the Search for a New Economic Order*, Turkeyen Third World Lectures, Georgetown University, Washington, 1976.

practice, this has led to mostly unsuccessful attempts at regional integration, for a variety of reasons that will be discussed in the next section.

During the first wave of regionalism, developing groupings, including the Maghreb, attempted to follow a 'positive' integration approach, also termed developmental regionalism. Thus, instead of focusing on removing tariffs only, they also viewed regional integration as a means to develop the industrial base of their economies. This could be achieved mainly through a regional industrialisation strategy of import-substitution, exploiting economies of scale in joint ventures and integrated production structures, and joint developing transport and communications infrastructure across regional groupings. Such an approach implied some form of 'central' industrial planning at a regional level, particularly to a) determine the scope and direction of trade, b) determine the locations and concentration of joint industries and development projects, and c) formulate joint policies towards multinational corporations. During this period, the priorities of most African regional groupings were the following: (i) achieving regional food security through joint agricultural research and development; (ii) the joint production of intermediate and capital goods, especially iron and steel manufactured goods, machine tools, fertilizers, building materials, chemicals and pharmaceuticals, as well as transport and construction equipment, (iii) the restructuring of national production structures to create regional complementarities, which in turn would facilitate intra-regional trade, and (iv) the joint establishment of physical, institutional and social infrastructure to sustain regional production structures and markets.[96] Regionalism, therefore, was seen as an 'alternative' development strategy to nationally-oriented strategies, which could assist countries in overcoming the economic disadvantages of small resource bases, low per capita incomes, small populations, and a disproportionate dependency on fluctuating international commodity markets.

[96] See SKB Asante, *African Development: Adebayo Adedeji's Alternative Strategies*, Hans Zell Publishers, London, 1991, pp

In Africa, developmental regionalism has been underscored by the 1981 Lagos Plan of Action. This Plan, articulated by the Organisation of African Unity (OAU), identified African development priorities in six major economic and social sectors: agriculture, industry, natural resources, transport and communication, trade and finance, and human resources. For each of these sectors, it elaborated specific measures to be implemented by African governments and national, sub-regional, and regional levels. The Lagos Plan has adopted a 'mixed' approach to regionalism and articulated both functional as well as interventionist measures to achieve regional integration. Functionally, it called for the gradual establishment of a pan-African common market by the year 2000, followed by the creation of an African economic community. It envisaged, in addition, a continental free trade area, to be undertaken in three stages: the establishment of a free trade area in each sub-region, the reduction of trade barriers between different regional groupings, and the creation of a pan-African customs union.[97] By the early 1990s, the OAU has come to expect four regional sub-groupings to spearhead the process. These were the Economic Community of West African States (established in 1975), the Preferential Trade Area for Eastern and Southern African States (established in 1981), which became the Common Market for East and Southern Africa, the Economic Community of Central African States (established in 1983), and the Arab Maghreb Union (established in 1989).[98]

However, the Lagos Plan did place more emphasis on production rather than trade as an engine of development. Taking collective self-reliance as its fundamental principle, it called for the establishment of links between industry and other sectors of production and between different branches of industry, at both a national and a regional level. In this regard, it called for a specific focus on the development of core industries and multinational enterprises that produce basic intermediary and consumptions goods among member countries of regional groupings. It also departed from the conventional functionalist approach in relying less of market forces, and more on operational cooperation and centralised industrial planning at the regional level. The objective of

[97] See Ahmad Aly, op.cit., pp 78-9
[98] See Daniel C Bach, 'Institutional crisis and search for new models', Lavergne, *op.cit.*, p 79

such collective self-reliance was the attainment of food self-sufficiency, but also the creation of productive employment, strengthening of managerial and technological capacity, control over natural resources, and self-sustaining development.[99] It was this framework of developmental regionalism that has motivated the rationale and strategies of the first attempt at regionalism in the Maghreb, namely the Maghreb Permanent Consultative Committee, established in 1964.

3.4 Failure of collective self-reliance

The failure of most regional groupings both in Africa and Latin America to achieve these ambitious objectives has been well recorded, as has been the causes of these failures. They can be grouped into four broad categories: (i) the weakness of African states, (ii) continuing dependency relations with industrial countries, (iii) structural economic features of African countries, and (iv) the fallacy of transposition. Firstly, 'weak' African post-independence states have suffered from a lack of internal coherence, as well as resources; nation-building has been lagging in African polities; and these states were lacking autonomy, as well as ownership and control of the means of production.

While responding to real or perceived threats by centralising political power, African states during this period have remained weak relative to internal groups competing for power and economic resources in a fractured society, which contained widely divergent elements.[100] Regional integration demands that states cede centralised authority in certain functional areas of cooperation such as trade, transport, and so on. As a consequence of the dire economic conditions of most weak states, what traditional functional theory perceived as 'low politics', has become 'high politics' for these insecure and vulnerable states, thus making them more reluctant to cede any authority in these areas. In addition, 'mutual suspicion and differences of political outlook arising from heterogenous cultures and varied colonial heritage, fear of being dominated by others and an insular view

[99] Ahmad Aly, *op.cit.*

imposed by ultra-nationalism', have also caused the disintegration of regional groupings.[101] According to Bourenane, African states were 'incapable of opening up without disintegrating or fearing for their existence' because they were essentially artificial and unstable, an outcome of the fact that their foundations were not rooted in the organic structure of groups and tribes inherent to Africa's cultural and historical traditions.[102] This explained ensuing patterns of conflict among states and their lack of political will both to sustain political commitments and honour financial obligations to regional organisations and especially regional compensation mechanisms, both of which were essential to the success of regional integration groupings.

Secondly, national development plans and annual budgets of most African states have tended to perpetuate and even accentuate their dependency through an over-reliance on foreign resources. The economies of weak states tended to be dominated by foreign capital in the form of investment, aid, and loans, which undermined long-term development planning and thus impeded coordinated development planning at a regional level, by implication a long-term exercise.[103] Also, African states have tended to misallocate domestic resources through reduced shares for high-priority areas such as agriculture, human resources, and industry, in favour of massive expenditure on foreign consumer goods and non-productive investment projects – the inverse of the collective self-reliance development strategy.

Thirdly, developing economies suffered from structural economic features, which impeded regional economic integration. These included a lack of complementary production structures; the narrow bases of most African economies, a lack of the necessary infrastructure to facilitate intra-regional trade and production; and the

[100] See P Mahwood,, 'State formation in Tropical Africa', *International Politics and Science Review*, Volume 10(3) , 1989, pp 246-8
[101] See Adebayo Adedeji, 'The need for concrete action', *Regional cooperation in Africa: problems and prospects*, African Association for Public Administration and Management, Addis Ababa, 1977, p 32
[102] See Naceur Bourenane, *op.cit.*, p 69
[103] D Rothchild and M Foley, 'The implications of scarcity for governance in Africa', *International Politics and Science Review*, Volume 4(3), 1983, pp 311-3

production of similar or near-similar commodities. The latter feature meant that these economies were not only competing for external markets, but also had very little to trade with one another. Also, all African countries suffered from insufficient skilled labour that would allow for the development process to be internalised and ensure self-sustained development. Not only did the nature of their non-complementary labour-surplus economies discourage the free mobility of labour in regional groupings, but it also perpetuated the dependence of third world groupings on foreign technicians and managers.[104]

Lastly, the instrumentalist transposition of the EEC model of gradual intra-regional trade liberalisation, through a functionalist linear process, which would supposedly lead to a political union, was not suited to the socio-political, economic, cultural or spatial circumstances of African countries. As a result of this transposition, regional integration has come to be identified with the definition of technical and bureaucratic modalities and institutional mechanisms for enhancing economic cooperation among developing countries. The historical experiences and the specificities of all stakeholders, including regimes, private enterprise, and other actors of civil society were ignored in the conceptualisation of these regional schemes, as was the potential for conflict in the pursuit of different partners' socio-economic objectives. These factors should have determined the modalities, time frames, sequencing, approaches and institutions of regionalist groupings. Instead, most groupings (with the notable exception of the Southern African Development and Coordination Conference (SADCC)), including both the Maghreb Permanent Consultative Committee and the Arab Maghreb Union, emphasised the creation of a free trade area and a customs union, rather than more pragmatic and strategic production and political cooperation.[105] A more flexible, gradual,

[104] Organisation for African Unity, *Africa's Priority Programme for Economic Recovery 1986-1990*, Addis Ababa, 1986

[105] The Economic Community of West African States, the East African Community and the West African Monetary and Economic Union are notable examples. See Arthur Hazlewood, 'Economic integration in East Africa', in Arthur Hazlewood (ed), *African Integration and Disintegration: case studies in economic and political union*, Oxford University Press, London, 1967, and SKB Asante, *The political economy of regionalism in Africa: a decade of ECOWAS*, op.cit., Peter Robson, *Integration, development and equity: economic integration in West Africa*, op.cit.

and pragmatic approach, with a greater emphasis on the roles and responsibilities of states might have shown more success (once again as evidenced by the experience, albeit slow and uncertain at times, of the SADCC, reconstituted as the Southern African Development Community since 1992).

To this end, Bourenane has identified three possible approaches to regional integration, which take account of African realities: a comprehensive, a sectoral and a projects-led approach.[106] A comprehensive approach calls for rigorous planning of the integration process, harmonisation of economic policies, and coordination of development plans, but also the establishment of supranational institutions (not intergovernmental), capable of managing the process. Such an approach, which is costly and complex, would not suit most African groupings, whose member governments have weak economic management capacity, limited control over national economies, and are burdened by high debt-service ratios.

The sectoral approach focuses on the harmonisation of national development policies and action plans in one sector at a time. This has also been termed the production-directed approach, which focuses on coordinated production, infrastructure development in the region, taking into account complementarities, interdependencies, production specialisation, external economic and economies of scale. To dynamically alter developing countries' inherent structural dislocations with regard to production and technology, it is necessary to first plan the direction of expanded industrial activity, before embarking on a parallel process of market integration.[107]

The identification and implementation of joint projects is the least burdensome and easiest approach, and for this reason, the most viable at the beginning stages of regional integration among developing countries. Project-directed integration would lead to the promotion of production efficiency, improved capacity utilisation, and the improvement

[106] See Bourenane, op.cit., p 56

of member countries' bargaining power. It would also facilitate the coordination and negotiations of government controls and fiscal policies, and the exploitation of the dynamic benefits of external economies, resulting from the joint use of regional resources and the enlargement of the regional market. Admittedly though, this approach involves little effort to harmonise economic policies and fails to address the issue of compensation for losses from projects and equal distribution of projects. It was for the above reasons that the Maghreb Consultative Permanent Committee started shifting from a purely functionalist approach to a sectoral and project-led approach towards regional integration in the Maghreb, before it disintegrated at the beginning of the 1970s.

4. Neo-structuralist theories of regionalism: the second wave

The political ascendancy of conservative governments in the United States, Canada, United Kingdom, and West Germany provided a fertile environment for the neo-classical 'counterrevolution' in economic theory and policy. As opposed to the demand-side and systemic focus of the *dependencia* theorists, this school of thought emphasised the implementation of supply-side measures to achieve optimal development. It called for the dismantling of public ownership, statist planning, and government regulation of economic activities in developing countries. May of the political proponents of this school have obtained controlling votes on the boards of international financial institutions such as the World Bank and the International Monetary Fund (IMF). They argued that underdevelopment resulted from poor resource allocation due to incorrect pricing policies and too much state intervention in economic management, especially in developing countries. To stimulate economic efficiency and growth, they argued, trade barriers should be eliminated; state-owned enterprises privatised; export industries expanded; an enabling environment created for private investment; and government regulations and price distortions be eliminated in factor, product and financial markets.[108]

[107] See Oliver Saasa (ed), *Joining the future: economic integration and cooperation in Africa*, ACTS, Nairobi, 1991, p 19

[108] For examples of neo-classical 'counterrevolutionary' literature, see PT Bauer, *Reality and rhetoric: studies in the economics of development*, Weidenfield and Nicolson, London, 1984; Das Lal, *The poverty*

This neo-classical 'counterrevolution' took place simultaneous to the erosion of the influence of international organisations that have promoted the cause of developing countries such as the International Labour Organisation, the United Nations Development Programme and the United Nations Conference on Trade and Development. Contrary to the analysis of the *dependencia* school, neo-classical theorists argued that underdevelopment is not the outcome of the 'predatory' activities of the developed world, but rather of inefficient resource allocation due to heavy state intervention, corruption, and inefficiency, as well as a lack of incentives for foreign direct investors. The market, they claimed, should henceforth guide resource allocation and stimulate economic development. Only when national markets are liberalised, will foreign investment, and therefore capital accumulation increase. To this end, neo-classical growth theory emphasises three necessary preconditions for economic growth: an increase in the quality and quantity of labour; an increase in capital accumulation through savings and investment; and improvements in technology.[109]

The predominance of this school of thought coalesced with the economic policy reform conditionalities imposed by the IMF and the World Bank during the 1980s on those countries applying for loans from these institutions. These were to assist them to a) balance their import payments with export earnings and b) continue paying the rising interest on their high debt stocks. Their debt burden, which started to assume 'crisis' levels during the 1980s, was the result of the recession in the world economy during the 1980s, characterised by falling international market shares for the commodity exports of developing countries, hyper inflation and the general contraction of industrial markets. This has led to a lack of foreign exchange to sustain the imports of critical intermediary and other goods, which in turn has led to crumbling transport and communications infrastructure; severe shortages of food and other consumer goods; collapsing health and

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of development economics, Harvard University Press, Cambridge Mass, 1985; H Johnson, 'A world to the third world: a Western economists' frank advice', in *Encounter*, Volume 37, 1971, and Ian Little, *Economic development: theories, policies and international relations*, Basic Books, New York, 1982.

[109] See Torado, *op.cit.*, p 86

educational systems for lack of equipment and personnel; and increasing unemployment and falling real per capita incomes in developing countries.

The economic reforms prescribed by the IMF and World Bank were almost uniform in nature, despite the different economic structures of their client states across Latin America, Africa, and parts of Asia. These prescriptions included reducing sta expenditure (through job freezes in the public sector and cuts in subsidies of basic goods and services), the redirection of industrial policy away from import substitution, and oriented towards production for export purposes, the privatisation of state-owned enterprises, price liberalisation, trade liberalisation, and other monetary and fiscal reforms. Throughout the developing world, therefore, governments progressively and gradually were abandoning import-substitution industrialisation and 'delinking' as a development strategy, while increasingly opening up their economies.

Simultaneous to the consolidation of this liberal ideology among the leading industrial nations, revolutionary developments in information and communication technology were facilitating a new international division of labour, which had its origins in three fundamental changes in global production conditions during the 1970s. Firstly, the reserve army of comparatively cheap labour in the third world was increasing and becoming more visible. Secondly, it became technically possible to split up the production process/chain into many constituent parts (in a radical departure from the Fordist model), many of which could be carried out by an unskilled or quickly trained and semi-skilled workforce. Thirdly, the development of an inexpensive and worldwide transport and communications system was rendering geographical distance and location less significant in economic terms. Multinational companies could henceforth reduce total production costs by relocating certain parts of their production to low-income third world countries. This was particularly true for the electronics and textile industries, which benefited from extremely cheap, female and non-unionised labour and improved transport and communications technology.[110] Stricter environmental legislation and increasing wages in industrial countries throughout the 1980s further 'pushed' multinationals to developing countries. Where they chose to locate depended on factors such as the national legal framework, the 'discipline' and quality of the workforce, and the comparative incentive structure offered by countries in the developing world.[111]

The revival of regionalism in the 1980s and 1990s has therefore not only coincided with the abandonment of import-substitution industrialisation and collective self-reliance approaches to regionalism, but also with the shift from the post-Fordist production modes of the 1970s, to global production methods. Whereas the 1970s were characterised by the relocation of certain production processes of national corporations to other countries, the 1980s and 1990s were characterised by a new production process termed globalisation. The rapid growth of global financial markets since the late 1970s, facilitated by national deregulation of financial transactions in Organisation for Economic Development (OECD) countries and new information technologies have facilitated the emergence of *trans*national or mega-corporations, which organise their entire produces and sales process with the aim to operate world wide in what is a profound reorganisation of manufacturing, trade and services.[112] Since the 1990s, these new global proudction processes (globalisation) have been facilitated by the gradual multilateral elimination of trade barriers, both tariffs and non-tariff trade barriers (NTBs), under the Uruguay Round obligations of the GATT.

Coupled with the disintegration of the Soviet Union at the end of the 1980s, the neo-liberal 'ontological shift' during the 1980s has led to a fundamental restructuring of global society under the influence of economic globalisation, in a new order or 'historic

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[110] Hendersen, quoted in Johann Graaff, *op.cit.*, p 96
[111] See Martinussen, *op.cit.*, p 118
[112] Globalisation is usefully understood as a micro-economic phenomenon, driven by the strategies and behaviour of TNCs, particularly those who have adopted so-called flexible production and inter-firm networking strategies. See Charles Oman, *Globalisation and regionalisation: the challenges for developing countries*, OECD, Paris, 1994.

bloc' in which the market is increasingly 'subjecting global society to its laws'.[113] Others have characterised these changes as a shift towards a 'neo-liberal disciplinary world order'.[114] The discipline imposed by neoliberalism has led to an emphasis on economic deregulation worldwide, the combating of inflation, the reduction of state activities and cuts in government expenditure on the one hand, and to a 'new constitutionalism' on the other. According to Stephen Gill, 'neo-constitutionalism' is a political effort, especially by 'neo-classical economists and financial capital' to establish international rules and institutions that would promote the policies desired by firms and capital owners.[115]

IMF and World Bank structural adjustment programmes are an example of such rules, as are the prescriptions of the international financial institutions with regard to regional integration. Acccording to these institutions, structural adjustment programmes are compatible with regional integration among developing countries, which they define as the initial liberalisation of trade among developing countries, as a stepping stone towards the gradual integration of their markets into the world economy.[116] It is true that structural adjustment programmes have led to a greater convergence among economies of developing countries, which is a precondition of regional trade. It is also true that the correction of macro-economic imbalances and distortions in the form of overvalued exchange rates, protected and inefficient industries, and price controls could create and enabling environment for trade, competition and factor mobility within a region, all of which would assist regional integration.[117] For example, the across the board liberalisation of trade could reduce the administrative and tariff barriers to trade such as bans, quotas, import licences and duties and taxes. It could also stimulate new

[113] This is a neo-Gramscian interpretation of world order, which assumes that production and the social relations deriving from production are crucial to the building of political power, the formation of state structures and world orders. See Robert Cox, 'Critical political economy', in B Hettne (ed), *International political economy: understanding global disorder*, Fernwood Publishing, Halifax, 1995, p 39.
[114] See Stephen Gill, 'Theorising the interregnum: the double movement and global politics in the 1990s', B Hettne (ed), *op.cit.*, p 69
[115] Stephen Gill, *op.cit*, p 78
[116] For more detail on the position of the World Bank on regional integration see World Bank, *Sub-Saharan Africa: from crisis to sustainable growth*, Washington DC, 1989

specialisations, since the transfer of investment decisions to the private sector have often led to different industrial choices than those previously made by third world governments, thus leading production structures to become more complementary than competing. At the same time, the process of streamlining over-valued national currencies and establishing realistic exchange rates and minimum convertibility, would facilitate the functioning of clearing houses and other payment systems in regional groupings, as well as the development of private banking services across national borders.[118]

However, many aspects of structural adjustment programmes have served to undermine developmental regionalim among developing, and specifically African countries. Firstly, structural adjustment programmes have focused exclusively on reforms in individual countries, and not at a regional level, thus discouraging countries from harmonsing their economic policies or improving the efficiency of certain elements of structural adjustment programmes at a regional level. The design and implementation of short-term orthodox structural adjustment and stabilisation programmes have ignored the long-term objectives of the transformation of production structures and infrastructure through regional cooperation and integration, thus undermining regionalism as a means to development.[119] Secondly, the commitment to trade liberalisation has led to unwarranted opposition on the part of structural adjustment proponents to price discrimination of any kind. Regional integration schemes, especially in Africa, however, have been shown to benefit from reciprocal preferential tariffs or the selective raising of non-tariff barriers. In practice adjustment policies have only served to reduce the size of existing preferential margins among member states of regional groupings, thus exacerbating the assymetrical

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[117] See Cyril Daddieh, 'Structural adjustment and regional integration: compatable or mutually exclusive?' in K Mengisteab and BI Logan (eds), *Beyond economic liberalisation in Africa: structural adjustment and the alternatives*, Zed Books, London, 1995, pp 260-1

[118] Jean Claude Boidin, 'Regional cooperation in the face of structural adjustment', *The Courier*, No 112, 1988, p 67-8

[119] For example, the improvement of infrastructure should be managed at a regional level, i.e. transport, communications and power supplies. Structural adjustment programmes should also include an assessment of the expected regional impact of national macro-economic measures and especially national sectoral programmes. See HMA Onitri, 'Changing political and economic conditions for structural adjustment in sub-Saharan Africa', in Ademola Oyejide et.al., *op.cit.*, pp 412-3

access of member states to one another's markets, in favour of the development of trade outside of the region.[120]

A key outcome of structural adjustment policies has been their tendency to reinforce and reproduce, rather than transcend the historical role of developing countries in the international division of labour, namely supplying industrial markets with non-beneficiated agricultural products and minerals. This is because the World Bank policy prescriptions insist on export-oriented industrialisation, or extraction and production for external markets. In this regard, Timothy Shaw has remarked that 'inter-African trade is unlikely to increase much until the continent escapes from its colonial heritage of North-South links and produces goods [to trade] with markets on the continent as well as outside'.[121] Finally, the budget cuts prescribed by structural adjustment programmes, and their attendant social consequences, have increased xenophobic outbursts directed against citizens of neighbouring countries. The prolonged freezing on public spending has also created strong incentives to reduce national contributions to the budgets of regional organisations or regional development programmes and projects more than proportionately, especially if they have to be paid in scarce foreign exchange. Also, the financial obligations which many states contracted under various treaties and protocol agreements in regional groupings have never been reflected in national budgets and development programmes, since no account has been taken of such obligations during the negotiation, design and implementation of structural adjustment programmes.[122] This, for example, has partly been responsible for the weakness of the Arab Maghreb Union secretariat, which, in turn, has delayed the planning and implementation of regional production and trade strategies.

The new form of regionalism that started to emerge during the 1980s was guided in Latin America by a view of regional integration as complementary to structural adjustment

[120] See Boidin, *op.cit.*, p 69

[121] Timothy M Shaw, 'The rivival of regionalism in Africa: cure for crisis or prescription for conflict?', in *Jerusalem Journal of International Relations*, Volume 11(4), 1989, p 86

policies. The gradual but spectacular shift from state intervention in economic management and import-substitution industrialisation, to the privatisation of economic activity and export-oriented industrialisation strategies, combined with the emergence of a neo-liberal disciplinary world order have created the environment for a new form of regionalism. New regionalist strategies have moved away from the principles of collective self-reliance, partly in response to an increase in the growth of trade and investment within regions, both comprising only developing, and developing and industrial countries. This 'regionalisation' of production can be viewed as a manifestation of globalisation, only on a different spatial scale.[123]

These processes of change at both the global and the regional level, which partly determine the opportunities and parameters for state policy, have given rise to state strategies that viewed regionalism as an effective form of regional governance in the face of economic globalisation and their concomitant marginalisation. The hyper-mobility of capital has forced states increasingly to yield their sovereignty to a system of corporate hegemony, in which transnational corporations, backed by their home states, are formulating the 'rules of the game'. In this context, developing states started viewing regionalism as a way to strengthen the competitive position of their national economies within the world wide process of economic restructuring, which has caused their bargaining power vis-à-vis transnational corporations to erode. Regionalism, and the attendant process of regional policy coordination and harmonisation, might therefore serve to strengthen the effectiveness and the credibility of developing states.[124]

The regional governance approach has been informed to a large extent by the neo-structuralist school of thought in international relations. In view of the patterns of slow growth and social exclusion exhibited in Latin American states, most who have been

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[122] See Wilfred Ndongko, *Macro-economic policy reforms for development: the implication for regional integration in Africa*, UNECA-MRAG, Addis Ababa, mimeo, 1996, pp 16-7
[123] See Richard Higgott, 'Mondialisation et gouvernance: l'emergence du niveau regional', *Politique Etrangere*, No 2, 1997, p 280
[124] See Charles Oman, *Globalisation and regionalisation - the challenge for developing countries*, OECD, Paris, 1994, pp 15, 99

practicing import-substitution industrialisation, the structuralists started to adjust their approach from the beginning of the 1980s. While they retained Prebisch's original emphasis on the need to promote domestic industry, and the need for endogenous and structural conditions for economic growth, the moved away from focusing on the state's central role in demand creation and investment planning. They acknowledged that the domestic markets of developing countries were too small to sustain extensive industrialisation processes, and thus started stressing the importance of supporting the promotion and formation of an efficient indigenous entrepreneurial class that would be able to compete in the intern ıal market.

To this end, the state had to extend its role to supply-side intervention, for example, by promoting industrial productivity so that exports may become more competitive. Their promotion of an export-oriented strategy, as well as their emphasis of the role of the state as a facilitator, instead of an agent of economic transformation, has set the neo-structuralists apart from the *dependencia*-school. Middle-income developing states, according to the neo-structuralists, have been forced by globalisation to become 'competition' or 'entrepreneurial' states. These states view regionalism as a strategy through which to attract foreign investment to their markets, seen as an important stimulant of economic growth, and to improve the market position of companies with production sites within their geographical boundaries.[125] They therefore assign a key role to the private sector in regionalist projects, in a radical departure from previous attempts at regional integration among developing countries. These states have started realising that without the involvement of private enterprises in regional schemes, and without an emphasis on private sector development in such schemes, they will at best remain at the level of political rhetoric and hopeful intention. This would ring true especially in their collective attempts to build a more competitive and productive industrial base.[126]

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[125] For more detail on the entrepreneurial state see Gregory White, 'The Mexico of Europe? Morocco's partnership with the European Union', in Dirk Vandewalle (ed) *North Africa: development and reform in a changing global economy*, McMillan, London, 1996, pp 111-128

[126] Even among African groupings, the role of the private sector in regional integration was increasingly recognised since the late 1980s and early 1990s. See Delphin G Rwegasira, 'Economic cooperation and integration in Africa: experiences and the road ahead', background draft for a workshop entitled

Globalisation has therefore led to a reconfiguration of the South. The South is no longer a homogenous bloc of underdeveloped countries, but a rather differentiated groupings where the more advanced states, or the 'semi-periphery', that is those with an already established industrial base, play a key role in trying to make 'the transition to the new rules of the game'.[127] One way in which to make this transition is to adopt new forms of regional networks, which could also include industrial countries. In so doing, they are trying to a) attract foreign direct investment to a large and secure market, and b) 'lock-in' their economic policy reforms by underwriting them through regional cooperation (free trade and other) agreements. Such policy credibility is considered a dynamic effect of the new regionalism.[128]

Industrial states, in turn, tend to view their 'peripheries' or 'satellites' as 'captive' markets once they are locked into a regional agreement, both for the industrial country exports, but also to provide energy and labour for the various production chains of their transnational corporations. While this may seem like a continuation of the traditional dependency or neo-colonial relationship between developing and industrial countries, neo-structuralist theories would view the developing state as an active agent that is pursuing regionalism to enhance its capability to influence the outcomes of its domestic production, finance, and trade policies. Combined with the 'positive assistance' given by the more advanced members of the regional grouping, which often include structural adjustment assistance, such regional schemes could potentially offer a 'structural historic

'Understanding new orders between old borders', Cape Town, South Africa, 30 January - 1 February 1998, pp 18-9

[127] See Bjorn Hettne, *op.cit*

[128] For more detail on the policy credibility effect of regional free trade area agreements see Jeffrey Fine and Stephen Yeo, 'Regional integration in sub-Saharan Africa: dead-end or fresh start?' in Ademola Oyejide et.al. (eds), *Regional integration and trade liberalisation in sub-Saharan Africa*, McMillan and St Martins Press, London and New York, 1997, p438-439, Joseph F Francois, 'External bindings and the credibility of reform' in *Regional partners in global markets: limits and possibilities of the EuroMed Agreements*, CEPR and ECES, London and Cairo, 1997

opportunity' for developing countries to expand and deepen their commercial-industrial base.[129]

A major assumption of this school is that the world system is not static and characterised solely by subordination and marginalisation of developing countries, but that the core-periphery structure is fluid and open to historical and human contingencies. Within the cycles of world economic fluctuations, geographic shifts and core-hegemony relations, a few countries may be presented with a 'transformative dialectic' or a unique structural opportunity to ascend in the world system.[130] However, the economic reform conditionalities imposed upon the least developed members of new regional groupings, still smack of what Stephen Gill has termed the 'new constitutionalism', and has been shown to undermine horizontal positive regional integration efforts among developing countries. Maghreb states, for example, have abandoned horizontal regional integration efforts in favour of vertical integration with the European Union through the EuroMediterranean Agreement, which many argue is actively perpetuating the traditional dependency relations between the northern and southern shores of the Mediterranean (see chapter five).

Conclusion

In view of both the theoretical and ontological evolution of regionalism throughout the world, it was disheartening to note the nature of the attempt of the OAU heads of state to re-affirm their commitment to a Pan-African Economic Community, when they signed the Abudja Treaty in 1991. This treaty envisages the creation of an economic community spanning the entire African continent through six linear stages, which would, hopefully, end with the establishment of a pan-African monetary union and parliament in 2025. Several commentators have levied similar critiques against this plan, which has replicated all the inherent problematic omissions and objectives of the 1981 Lagos Plan of Action.

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[129] See Don Marshall, 'NAFTA/FTAA and the new articulations in the Americas: seizing structural opportunities', in *Third World Quarterly* Volume 19 (4), 1998, p 677

These include a lack of understanding of African economic and political realities, especially in its ambitious and ideological reach; again a near-emulation of European processes, instruments and institutions despite their proven inapplicability to African historical, political, and economic structures; and most importantly, a near-obliviousness of the new political and development challenges faced by developing countries in an increasingly globalising world.[131]

At the same time, it is heartening to note that the African Development Bank, in a 1994 study of regional integration in sub-Saharan Africa, has in fact started to recognise some of the specificities and special needs of African countries, and how regional projects should relate to these, as well as to changes in the global economy. As such, it departs from the World Bank's neo-liberal approach to regionalism, but is at the same time more pragmatic about the strategies and possibilities for regionalism, and more task-oriented in its advice on project-based cooperation strategies, than the Abuja Treaty. In an innovative approach, it proposes a 'two-track' approach, whereby both market integration and sectoral coordination (to develop common infrastructure and industries) are pursued in a fashion and sequence that correspond to the separate and collective needs of economies in particular regions. It also recognises the importance of industrial competitiveness and the role of regional markets in gradually 'exposing' infant or restructured industries. [132] Sadly, a similar continental treatise has yet to be developed on the relation between the political economy of Africa's (dis)integration into the world economy and how new forms of regionalist state strategies could respond to this reality.[133]

These proposals have again revived the idea of developmental regionalism as an imperative strategy in an era of increasingly predatory neo-liberalism. This strategy has the following key goals: (i) achieving sufficient market size to attract foreign investment; (ii) enhancing possibilities for collective self-reliance, especially in food supply, (iii)

[130] Marshall, *op.cit*, p 677
[131] See Ahmad Aly, *op.cit.*, p87-8, Daniel Bach, *op.cit.*, 79-82
[132] See African Development Bank, *Economic integration in southern Africa*, Addis Ababa, 1994

seeking and maintaining policy credibility in the form of similar economic policies and common political systems and values, (iv) effective articulation of common interests, (v) ensuring social stability through regional distribution, (vi) joint management and judicious exploitation of common natural resources, and (vii) collective conflict management and resolution.[134] Although a semblance of this approach was followed by Maghreb regimes during the 1960s, and even in their second attempt at regionalism in the 1990s, Maghreb governments finally chose the path of 'open' regionalism in an attempt to reform their economies and integrate into the global economy.

In this thesis, much the same critique as that levied against the Abuja Treaty will be levied against the attempts at regionalism in the Arab Maghreb region of North Africa, supposedly one of the building-blocs of the Pan-African Economic Union. This chapter has outlined major trends and shifts in theories of regionalism, both from the international relations and classical and development economics disciplines, which have influenced the motivations for regionalism, as well as the strategies and mechanisms chosen by states (or sometimes imposed upon them) to engage in regionalist schemes. Throughout the thesis, these theoretical frameworks will be used to explain why Maghreb states chose to cooperate, why they failed to cooperate, what motivated their cooperation strategies, and why these did or did not work.

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[133] Samir Amin h[illegible] een one of few African scholars who have actively examined this relationship, especially as it [illegible] the social forces constituting the state. See Samir Amin, *op.cit.*

[134] These ch[illegible]racteristics are explained in more detail in Bjorne Hettne, 'Development, security, and world order: a regionalist approach', *European Journal of Development Research*, Volume 9, 1996, pp 83-106

CHAPTER TWO

Regionalism in the Maghreb: evaluating the initial attempt at developmental regionalism

Introduction

This chapter will examine the regional political and economic processes and initiatives that have shaped the Maghreb landscape from the formation of nationalist movements in the French colonies, until the period of war in the Western Sahara.[135] To unpack the cycles of conflict and cooperation that characterised the region during the turbulent post-independence period, which lasted until the beginning of the 1980s, it is useful to distinguish between two broad periods: 1958 to 1975, and 1975 to 1982. The period from 1958-1975 marked the first attempts at the institutionalisation of regional integration through the creation of various permanent and ad hoc intergovernmental bodies to promote the structural integration of the economies of the region. The independence of the Western Saharan territory in 1974, and the Moroccan government's subsequent claim to this territory was the be the catalyst to an enduring conflict in the region, in particular between Algeria and Morocco, which has twice stalled progress in the regionalist project.

The strategies for, and rationale behind, integration in the Maghreb region throughout the two decades under discussion in this chapter, generally reflected the shifts in the broader discourse on regional integration in the developing world (see chapter one). Regional integration strategies shifted from sectoral cooperation to a combination of sectoral cooperation and market integration. The purpose, however, remained the same, namely to achieve collective regional self-reliance to prevent further marginalisation of the Maghreb in the face of an increasingly protectionist European Economic Community (EEC), shrinking global markets, and falling commodity prices. The first section of the chapter will examine the various stages of the

[135] Maghreb means west (sunset) in Arabic, which is distinct from the Machrek (east) or sunrise. These two terms are used to distinguish between the western and eastern Arab worlds. Since the middle ages, Arab historians have designated this name to the part of the Arab world to the west of Egypt, which were later to become Libya, Algeria, Morocco and Tunisia. Arab expansion and Islamisation of this region between 7AD and 11AD have laid the basis for two of the characteristics that are considered common to most peoples of the region, namely the Islamic belief system and the Arabic language. The Berber culture also spreads across national boundaries in the region.

regional cooperation effort until 1975. The second section will evaluate the outcome of this effort in light of the political dynamics and structural economic realities of the region. The chapter will conclude with some observations on the reasons why this first attempt at regionalism in the Maghreb, which corresponded to the first 'wave' of regionalism world wide did not succeed.

1. The long march towards Maghreb unity: pre-independence to the Western Saharan war

1.1 Renaissance Movement

It was not until colonial occupation that the issue of a regional Maghreb identity became prominent in the ideological and political discourse of the region's leaders. Even then it was viewed by some to be contradictory to the spread of Islamic solidarity across geographical, political and cultural proximity, a process that has been promoted since the advent of Islam in the region. Others viewed the project to establish Maghreb political unity only as a first step towards the achievement of Arab unity. The only period during which the Maghreb has been unified politically was between 1205 and 1269 under the Almohades dynasty, a period known as the 'golden age' in the history of the Maghreb.[136] However, even then, a popular Maghreb conscience never existed. [137] Successive waves of Turkish and then French colonisation have accentuated the autonomy of different territorial units and have also imposed different regimes of domination upon them. Whereas Algeria has been colonised by France under the policy of assimilation since 1830 until 1962, Morocco and Tunisia became protectorates of the same colonial power only in 1912 and 1883 respectively[138]. Libya was colonised by the Italian regime between 1911 and 1951, and Mauritania became a French colony in 1912, and an overseas territory in 1946.

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[136] See Mohammed Ben El Hassan Alaoui, *La cooperation entre l'Union Européenne et les pays du Maghreb*, Nathan, Paris, 1994, p 89

[137] See R Letourneau et.al, *L'unité Maghrébine : dimensions et perspectives*, Centre de Recherches et d'Etudes sur les sociétés Mediteranéennes, Paris, 1972, p 13

[138] See B Etienne, 'L'unité maghrébine à l'épreuve des politiques étrangères nationales', in R Letourneau et.al, *L'unité Maghrébine : dimensions et perspectives*, Centre de Recherches et d'Etudes sur les sociétés Mediteranéennes, Paris, 1972, p 94

The political and social unity of the Maghreb region only came into focus under the influence of the Nahda or Renaissance movement. This Arab nationalist movement strongly advocated both political and economic modernisation as reflected in the principles of the French and industrial revolutions. It provided fertile ground for the establishment of nationalist movements in the core Maghreb countries, namely the 'Young Tunisians' in 1907, the 'Young Algerians' in 1914 and the 'Young Moroccans' in 1919. In 1915 a committee for the independence of Tunisia and Algeria was created, promoting the idea of a North African Republic.

2. Colonial resistance

The formation of national liberation movements after the First World War marked a shift to a more overt political nationalism in the region. These were the Tunisian Destour movement, from which Habib Bourguiba's Neo-Destour party emerged in 1934, the North African Star, formed in 1926, which is at the origin of the PPA (Algerian People's Party), and the Moroccan Istiqlal movement. Collaboration between the nationalist leaders of the three French-dominated entities became significant in the period between the two world wars. The anti-colonial struggle became the strongest link and common denominator among peoples in the Maghreb and 'maghrebism' became a new ideological pole around which societies could be mobilised and drawn closer together.[139] The ideal of Maghreb solidarity was first entertained by a small group of North African intellectuals and students educated in France, who met through the Association of North African Muslim Students, also in France[140]. It was further developed at the heart of these resistance movements who, to mobilise politically for the cause of independence, had to overly-emphasise the shared culture, language and religion in the region. Until the end of the Second World War, however, the resistance movements accorded the struggle for independence far greater priority than the construction of a unified Maghreb region.

[139] See JC Santucci, 'L'unification maghrébine: realisations institutionelles et obstacles politiques', in R Letourneau et.al, *L'unité Maghrébine : dimensions et perspectives*, Centre de Recherches et d'Etudes sur les sociétés Mediteranéennes, Paris, 1972, p 136

3. The Maghreb Arab Liberation Committee: 1947 - 1958

As the struggle against French occupation intensified, leaders of the liberation movements of the core Maghreb states assembled in Cairo in 1947. seat of nationalism and militant Arabism at the time, to form the Liberation Committee of the Arab Maghreb, under the leadership of Mohamed Ben Abd-El, a previously exiled Moroccan.[141] The Cairo Charter, adopted by the committee in 1948, constituted the first document that gave ideological content to the Maghreb regional project[142]. This document promoted the independence of the three Maghreb states and proposed that they coordinate all negotiations for independence with France. An Arab Maghreb Congress was also established, uniting the three liberation movements. It adopted the following resolutions to:

- put an end to Spanish and French colonial occupation
- coordinate the actions and policies of nationalist movements in the Maghreb
- edify the Arab Maghreb region and the Arab League
- bring Maghreb colonial occupation to the attention of United Nations and the Arab League as a unified group
- unify the actions of the different liberation movements through the creation of a permanent secretariat, the Arab Maghreb Bureau, in Egypt[143].

The establishment of this body was significant because it represented a first attempt at institutionalising the political will of the three liberation movements to co-operate to achieve independence, as well as a shift in the discourse on the reason for building a region. Rather than serving purely to edify cultural and national identity, the regional project now had a more radical purpose, namely as a platform for opposing colonial occupation. This body coordinated the activities of trade unions and social and cultural organisations throughout the region with the

[140] See Mohamed Abed Jabri, 'Evolution of the Maghreb concept: facts and perspectives', in H Bakarat (ed), *Contemporary North Africa: issues of development and integration*, Centre for Contemporary Arab Studies, Washington DC, 1985, p 67
[141] See Ahmed Ben El Hassan Alaoui, *op.cit.*, p 90; Paul Balta, *Le Grand Maghreb: des independences à l'an 2000*, La Decouverte, Paris, 1990, p 20
[142] See Joseph Muzikar, *Les perspectives de l'intégration des pays maghrébins et leur attitude vis-à-vis du marché commun*, Centre Européen Universitaire de Nancy, Nancy, 1968, p 9
[143] See Mohamed Jabri, *op.cit.* p 68 - 69

primary purpose of furthering the independence of Tunisia, Morocco, and Algeria by promoting radical Islam and Arab nationalism[144].

Despite this effort, sovereign nationalist sentiment still prevailed as the primary driving force towards independence. This was illustrated by the general indifference, which met the proposal of the Algerian People's Party delegation for a communal defence strategy and the creation of a communal paramilitary organisation. The decision-making influence of the Maghreb Liberation Committee was further eroded after the departure of the Néo-Destour's Habib Bourguiba, who had been the most fervent advocate of institutionalised regionalism, which he regarded as a suitable platform to further his own liberal nationalist aspirations. Increasing differences between the three liberation movements on strategies to attain independence further eroded the potential of the Committee to serve as a joint platform to strengthen their common pursuits.[145]

After the onset of the Algerian independence struggle in 1954, the Algerian People's Party concluded a secret agreement with the Tunisian and Moroccan liberation movements, in which the latter promised to assist the Algerian nationalism movement in its armed struggle against French occupation. This agreement, however, never came into fruition. Instead, at independence in 1956, the Moroccan king, Mohammed V, and Tunisian president, Habib Bourguiba, initiated negotiations between themselves, the National Liberation Front in Algeria, and France with the aim of creating a North African Federation. This Federation, they hoped, would be closely linked to France, which at the time viewed the creation of a permanent political alliance between the three Maghreb states to be in its own interest. But, as the text of the 1958 Treaty of Friendship and Cooperation between Tunisia and Morocco clearly stated, but these two states would not contemplate any form of institutionalised multilateral cooperation in the Maghreb region without the participation of an independent Algeria. [146]

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[144] See Letourneau, *op.cit.* p 12
[145] See Santucci, *op.cit.* p 137
[146] Ibid.

4. Conference of Unity in Tangiers in 1958

The representatives of political parties from Morocco and Tunisia, namely the Istiqlal and the Néo-Destour, as well as Algeria's liberation movement, the National Liberation Front, assembled at a conference in Tangiers in 1958 in an attempt to establish the basis for a federal-type institutional alliance in the region. They unanimously adopted a resolution stating that they are united in their will to link the respective futures of their states and to anchor such unity in common institutions and common defence and foreign policies.[147] While representatives from Libya and Mauritania were only granted observer status during this conference, the resolution carried their consent.

There were various reasons why they proposed a federal-type cooperation model. The signing of the Treaty of Rome in 1958, creating a European Economic Community (EEC) comprising six western European countries, has acted as a major catalyst for the type of regional project proposed at the Tangier Conference. At the time, all the Maghreb states depended heavily on their former colony (France) both for imports and exports. The political and economic unification of six powerful states in Europe, they believed, would drastically alter the terms of their cooperation with the former colonial power. They hoped that a unified voice would strengthen their leverage vis-à-vis this new union in Europe, especially with Algeria reaching the fourth year of its independence war with France. The resolution taken at the 1958 Tangiers conference included aspirations and aims characteristic of the 'first wave' of regionalism, which was beginning to sweep through the developing world following the economic success of the EEC. The fact that both the US and the Soviet Union, the two emerging superpowers, were federations, also led Maghreb leaders to draw a causal link between integrating national units and exercising more power in the international arena. [148]

It was at this conference that the issue of economic cooperation was first introduced at an executive leadership level. Ministers recognised the need to coordinate and harmonise industrial policies and focus on multilateral trade relations and to define a common position

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[147] See Muzikar, *op.cit.*, p 11

[148] See William Zartman, 'L'analyse politique du régionalisme' in *Les expériences d'integration regionale dans les pays du tiers-monde*, Centre d'Etudes de Recherches et de Publications, Tunis, 1993, p 15

towards the EEC in the context of the common objective of economic development in the Maghreb region. It was recommended that two permanent organs be established to institutionalise the process of regional cooperation. Firstly, a Consultative Maghreb Assembly, comprising the National Assemblies of its members, would study issues of common interest and make recommendations to national executive bodies.[149] These issues included the elimination of customs tariffs and non-tariff barriers, the coordination of foreign and defence policies and the integration of national economic development policies. This Assembly, however, never met. Secondly, it was proposed that a permanent body be established to coordinate regional cooperation efforts – that is, to act as a secretariat. Subsequently, a secretariat was created at a conference in Tunis during the same year. It did not start functioning until Algerian independence, and met only twice after that.[150]

Economic difficulties and political instability marked the Maghreb region during the period 1959 to 1963. Centrifugal forces seemed to triumph over unifying forces – notably a common language, a common historical tradition and the struggle against colonialism. The continuing Algerian liberation war as well as the demands made by national consolidation in Tunisia and Morocco were preoccupying the political agendas of the parties that signed the 1958 Tangier Conference resolution. These concerns were given far greater priority than the imperative of a regional cooperation project. Different political orientations, viewed as irreconcilable by their proponents, also strained cooperation efforts. The republican tendencies of the Tunisian regime, and its recognition of the independent state of Mauritani · agitated the Moroccan government, which still viewed some parts of Mauritania as part of its own territory. The Tunisian government was equally suspicious of the Moroccan regime's support for President Nasser's Arabisation programme.[151] Moreover, Morocco and Tunisia both had separate cooperation agreements with France, which posed both legal and political difficulties for any attempt to engage jointly in external relations with France.

[149] See Muzikar, *op.cit.* p 12
[150] See Mohsen Toumi, 'Des développements « égo-centrés » au développement solidaire', in B Kadmani Darwish and M Chartouni Dubarry (eds), *Maghreb : les années de* transition, Masson, Paris, 1990, p 166
[151] Morocco claimed that the province of Chenguit in Mauritania was part of its territory before colonisation

Despite the expectations of Maghreb political leaders, Algerian independence did not manage to catalyse a process of regional unification.[152] During the period following the Tangier Conference, the principal cause of conflicts between newly-independent states in the the Maghreb was that of border disputes, culminating in the 'War of Sands' in 1963 between Algeria and Morocco in the Tindouf region.[153] Such disputes were common throughout the African continent following the withdrawal of colonial powers, which left behind artificially created borders that did not correspond to the pre-colonial ethnic, state and power divisions within the region. An alleged Algerian plot to take the life of Habib Bourguiba also troubled relations between Algeria and Tunisia.[154]

Another reason why the Maghreb regional project did not receive more political support, once Algeria attained independence, is related to the divergent economic development paths chosen by the three core Maghreb countries. Algeria's unambiguous socialist development strategies sat uneasily with the Moroccan and Tunisian regimes, which have chosen to follow more market-friendly development strategies. Also, Algeria's revolutionary internationalism was radically in contrast with Morocco's moderate traditionalism both internationally and in Africa. Furthermore, the three signatories to the 1958 Tangier resolution seemed to have developed divergent views of what a regional cooperation project should achieve. While Tunisia, under the leadership of Habib Bourguiba, viewed regionalism as a means to enhance nation-building, Algeria saw it as a vehicle for mobilising 'solidarity against imperialism' through harmonised foreign policies and joint economic ventures, in line with its national economic development policy. For the Moroccan government, national consolidation remained a political project of much greater urgency than regional consolidation, and hence it hardly allocated any political or institutional resources to working on the goals elaborated at the Tangier Conference. Together, these tendencies resulted in a situation where regionalism in the Maghreb remained confined only to declarations and governmental proclamations in the years preceding the creation of the Maghreb Permanent Consultative Committee (MPCC) in 1964. This failure to muster sufficient political will illustrated that, as was the case of the Maghreb Liberation Committee, the Tangiers 'unity' conference was not motivated by a need to resolve jointly common economic,

[152] La Conference de Tanger, 27-30 avril 1958, Secretariat d'etat a l'Information, tunis, 1958.
[153] Although Morocco had a historical claim to this region, Algeria referred to the OAU decision that all colonial borders should be honoured, Joseph Muzikar, *op.cit*, p 13

developmental, social and political problems in the region. Rather, Maghreb leaders saw it solely as a tactical political platform from which to position themselves against France and the EEC.

Before 1964, there were only two areas in which regional economic cooperation became relatively successfully institutionalised. Firstly, in 1942 the private phosphate companies of Algeria and Tunisia and the Phosphate Office of Morocco established a North African Phosphate Syndicate, which was granted a monopoly to sell all phosphate produced in the three territories on the international market. It functioned according to a quota system whereby export quotas were allocated to each territory.[155] Morocco withdrew from the Syndicate in 1960 because this arrangement was seen to be to the disadvantage of its phosphate sales.[156]

Secondly, a North African Alfa Syndicate (Comalfa) was established in 1963. This was a first governmental attempt to cooperate economically at a regional, rather than a bilateral level. It also indicated a new resort to a more functional approach towards regional cooperation by the three Maghreb states whose inter-state relations have thus far been ridden with political adversity and latent antagonism.[157]. This Syndicate was granted the authority to fix export price ceilings and production quotas for alfa producers in all the Maghreb countries, and acted as the intermediary for any sales of alfa by the member states. It was managed by an administrative council and had a fixed seat in Algiers. This body has earned significant foreign currency for its members in an international market where alfa prices have been falling steadily due to the increasing use of much cheaper synthetic products by the paper industries in Europe. Due to the shrinking market for alfa, the Conference of Maghreb Ministers (see below) decided in 1967 to abandon the Syndicate's focus on creating favourable trade conditions to sell alfa on the international market. It was instructed to focus instead on examining the possibilities and modalities of alfa processing in the Maghreb. This considerably reduced the body's influence.[158] Significantly, notwithstanding the falling prices of alfa, none of the producers were

[154] See Santucci, *op.cit*, p 139
[155] Should sales fail to reach the ceiling of the allocated quota, the producer concerned would receive an indemnity. If sales surpassed the allocated quota, the state in question had to pay compensation
[156] See Muzikar, *op.cit*, p 45
[157] Maurice Flory, 'Problematique institutionelle de l'unité maghrébine', *L'unité Maghrébine : dimensions et* perspectives, Editions du Centre National de las Recherce Scientifique, Paris, 1972, p 139
[158] See Santucci, *op.cit*, p 145

able to reach their allocated quotas by 1968, which showed that supply capacity in this industry needed to be addressed.

The creation of the Comalfa was an indication of the shift that was taking place in the regionalist discourse of Maghreb leaders. Although fully embroiled in the task of building their respective national economies, they were also gradually realising that any regional project had to be based on economic cooperation. This shift was expressed at two conferences in 1962, in Tunis and Casablanca, where economic ministers declared that national economic policy-making should henceforth take account of the regional context, otherwise it will not be successful, and that political unity can only succeed if it is based on economic cooperation.[159]

5. Establishing a Maghreb Permanent Consultative Committee

The establishment of the Maghreb Permanent Consultative Committee marked the beginning of a new phase of reconciliation between the Maghreb countries. This was to translate into numerous tripartite meetings at various levels as well as the conclusion of about forty bilateral cooperation agreements (including those with Libya) during the course of the next ten years. Although none of these led to significant concrete regional institutions or processes, the mere conclusion of these agreements at least signified a modest political will to search for possibilities of cooperation in the region. Already in early 1963, shortly after Algeria's independence, a meeting of Maghreb ministers discussed economic policy harmonisation, the coordination of development strategies and trade policies, and the modalities of cultural and technical cooperation in the region.[160] However, the 'War of Sands' between Algeria and Morocco later in that same year, slowed down this initiative.

From 1964 onwards, Maghreb states started to embark on various efforts to insitutionalise regional cooperation beyond the bilateral level. This period was characterised by regular conferences among the economic ministers of Morocco, Tunisia, Libya and Algeria, as well as the establishment of a large number of specialised expert commissions to research the modalities of and opportunities for economic integration. The first Maghreb ministerial

[159] See Mohamed El Jabri, p 77 - 79
[160] See Muzikar p 13

conference on industrial development (which included Libyan representatives) was supported and organised by the United Nations Economic Commission for Africa (ECA) in 1964. This followed an ECA proposal that countries of the region start exploring their economic complementarities and that they replace their loose federalist-type cooperation approach with sectoral coordination to develop the region economically. This approach was in line with the thinking of the *dependencia* school (see chapter one), which promoted the strategies of collective self-reliance and import substitution industrialisation to enable countries of the periphery to develop economically and compete on equal footing with the industrialised countries. Economic development was viewed as a linear process that would go through progressive stages of industrial modernisation and convergence with the economies of the developed world.

The 'demonstration' effect of the European Economic Community (EEC), formed in 1958, was also a strong catalyst for many regions in the developing world to embark on regional integration. At the same time, however, developing countries saw the need to protect their peripheral regions against protectionist groupings such as the EEC, on which they were dependent for most of their trade. The ECA-initiated conference represented the first high-level official recognition that there are common developmental needs in the region which could be dealt with through a regional approach.

This conference, in turn, has led the Tunisian government to initiate and host a follow-up conference of Maghreb economic ministers, including that of Libya, where a protocol was adopted which recommended the creation of a Permanent Maghreb Consultative Committee (PMCC). Legally, the PMCC comprised representatives of four member states. This protocol recommended, *inter alia*, that the ECA provide the PMCC with assistance in conducting various studies. These included assessing the existing industrial and agricultural potential and needs in the region and establishing the conditions under which industrial coordination and harmonisation could take place simultaneous to the industrialisation projects of individual member states. The protocol also recommended the creation of an Industrial Studies Centre to examine possibilities of and obstacles to industrial coordination in the region. It would therefore fulfil a complementary role to the various inter-ministerial commissions that at a later stage would examine the coordination of investment codes, the creation of development banks and investment companies.[161]

Maghreb economic ministers gave the PMCC a joint mandate to facilitate the coordination of the development policies of the respective states, examine conditions that would enhance industrial harmonisation and develop the conditions that would support a multilateral framework, which would encourage intra-regional trade. From their first meetings, Maghreb ministers only vaguely discussed the type of integration to be pursued. Their general approach corresponded to sectoral integration (see chapter one), with the guiding objective being 'collective self-management'. According to its proponents, this strategy could easily be financed with the petroleum and hydrocarbon income of Libya and Algeria.[162]

Ministers also decided to establish a permanent secretariat for the PMCC, seated in Tunis, which would be in charge of administrative and budgetary procedures. Instead of specifying the form of or time frame for a regional cooperation and integration process, the Council of Ministers adopted a pragmatic approach by defining only the principles of regional cooperation and a number of general economic objectives.[163] This was partly in response to the failure of similar groupings in the developing world such as the Economic Community of West African States, the Andean Pact and the East African Union to accomplish ambitious objectives within narrow time frames.

5.1 Permanent regional institutions

Two kinds of regional institutions were established between 1964 and 1970 – permanent and non-permanent. Apart from the Conference of Ministers, the MPCC Secretariat and Comalfa, other permanent institutions included the Conference of Economic Ministers. No treaty or agreement stipulated the powers of this forum. It acted as the decision-making and policy-generating forum in the region and presided over budgets, regional programmes, and project proposals from other Maghreb bodies, including their implementation. Decisions were made

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[161] See Yves Gazzo, *Afrique du Nord: d'hier à demain, essai d'analyse écomique*, Economica, Paris, 1979, p 45 and Joseph Muzikar, *op.cit.*, pp 46-47
[162] See Yves Gazzo, *op.cit.*, p 144

unanimously – this was the only principle that carried political legitimacy – and communicated through protocols, official agreements and ministerial declarations flowing from the seven ministerial meetings held between 1964 and 1975. The Conference of Economic Ministers has signed in total four protocols and two ministerial declarations, outlining the principles of economic cooperation.[164] National governments, however, were not legally bound by these protocols and agreements, which limited their impact and their potential to drive the integration process.

The Maghreb Industrial Study Centre, another permanent institution, was to provide for the training of technical experts from the Maghreb region and to assist member states in developing industrial processes, which could lead to the eventual harmonisation of industrial production in the region. It also undertook specific industrial projects and did research on the industrial sectors of all the member states. Its work programme and budget first had to be approved by the PMCC and in the final instance, by the Conference of Ministers. In 1970, the Conference of Ministers created another permanent institution, the central Maghreb Compensation Bureau. This body was to facilitate the regulation of railway transport payments by equally distribution the shares of each of the three national rail networks to member states. The PMCC considered it the first stage in the establishment of a central compensation bank to serve all inter-Maghreb transport systems.

Finally, the PMCC acted as an advisory and coordinating body for all the specialised regional commissions. It acted under the authority of the Conference of Ministers, with a rotating presidency, fixed seat, financial autonomy and a juridical personality. It addressed the following regional concerns: identifying external market prospects, establishing regional scientific and technical institutions, and harmonising industrial development strategies in the region. The PMCC also aimed to give a regional context to questions of demography, unemployment and the promotion of women and their active participation in the productive process. Its juridical status allowed it to establish relations with both economic and political international and regional organisations. However, this body had no decision-making and decision-making powers, and played a mere technical and consultative role.

[163] See Santucci, *op.cit*, p 140

[164] For more detail see Santucci, *op.cit.*, p 143

5.2 Non-permanent regional institutions

Non-permanent institutions mostly took the form of ad hoc committees to study issue areas recommended by governments. Most were created on the recommendation of the PMCC and were the national representatives from member states. Ad hoc bodies included the Maghreb Transport and Communications Commission, the Maghreb Committee for Post- and Telecommunications, the Maghreb Tourism Committee, the Maghreb Statistical and National Accounting Commission, the Maghreb Insurance Committee, and the Maghreb Committee of Citrus Fruits and Early Fruits and Vegetables.[165] They were all structured in a flexible way to reduce financial costs, and met most frequently between 1970 and 1975.

According to most evaluations, the Maghreb Transport and Communications Commission has been the most successful in accomplishing its objectives. Its main aims were to develop transport and communications linkages among the Maghreb countries, encourage the coordination of various transport systems through the creation of joint companies, and harmonise transport and communications regulations. Various specialised committees in all the transport branches (air, rail, route and maritime) were set up to assist in this mammoth task[166]. The colonial legacy has left the region with an imbalance in transport and communications networks (Libya for example had no railway network at the time), because of the economic activities of the colonial power (France) in the region. French companies and the French government cultivated and extracted raw agricultural and mining products, which were transported directly to the metropole. This meant that no transport networks were developed *between* the countries of the region but only between each country and France. This has also led to severe imbalances within the individual Maghreb territories.[167] Transport and communications infrastructure was concentrated along the Mediterranean coastline of the various Maghreb states, leading to highly developed ports. [168]

[165] The objectives of the Maghreb Insurance Committee was to encourage the reinsurance exchanges between the four Maghreb member states and to promote the harmonisation of national insurance legislation. For futher details see Mohsen Toumi, *op.cit*, p 166

[166] See Santucci, *op.cit*, p 147

[167] See Tarik Ezziaki, 'Le Maghreb des transports et des communications dans la perspective d'un regroupement économique regionale', *Revue Marocaine de Droit et d'Economie du Développement*, No 27, 1992, pp 9-10

[168] The development of the Casablanca-Rabat-Kenitra coastal railway line was a major development.

To rectify these imbalances, various bilateral conventions were concluded during this time to facilitate the joint development of railway lines and technical and financial cooperation between the respective national railway companies. [169] Various measures were also explored to coordinate maritime navigation policies and create joint maritime navigation companies, and in 1969Algeria and Morocco concluded a convention on the construction of route transport to facilitate merchandise trade. Notwithstanding these developments, the only concrete achievement of this Commission was the completion of the Transmagreb railway line from Tunis to Casablanca, via Algiers. Various studies have shown that an efficient and balanced regional infrastructure is a necessary preliminary condition for the stimulation of intra-regional trade and joint production ventures. But such infrastructure also needs to be linked to production networks to serve as a catalyst for regional development. These developments did not happen simultaneously in the Maghreb. [170]

The Maghreb Commission for Industry and the Commission for Trade Relations were two of the first non-permanent bodies to be established. The Commission for Trade Relations was tasked to assist countries to develop lists of products that would receive preferential tariff rates to most-favoured-nation rates. The Commission for Industry developed a programme, which explored how respective member states could specialise in complementary industrial branches such as the steel, glass manufacturing and assembly industries. Although these two commissions were never formally institutionalised, or granted decision-making power or juridical status, they continued functioning after the Conference of Economic Ministers decided to abandon the project coordination approach of regional integration for a more integrated regional integration approach.

Between 1964 and 1970, various intergovernmental study groups made significant progress in exploring regional cooperation in the areas of education, youth development, sport, public management and public administration. Several non-governmental groups in civil society also contributed to the process in an informal way. These included doctors, scientists, academics,

[169] One such convention was one concluded in 1968 between Morocco and Algeria, which sought to explore jointly the Oudja railway line and manage the railway station at Oudja, which was a border town
[170] See Tarik Ezzaki, *op.cit.*, p 10

students and women associations. While most of these interest groups recognised the need to coordinate the use of their resources and harmonise their activities at a regional level, only a few evolved from the stage of declaring principles to forming concrete regional institutions. Examples of the latter include the Association of Maghreb Magistrates (1967) and the Maghreb Society of Medical Sciences (1970).[171]

6. Conference of Economic Ministers 1967

The 1967 Conference of Economic Ministers marked a turning point in the regional integration process.[172] The ministerial declaration at this conference proposed a new economic integration doctrine defined as a comprehensive regional development strategy as opposed to the sectoral strategy that has been followed thus far.[173] It was agreed that the MPCC would henceforth focus on accelerating trade liberalisation and industrial harmonisation over a five-year transition period. It was to examine problems of economic cooperation and coordination as well as appropriate measures to facilitate structural integration. In this regard, its new emphasis would be on coordinating the respective Maghreb states' trade relations with the EEC and other third countries. It would also explore the possibilities of intra-regional trade liberalisation and the gradual establishment of a customs union with a co: non external tariff, harmonised customs policies, and a multilateral payment system.[174]

As a result of this change in approach, the PMCC was to undertake a new range of studies. This included examining the modalities for harmonious development of all main industrial sectors in

[171] See Santucci, *op.cit*, p 142

[172] Already in 1965 at a ministerial conference in Tripoli, economic ministers adopted a protocol, which recommended the establishment of regional institutions to promote trade integration such as the Trade Commission. At the 1966 ministerial conference in Algiers, ministers recommended that the capacity of regional institutions be reinforced. See Santucci, *op.cit.*, p 144

[173] At this conference, the PCMM presented three options, which could stimulate and acceleration of regional integration. Firstly, they presented an option of regional integration based on the European model whereby all customs duties between the four states would be eliminated, a common external tariff would be established, monetary, fiscal and economic policy would be harmonised and common institutions would be created. Secondly, they presented an option, which would entail the progressive creation of an economic union based on a declaration of intention and which would only demand periodical participation of member states in tariff and industrial investment location negotiations. The conference, however, adopted the third option, which was the gradual establishment of a customs union.

[174] The conference suggested that Maghreb member states each develop a list of products on which there would be a gradual and linear reduction of tariffs and non-tariff barriers over a period of five years. See Mohsen Toumi, *op.cit.*, p 167

the Maghreb; the possibilities of joint vehicle construction ventures between Algeria and Tunisia to exploit economies of scale; and the possibility of forming a joint super-phosphate chemical complex to exploit underground resources.[175] This new orientation did not privilege trade liberalisation as the panacea for accelerated and more successful economic integration in the Maghreb, but equally emphasised production integration and joint export-oriented industrialisation. This turnabout was informed by the notion that more competitive production and a balanced and efficient communications and transport infrastructure would attract capital and technology to the region, which in turn would accelerate economic development.[176]

While the various committees and the structures created under the PMCC continued their research and recommendations, the Libyan and Algerian governments did not support the proposals tabled at the 1967 Conference. They clearly lacked the political will and drive to deepen the regional integration process, especially to include trade liberalisation. This was mostly a reflection of their approaches to political consolidation and economic development, which differed significantly from the political and economic strategies of Tunisia and Morocco.[177]

Algeria objected to the new comprehensive regional integration approach, arguing that it would exclude the participation of those at the grassroots level in the regional integration process. This was the view of the new National Liberation Front leadership, which took power after a coup d'état in 1965.[178] Its new national charter emphasised the imperative of the 'solidarity of the masses' and the precedence of national development in the allocation of political, economic, social and ideological resources over that of regional integration.[179] At the time, Algeria was promoting the notion of 'self-centred' development as a strategy for the development of the region. This implied 'delinking' from capitalist centres such as the EEC. It also implied that regional integration should have as objective the economic, social and cultural liberation of the people by eliminating all forms of colonial exploitation. This was in contrast to the Tunisian and Moroccan approach towards regionalism, which they advocated at the 1967 Ministerial

[175] See Joseph Muzikar, *op.cit.*, p 48
[176] See Yves Gazzo, *op.cit.*, p 48
[177] See MA Beckechi, 'Le Maghreb: passé et perspectives: un point de vue Algérien' in *Al Mayadine*, No 6, 1990, p 24
[178] Ahmed Ben Bella, the Algerian independence leader, was overthrown by Ben Youssef, a radical, in 1965

Conference.[180] However, Algeria's reluctance to proceed with the regional integration project as suggested at the 1967 meeting was also a manifestation of its emerging nationalism and even a desire to dominate the region. [181] The signing of an agreement that would promote trade integration would have compromised its three-year, 1970 to 1973 national development plan. The latter included a strategy to diversify its hydrocarbon outlets through the creation of a national industrial base. Therefore, unless it was in a position to impose regional division of labour that would favour this strategy, Algeria would not endorse the suggested regional integration programme.

The Moroccan and Tunisian governments viewed Libya as a necessary partner in the Maghreb regional project. The rise in its national income after the discovery of petroleum in 1959 meanst that its petroleum revenue would be able to finance many of the structures and projects envisaged by the PMCC. This revenue could also assist in the development of Moroccan and Tunisian industries. Morocco and Tunisia in turn, could furnish Libya with much needed labour.[182] However, no Libyan representatives attended the 1970 Conference of Economic Ministers. After the coup d'état staged by Colonel Khadaffi in 1969, the new Libyan regime broke all ties with the Maghreb in favour of the eastern Arab world, or the Mashrek. It pursued pan-Arab unity as a foreign policy objective and focused in particular on the issue of an independent state for the Palestinian people.[183] This has also resulted in the deterioration of its relations with US-aligned states in the region, especially Morocco. But, the Libyan regime has always shown little interest in the Maghreb project, even before the 1969 revolution.[184]

In 1967, after the defeat of Egypt during the Six Day War, Algerian leader Houari Boumediene expressed the view that the people of the Maghreb are 'condemned' to cooperate and that there

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[179] See Mohamed Abed Jabri, 'Evolution of the Maghrib concept: facts and perspectives', in H Bakarat (ed), *Contemporary North Africa: issues of development and* integration, Centre for Contemporary Arab Studies, Washington DC, 1985, p 81

[180] See Said Hamdouni, 'Les tentatives d'intégration des pays du Maghreb face à l'élargissement de la Communauté Européenne', *Etudes Internationales*, p 326

[181] Ibid, p 329

[182] See Paul Balta, 'La dynamique des rélations intermaghrébines', in B Kadmani Darwish and M Chartouni Dubarry (eds), *Maghreb: les années de transition*, Masson, Paris, 1990, p 198

[183] This foreign policy orientation was confirmed in a speech delivered by the Libyan ambassador to South Africa, Dr AA Alzubedi, at the Institute for Security Studied, Midrand, 8 May 1997

are more factors uniting than dividing them.[185] However, the divergent development trajectories, political tensions and ideological differences between the regimes of the region, which marked the period until the creation of the Arab Maghreb Union, were to mark regional relations more than any potentially centripetal forces.

2. Evaluating the first wave of regionalism

Various factors were responsible for the failure of developmental regionalism in the Maghreb during the immediate post-independence period. They include the following: a) the Western Saharan conflict; b) Maghreb countries' dependency relations with the EEC; c) the absence of the necessary preconditions for economic integration; d) the divergent ideological motivations of Maghreb governments; e) weak regional institutions; and f) the regional balance of power.

2.1 Western Saharan conflict

The Western Saharan territory, comprising a largely nomadic Islamic Arab-Berber population, was colonised by Spain in 1884. While Spain ceded two of its four regions, Tarfaya and Ifni, to Morocco in 1959 and 1969 respectively, the other two regions, Rio de Oro and Saquiat al-Hamra, became a province of Spain in 1958. Unlike the colonial legacy of other territories of the region, the Spanish did not develop any notable economic or social infrastructure such as factories, schools, hospitals or transport and communication networks in these regions, despite the discovery of phosphate deposits in 1947, and their subsequent exploration from the 1960s onwards.

The first of numerous United Nations resolutions calling for the self-determination of the Saharan people was passed by its General Assembly in 1964, following the wave of independence sweeping over Africa and Asia at the time.[186] Morocco had long laid claim to this

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[184] The Libyan government never followed up on Algeria's suggestion to explore jointly the international petroleum market and sell their respective petroleum resources to lever greater negotiating and benefit from economies of scale

[185] *'Les Maghrebins sont condamnes a la cooperation. Les facteurs ...d'approche sont plus nombreux que ceux qui les divisent'*

[186] See Paul Balta, *op.cit.*, p 169

territory, dating back its claim to the Almoravid Empire.[187] In 1974, the Western Saharan case was referred to the International Court of Justice, at the insistence of Morocco. [188] The reason for this was that the interested parties, namely Spain, Morocco, Mauritania, Algeria and the nascent Polisario (Popular Front for the Liberation of Saquiat al-Hamra and Rio de Oro) movement, could not reach agreement on the terms of a referendum on the independence of the territory. [189] At a summit of the Arab League in Rabat in 1974, Morocco's King Hassan II and Mauritania's president, Ould Daddah, reached an agreement to divide the then Spanish Sahara between them once Spain withdrew from the territory. This was in line with the Declaration of Principles both concluded with Spain before its withdrawal from the territory. Under this Declaration, Spain was to institute a temporary administration in which Morocco and Mauritania were to participate in collaboration with the Jema'a, a local assembly set up by Spain in 1967. While the borders of the territory were defined by France and Spain to serve their own strategic and economic interests during their colonial rule, Moroccan leaders were interested in the added economic and political leverage which could be gained by annexing parts of this territory. [190] Mauritania, in turn, based its claim to the area on the cross-border movements of the ethnic tribes spread across Mauritania and the Western Saharan territory as well as the fear of losing the buffer between itself and Morocco.[191]

In 1975, the International Court of Justice ruled that although there is a legal allegiance between the Sultan of Morocco and the tribes in the territories of the Western Sahara and Mauritania, there is no tie of territorial sovereignty between the Western Sahara and Morocco or Mauritania.

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[187] The Almoravids (1060-1145) were nomadic Berber tribal people who ruled Morocco, Spain and western Algeria at one time

[188] Morocco claimed that Algeria insisted on the right to self-determination of the Western Sahara because it desired to have a corridor to the Atlantic from Tindouf, where major iron ore deposits were located, and to have a weak Saharan state which they could dominate. However, Algeria needed to project its foreign policy role conception as 'bastion of the revolutionaries'. Support for the self-determination of the Western Saharan people went a long way to affirming its international status as well as its regional power.

[189] Formed by Saharan students and intellectuals in May 1973, the Polisario movement drew its strength mostly from the Reguibat tribe (camel nomads ranging over great areas of the desert in the Western Sahara, southern Morocco, Algeria and Mauritania) and first demanded independence from Spain in 1975. After 1975, it turned its energies against the Moroccans. The Polisario is the political wing of the Saharan Democratic Republic, which maintains the framework of a state, and most of its supporters come from the large number of Saharan refugees living in the camps around Tindouf in Algeria.

[190] Balta, *op.cit.*, p 160

[191] See Richard B Parker, *North Africa: Regional Tensions and Strategic Concerns*, Preager, New York, 1987 (second edition), p 109

This ruling validated UN General Assembly Resolution 1514 of 1960.[192] King Hassan II, motivated by the outcome of the International Court of Justice ruling against Morocco's sovereignty over the Western Sahara, continued to organise a peaceful march of 350 000 unarmed citizens to the Sahara to occupy the area, in what came to be known as the 'Green March'.[193] Despite opposition from the socialist opposition and industrial and business interests in Morocco to this march, it was viewed as a diplomatic coup by the outside world.[194]

Algeria, although it has never made any historical claim to the Western Saharan territory, interpreted Morocco's actions as an expansionist drive (supported by its claims to Mauritania) with the purpose of altering the balance of power in the region. The first foreign power to provide financial aid and arms supplies to the Polisario was Libya, but the liberation movement only started constituting a serious military force when Algeria began supporting it in 1975. This was in line with what was to become an Algerian foreign policy principle of solidarity with all peoples of Africa, Asia and Latin America in their struggle for political and economic liberation and support for their right to self-determination and independence. This principle was ensconced in the 1976 Algerian constitution.

The day after the Spanish withdrawal from the Sahara in 1976, the Provincial Sahrawi National Council proclaimed the Saharan Democratic Arab Republic (RSAD). This led to serious fighting between Moroccan troops and Polisario members. Many of the Sahrawi population opted to leave the territory for refugee camps set up and sponsored by Algeria in Tindouf, southern Algeria. In April 1976 the territory was officially divided between Morocco and Mauritania. After the overthrow of Ould Daddah in a military coup in 1978, the new Mauritanian junta signed a peace agreement with the Polisario, thus opting out of the conflict. Fighting between Moroccan troops (supported by financial assistance and arms supplies from the US) and the Polisario continued until the early 1980s despite various attempts at mediation, amongst others from the Organisations of African Unity (OAU). According to Moroccan

[192] See 'United Nations Mission for the Referendum in the Western Sahara', in *The Blue Helmets, A review of UN Peacekeeping*, United Nations, New York, 1996. Also see www.un.org.80/Depts/DPKO/Missions/minurs_b.htm, p 1

[193] It found that while Morocco had 'ties of allegiance' with the Sahara, these ties did not constitute sovereignty and should not stand in the way of self-determination

[194] Authors differ as to the level of support the Green March enjoyed from the opposition. Parker, *op.cit* p 112, for example, holds that the opposition 'genuinely supported the Moroccan claim'.

leaders, who refused to negotiate on the status of the Western Sahara or enter into direct negotiations with the Polisario, arguing that this dispute was an 'internal' matter, they would only sign a ceasefire once the Algerian government ceases to support the Polisario.

The formal recognition of the SDAR by all OAU member states in 1984, after various failed attempts to arrive at a settlement, led to Morocco's withdrawal from this organisation.[195] From the mid-1980s onwards, the Polisario started concentrating more on the political aspect of their conflict with Morocco, as it became clear that there could be no military solution.[196] Algeria's continued commitment to the Polisario seemed to be increasingly motivated by 'ideology and prestige'.[197] Seemingly unwilling to lose their credentials as Third World leaders, successive Algerian governments have committed significant resources to this conflict, despite the fact that it had led to a deterioration of their political relations with especially Morocco, but also with Libya. By the early 1980s, the Algerian regime insisted that the Western Saharan crisis be resolved before it would commit further to regional cooperation.

2.2 Relations of dependency with Europe

The Maghreb region's preferential relations with Europe have always been a determining factor in the economic development of the region. Financial and technical resources from Europe could assist national productive structures to adapt to the required conditions for regional integration. These conditions included market diversification, the mechanisation of irrigation, an increase agricultural productivity, support of small-and-medium enterprises, and investment in training and research, as well as technology transfer to assist production and export capacity of the private sector in the Maghreb.

Relations between Europe and the Maghreb can be divided into three phases. Firstly, during the period between 1945 and 1962, which saw major developments such as decolonisation and the beginning of the cold war, which resulted in Europe privileging its ex-colonies. Secondly, the

[195] See Parker, *op.cit.* p 124
[196] The first step in the direction of a political resolution of the conflict were the 'proximity talks' (indirect talks carried out though intermediaries) under UN auspices between representatives of the SADR and Morocco in 1986
[197] Parker, *op.cit.*, p 195

period between 1962 and 1976, which was characterised by the rapid expansion of European economies and saw the conclusion of association agreements between the EEC and individual Maghreb countries.[198] These agreements gave special market concessions to Maghreb exports to the EEC such as customs exemptions and exemptions from import quotas for certain products, within a juridical framework. A General System of Preferences for manufactured exports from the Maghreb was also introduced.[199] The period from 1976 onwards was characterised by economic recession in Europe, increasing protectionism of its market, which impacted negatively on economic growth and development in the Maghreb.[200]

The signing of the Treaty of Rome in 1957 between France, Germany, Italy, the Netherlands, Belgium and Luxembourg did not herald the end of the special ties between these powers and their former or existing colonies. The Treaty, in fact, had conferred a special status to overseas territories in recognition of the detrimental effect a common external tariff would have on those territories dependent on the EEC market for most of their exports. It also contained 'a declaration of intent to conclude economic association agreements with the independent states of the franc zone countries.[201]

Since 1967, Algeria, Morocco and Tunisia have been engaged in negotiations with the EEC to conclude association agreements that would grant them special preferences to the EEC market. In 1969, the first of these association agreements were concluded between the EEC and Morocco and Tunisia respectively, granting free access to the EEC market for all citrus products, industrial products except for petroleum and cork, and all artisan products originating in Morocco and Tunisia.[202] Agricultural products, however, were granted only limited access and both quota and tariff restrictions were levied on products based on their calendar period.[203]

[198] Algeria withdrew unilaterally from its cooperation agreement concluded with the EEC in 1972

[199] The GSP was first introduced and negotiated by the United Nations Conference on Trade and Development (UNCTAD) in 1964, in recognition that developing countries needed trade assistance to promote their exports to industrial countries. This scheme, therefore, could be implemented unilaterally by industrial countries towards selected developing countries, and was incorporated in the General Agreement on Tariffs and Trade (GATT).

[200] CM Lahzami, 'Maghreb-EEC relations economiques: éetapes, bilans, perspectives', in *Cahiers de CERES*, Actes du Colloque: perspectives et étapes des la construction du Maghreb', No 14, Tunis, 1989, p 263

[201] See Malika-Hattab Christmann, 'Les relations commerciales Maghreb-CEE: enjeux et perspectives' in *Revue Marocaine de Finances Publiques et d'Economie*, no 7, 1991, p 71

[202] See Hamdouni, *op.cit*, p 324. These products were granted an 80 per cent tariff reduction on the EC market

[203] See Christman, *op.cit.*, p 71

This affected the Maghreb countries in particular since harvests could often be ruined if they were even one week late, since export duties rose significantly during the European production period.

These association agreements generalised the trade preferences Maghreb countries have until then enjoyed vis-à-vis France to all six EEC member countries. Algeria only started negotiating an association agreement in 1972, although it already had free access to the French market for some products. Association agreements were negotiated for a period of five years and were governed by a complex system of rules of origin.

By 1972, EEC heads of state have started calling for a more integrated and balanced approach to cooperation with the Mediterranean countries.[204] This led to the conclusion of preferential trade and technical and financial cooperation agreements with Algeria and Tunisia in 1976 and Morocco in 1978.[205] These cooperation agreements granted supplementary tariff advantages to those offered by the GSP to the three Maghreb countries and went so far as to lift all customs duties and quotas on certain agricultural and industrial products, subject to the Common Agricultural Policy (CAP). All Maghreb industrial exports, except textiles had free access to European markets. Although the EEC maintained import quotas and tariffs on textile exports from the Maghreb, this access was more favourable than that accorded to Asian and other textile exporters under the terms of the MultiFibre Arrangement. The new association agreements also included, in addition to non-reciprocal trade preferences, a financial support mechanism through five-year protocols that covered EEC aid and European Investment Bank loans, as well as a social chapter dealing with migration issues.[206]

The rules of origin of these agreements also allowed for cumulation in the Maghreb region, that is products originating in one Maghreb country could be used as inputs for a product

[204] Agreements signed with Greece and Turkey during this period aimed at the progressive elimination of customs tariffs on industrial products, the harmonisation of agricultural policies and the elaboration of a communal financial aid policy. This was generally regarded as a transition phase towards full incorporation into the European Union. There were therefore various differentiated agreements with different countries of the Mediterranean.

[205] See Lahzami, *op.cit*, p 269

[206] See Mustapha K Nabli, 'The European Union Tunisa Free Trade Area Agreement: some lessons for South Africa', paper presented at the Trade and Industrial Policy Secretariat Annual Forum, Johannesburg, September 1997.

manufactured in another Maghreb country, and treated as originating in the latter country. These agreements therefore did encourage regional production integration among Algeria, Morocco and Tunisia. However, due to their individual preferential trade relationships with the EEC, Maghreb countries did not give priority to intra-Maghreb regional economic cooperation. They pursued this relationship despite the fact that only the textile industry managed to win a significant share of the European market by the end of the 1980s, even under the so-called preferential regime. Other sectors lacked the technical competence and competitiveness to make inroads on European markets.[207]

The benefits of these agreements, however, were partially erod d by the fact that similar preferential terms of market access were granted to agricultural and mining products from countries such as Egypt, Jordan, Syria, Lebanon and Israel. Increasing protectionism on the side of the EEC, the abuse of safeguard clauses and the tariff preferences offered by the GSP to all developing countries also contributed to the erosion of trade preferences granted to the Maghreb. There were also other reasons why these agreements did not contribute to economic development in the Maghreb. Firstly, the structure of trade between the Maghreb and the EEC limited the potential revenue from exports to Europe. Not dissimilar to the general structure of trade between the industrial and the developing world, the Maghreb countries exported mainly primary agricultural or mining products to the EEC while importing mostly value added intermediary manufactured and consumer goods.[208]

Secondly, high tariff and non-tariff barriers (including voluntary export restraints) were maintained in the textile sector – one of the few sectors in which the Maghreb countries had a comparative advantage. Thirdly, the EEC's common agricultural policy (CAP), in full

[207] See Jaques Bourrinet, 'L'environment économique international de l'integration maghrébine: partenariat Européen et relations interarabes', *Annuaire de l'Afrique du Nord*, Volume 24, 1985, p 330

[208] Algeria in the 1980s exported mainly hydrocarbons (98 per cent of total exports to the EEC while importing food products (wheat), industrial and manufactured products; Morocco exported mainly mineral and phosphates (primary products), textiles, chemical fertilisers, shoes (industrial products) and fruit, vegetables and fish (food products) to the EEC while importing mostly manufactured and intermediary goods. Tunisia exported mainly petroleum products, textiles, clothing, phosphate fertilisers and olive oil to the EEC until 1980. The beginning of the 1980s saw industrial and petroleum products constitute a much larger share of exports to the EEC. Imports from the EEC constituted mainly of transport material, manufactured, chemical and food products. Liby exported only hydrocarbons to the EEC while importing food, manufactured, chemical and intermediary products from the EEC. Mauritania exported fist and iron to the EEC while importing manufactured, chemical, food and intermediary products.

operation since 1969, has limited Maghreb states' potential revenue earnings from agricultural exports. The CAP was meant to raise productivity, thus securing food availability and raising agricultural incomes in Europe. The policy granted minimum prices to the most important agricultural products, which were generally higher than world market prices. To maintain high internal price levels, the European Community also had to protect the internal agricultural market from cheap imports, hence the imposition of high tariffs and use of non-tariff barriers (such as calendar-related quotas) on agricultural imports. Therefore, although Moroccan and Tunisian farmers produced agricultural products such as tomatoes and oranges at a much lower price than EEC farmers, they were not able to undercut Community suppliers because of high market entry costs.

The relationship of dependency between the Maghreb and Europe was mainly related to trade, financial and migrant worker flows. With regard to their trade relationship, not only were Maghreb countries much more dependent for their trade flows on the EEC than the reverse, but there was also a structural imbalance in their trade relationship. By the late 1980s, Maghreb countries imported mostly capital-intensive and heavy industrial equipment from the EEC and exported mostly energy and phosphate primary products to the EEC. In this regard, their core-periphery relationship has not changed significantly since the independence of Maghreb countries. Ninety per cent of the Maghreb countries' trade with the EEC was concentrated on France, Germany, Italy, Spain, and Holland.

Table 1: Maghreb trade with EEC as percentage of total trade

	Exports to the EEC	Imports from the EEC
Algeria 1985	75.1%	62.4%
Libya 1981	52.7%	64.8%
Mauritania 1983	52.9%	63.8%
Morocco 1985	58.6%	47.2%
Tunisia 1986	73.9%%	67.7%

e: CM Lahzami, 'Maghreb-EEC relations économiques: étapes, bilans, perspectives'. *in Cahiers de CERES, A... 'u Colloque: perspectives et étapes des la construction du Maghreb*, No 14, Tunis, 1989, pp 271-272

Table 2 illustrates the evolution of Maghreb trade with the EEC between 1965 and 1985. It illustrates the constant trade deficit of Morocco and Tunisia vis-à-vis the EEC, and Algeria's trade surplus. During this period, France remained the main trading partner, and after that Italy and Germany.

Table 2: Evolution of Maghreb trade with EEC (% of total)

Year	Morocco		Algeria		Tunisia	
	Imports	Exports	Imports	Exports	Imports	Exports
1965	60	50	87.1	76.4	46	53.8
1985	61	51.9	59.5	67.4	65.3	68.2

Source: Ait Amaraand Ben Hammouda, 'L'Union du Maghreb: éspace d'echange ou de production', in *Revue Tunisienne d'Economie*, No 3-4, 1993, p 35

Despite the fact that Morocco and Tunisia started exporting more labour-intensive value-added manufactured goods such as chemical and textile products, equipment, and transport materials to the EEC since the 1970s, they have continued registering a trade deficit with the EEC. However, manufactured exports from the Maghreb to the EEC fell from an average of 13 per cent in 1978 to 11 per cent in 1985, partly due to the protection of European markets from manufactured imports.[209] Thanks to its petroleum exports, Algeria has managed to continue its trade surplus with the EEC. Throughout this period, 70 per cent of the EEC's total imports from Maghreb countries were comprised of fuels and fuel products.[210]

Throughout the 1970s and 1980s, Tunisia and Morocco were unable to reduce their trade deficits with Europe, partly because European countries were selling their surplus cereal, with the assistance of generous export subsidies granted under the CAP regime, at prices with which Maghreb countries could not compete.[211] Market fluctuations and climatic factors also impacted on production for export, and therefore reduced the revenue from exports in Maghreb budgets. Also, not only did Morocco and Tunisian light industry exports such as textiles and clothing compete for European markets, but the EEC retracted on its commitment in the 1976 association agreements to allow free market access for these products. Without these preferences, Maghreb productive structures were unable to adapt to the increasing competition from the Asian textiles and clothing industry on European markets. For example, shoe exports from Tunisia and Morocco to the EEC market were threatened by the more competitive exports from China and India. In addition, this core-periphery trading relationship was imposing a model of export-oriented industrialisation, thus constraining indigenous development and diversified specialisation.

Similar to Japanese firms, which relocated to Southeast Asian countries in search of cheaper production costs, some European transnational companies started relocating production facilities the Maghreb in search of cheap labour and property, and in return they received support from Maghreb states for their investment. For example, European-based textile and clothing companies would move the labour-intensive branches of their activity to countries like Morocco and Tunisia, to benefit from low wages, but at the same time kept the more technologically complex and capital intensive value added branches of their activity in the home country. This limited the potential of technology transfer to Maghreb countries. Despite this

[209] See Agnes Chevallier and Veronique Kessler, 'Croissance et insertion international du Maghreb: questions sur l'avernir des relations avec L'Europe', B Kodmani-Darwish and Mr Chtouni-Dujarry (eds), *Maghreb: les anneées de transition*, IRFI, Paris, 1990, p 259

[210] Ait Amara and Ben Hammouda, 'L'Union du Maghreb: espace d'echange ou espace de production', *Revue Tunisienne d'Economie*, No 3-4, 1992, pp 32-53

relocation trend, foreign direct investment flows remained very low, and financial investment originated mainly from French banks.[212] The largest capital flows to Maghreb countries have been in the form of loans to support European exports. This relocation was only reflecting a broader trend, namely a new international division of labour emerging throughout the world (see chapter one). But, unlike the industrialsing role that Japan played in Southeast Asia, the EEC did not privilege its trade relations with the Maghreb or allow preferential entry of its competitive manufactured exports to the EEC market. European companies also worsened the disarticulation between different sectors of local Maghreb economies and served to reinforce regional dualism.[213]

However, this was not the only reason for low investment flows from Europe to the Maghreb. Technological change has diminished most of the Maghreb countries' competitive advantages such as cheap labour, cheap and abundant primary products and climatic benefits. Despite this, the Maghreb remained important for Europe. The Maghreb served as a geographically close market for European services and consumption and intermediary goods. The threat of population spill over from its poorer neighbours in the south, motivated the EEC to promote co-development by supporting industrialisation, food self-sufficiency and human resource development in all Maghreb countries.[214] For Maghreb countries, Europe remained a stable trading partner, especially in view of their sensitivity to international market fluctuations, and they were also able to benefit from the technology of European firms investing in the Maghreb. However, Morocco, Tunisia and Mauritania still remained vulnerable to the fluctuations on the European market due to the 'sensitive' nature of 75 per cent of their exports to the EEC.

The financial protocols negotiated between the EEC and Algeria, Morocco and Tunisia respectively have also contributed to a relationship of dependency between the two entities. M t of the financial aid in all three protocols negotiated between 1976 and 1986 was in the form of loans to be reimbursed at a favourable interest rate. European Investment Bank (EIB)

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[211] See Agnes Chevallier and Veronique Kessler, *op.cit.*, p 263
[212] 18% of French commercial banks' loans to developing countries went to the Maghreb, solicited by French exporters. This remained the case until 1990/1991. See Chevallier and Kessler, *op.cit.*, p 264 for more detail.
[213] See Jaques Bourrinet, 'L'environment économique international de l'intégration Maghrébine: partenariat Européen et relations interarabes', in *L'Annuaire de L'Afrique du Nord*, Tome 24, 1985, pp 327
[214] See Mahmoud Ourabah, 'La cooperatoin internationale et l'integration économique de l'Afrique du Nord', *Revue Marocaine de Finances Publiques et d'Economie*, No 7, 1991, pp 87-99

loans formed a large part of the total amount of financial aid flowing to the Maghreb countries from the EEC (especially in the case of Algeria). EIB loans were typically used to finance heavy infrastructure projects in the energy and transport sectors, agricultural and fisheries training projects, budgetary aid and so on. The first financial protocol negotiated in 1976 with Algeria and 1978 with Tunisia and Morocco emphasised infrastructure development, small and medium enterprise development and agricultural training. The second protocol, negotiated in 1981 with Morocco and Algeria and 1982 with Tunisia, focused more on the financing of food security, social and human resource development, energy production, and dam construction.[215]

During the first half of the century, a common labour market existed in the western Mediterranean region. Maghreb workers migrated to the industrial centres of southern Europe, whereas southern European workers migrated to the industrial centres of Europe. Due to the large number of Maghreb workers who started emigrating to the EEC from 1970 onwards, the cooperation agreements also provided for guarantees of similar working conditions, social security packages and renumeration scales than those enjoyed by European nationals. Their remittances have not only become an important part of the gross domestic product (GDP) of Maghreb countries, but also an important source of government revenue to service the balance of payments account. The most significant 'push' factor for Maghreb workers to migrate to France and Italy in particular, has always been the inability of Maghreb economies to absorb new labour market entrants.

In addition to their dependency relationship with Europe, Morocco, Tunisia, Algeria and Mauritania have seen the steady erosion of the benefits of their association agreements with the EEC. This was due to the proliferation of EEC preferential agreements and GSP concessions to third parties, the abuse of the safeguard clause by European companies, and increasing protectionism under the terms of the Common Agricultural Policy. The association agreements were also highly unequal in nature. They could be unilaterally suspended if the EEC invoked safeguard or voluntary export restraint (VER) clauses, which have been used many times and with severe consequences against the Tunisian and Moroccan clothing and textile industries.[216] Even the renewed association agreements concluded in 1985 between the respective Maghreb

[215] See Lahzami, *op.cit.* p 275
[216] Ibid, p 297

countries and the EEC were the result of internal European deliberations, without any consultation with Maghreb countries. They were only asked to accept the European propositions *a priori*, and managed to secure only one major concession, called the 'Luxembourg compromise'. According this agreement, the volume of Maghreb exports to the EEC would be safeguarded and tariff contingents for 'sensitive' products (i.e. certain agricultural exports) would be ceased.

Maghreb countries would have been able to extract more concessions from the EEC had they unified their negotiating positions. However, due to the urgency of the negotiations, the self-interest of Maghreb countries and the lack of a unifying political or economic framework, Maghreb countries continued in the 1980s to negotiate separate agreements with the EEC. From the European side, there was also not a common institutional or dialogue framework, or common economic mechanisms to facilitate joint negotiations between the itself and the Maghreb.[217]

Although their separate and priority trade, financial and political relations with the EEC, Maghreb countries did not prioritise horizontal integration amongst themselves. EEC-Maghreb cooperation, however, should not be seen to be incompatible with regional integration. Once the Maghreb region manages to develop harmonised national productive structures and regional economies and diversify their export products and markets, the preferential access to the EEC market for manufactured and agricultural exports could assist in the economic development of the region. To optimally benefit from this relationship, however, the Maghreb region would need a common juridical and political framework to negotiate with an increasingly integrated Europe. The emphasis, once again, should be on the regional dimension of development.

Such a joint positioning would have enabled Maghreb countries to secure salary, social security, and profit remittance benefits for their nationals working in European countries, instead of negotiating separate bilateral conventions to regulate labour matters. The new association agreements negotiated between Tunisia, Morocco, and Algeria respectively and the EEC provided not only for financial and technical cooperation, but also cooperation on labour

[217] See Mahmoud Ourabah, 'La cooperation internationale et l'integration économique de l'Afrique du nord', *Revue Marocaine de Finances Publiques et d'Economie*, No 7, 1991, pp 87-99

matters. These principles were never applied, partly because of an increase in structural unemployment in Europe.[218]

2.3 Structural economic obstacles to regional integration

Most economists agree that while regional economic integration can stimulate productive forces in both developed and developing countries, the methods and strategies employed to integrate developing economies need to be different from those used to integrated developed economies. In this regard, the creation of a free trade area as the first phase in the process of regional integration would make no sense for developing countries, as they do not produce sufficient and complementary merchandise and capital goods to be freely circulated. Rather, developing countries should focus on developing complementary productive sectors, cooperating in building infrastructure and ensuring food security, and facilitating trade generally. This section will evaluate Maghreb cooperation in the areas of agriculture, industry, infrastructure, and trade and explore reasons why this cooperation did not happen, or succeed as a development strategy.

2.3.1 Agricultural cooperation

The success of industrial development and integration in the Maghreb region was highly dependent on the level of agricultural development. Firstly, because the purchasing power of the agricultural sector, responsible for the income of up to 80 per cent of the population, would extend the consumer market for industrial goods and secondly, because a growing industrial sector would cause a rise in the demand for food products[219]. Unfortunately, divergent agricultural models have made it very difficult for the PMCC to suggest the appropriate modalities for coordinating and harmonising the agricultural development policies of its members. During the 1960s, the Moroccan agricultural system was based on a feudalist model, Tunisia was experimenting with agricultural cooperatives, and the Algerian government with populist self-management. They did however have some common policies. All three newly

[218] Malika Hattab-Christmann, *op.cit.*, p 79
[219] A Benyoussef, 'Recherche des fondéments économiques de l'integration au Maghreb', in *L'unité Maghrébine: dimensions et perspectives*, Editions du Centre National de la Recherche Scientifique, Paris, 1972, p 75

independent governments, for example, encouraged industrial farming to try to reduce their dependence on food imports.

During the 1970s, governments in the Maghreb did not regard agriculture as a sector that would spur rapid economic growth, despite its predominance in the region's economic activity. This reasoning was mainly based on assessments of poor soil quality, erratic climatic factors and the dualism still prevailing in this sector.[220] Import substitution industrialisation (ISI) was to become the preferred growth strategy, as in the rest of the developing world (see chapter one).

Still, agriculture remained the most important economic sector in Algeria, Tunisia, Morocco, and Mauritania. Not only did between 70 and 80 per cent of the population depend on agriculture for their income or livelihoods, but agriculture contributed the largest share of both the gross national product and export balance in Morocco, Tunisia and Mauritania. Furthermore, primary agricultural products were important inputs into the first stage-transformation industry, especially the food processing industry, which dominated the industrial sector of Maghreb economies. The capacity of governments and the private sector to import equipment and goods necessary for industrialisation also depended on agricultural production, not only to nourish a fast growing population, but also to provide sufficient income from exports. Olive oil in Tunisia and oranges in Morocco have proved particularly successful in generating export revenue. Alfa (used to produce paper paste) and fish exports – important industries in Morocco and Mauritania – also contributed significantly to national revenues.

The structure of the agricultural sector was, and still is, characterised by the small proportion of arable land to total land and dependence on erratic climatic factors such as cyclic droughts in the region. It was further characterised by a marked dualism between the traditional sector, which practised subsistence agriculture, and the modern sector cultivating products destined for urban and export markets -- a legacy of the colonial period, and typical of most developing countries at the time. Furthermore, not only did Maghreb countries produce a similar agricultural output for export, but their agricultural export products also competed with those of southern Mediterranean countries such as Spain, Italy, Greece and the south of France. This became a

[220] For more detail see Centre National d'Etudes et d'Analyses pour la Planification, 'Les politiques agricoles des pays Maghrebins', in A Bouzidi (ed), *Panorama des economies Maghrébines contemporaines*, CENEAP, 1991

serious constraint after 1986, when Spain and Greece joined the EEC. Competing products included citrus fruits, olives, and vegetables. But, due to the different seasons for tomato production, for example, in Tunisia and Morocco, and Spain, these products could still have access to the European market.

In this regard, Morocco and Tunisia have remained the most competitive economies in the region. Both imported primarily food and intermediate equipment, and exported similar raw materials. Both also suffered from a chronic trade deficit. In the period 1975-1982, Tunisian manufactured exports have exceeded those from Morocco, although Morocco had managed to diversify its export markets more than Tunisia, whose exports were still concentrated on European markets.[221] Despite both importing similar staple foods and exporting to the same markets, Morocco and Tunisia could have usefully cooperated by jointly importing food products and thereby increasing their price leverage, and by exchanging experiences especially in textile exports.

In addition, most Maghreb crops had a feeble yield, for various reasons, which hampered animal production. This has led to an agronomic imbalance in the region and a subsequent dependence on the importation of diary and meat products. A further cause of agronomic imbalances in the region can be traced to agricultural practices during the colonial period when colonials used land suitable for cereal cultivation for vineyard cultivation. This was to satisfy the consumption and export interests of French and Spanish colonisers.

Although cereal is the staple food of the Maghreb population, not enough is grown for domestic consumption. Cereal imports are therefore indispensable and still constitute a large share of total imports in all five Maghreb countries. In this regard, during the 1960s and 1970s, Morocco had a comparative advantage in that it was growing more than half of the cereal in the region – enabling it to feed its own population and possibly export cereal to its neighbours. However, Maghreb governments never seriously explored the potential of creating a regional food basket. Regional cooperation in the agricultural sector, for example establishing regional training centres and agronomic research institutes and coordinating agricultural strategies that

[221] See Santucci, *op.cit*, pp 169-176

could eventually lead to specialisation and the creation of regional bodies to market Maghreb products on foreign markets, could have resulted in more effective production. In this regard, the experiences of the North African phosphate syndicate in the 1960s could have provided governments with useful lessons and guidelines on how to structure and manage joint marketing bodies.

2.3.2 Industrial cooperation

During the post-independence period, Maghreb economies had similar characteristics. These included the predominance of small and medium enterprises, the non-existence of an integrated industrial sector, industrial concentration in urban areas, the existence of an abundant, unqualified, and underemployed labour force, narrow domestic markets and difficulty to export to foreign markets due to competition from developed countries. Consequently, production capacity was under-utilised and there was not economic viability to setting up manufacturing industries that would be useful in creating a regional industrial base through integrating national industrial sectors.

In the 1960s and 1970s, the dominant theories of economic development in the third world posited that industrialisation was the first and most important stage in the process of economic development. Proponents of regional integration as a means of fostering economic development, therefore emphasised the primacy of integrating the industrial sector of member of regional groupings for more efficient production through the creation of economies of scale (see chapter one). At the time of its first attempts at regional integration, the Maghreb industrial sector was lacking in heavy and high level production industries and was characterised by underemployed production capacity. The sector relied on imported intermediary equipment and consumer goods. Production factors were characterised by an unqualified labour force, but abundant energy and other primary inputs. From a static perspective, this situation was not conducive to industrial integration.

From a dynamic perspective, however, the weakness of the heavy industry sector presented the best prerequisite for regional integration, since joint ventures in heavy industry would provide an incentive to coordinate productive investments. Underemployed production capacity could contribute to rapid production growth at little cost if the domestic consumer market grows, leading to the possibility of competing on external markets at cheaper prices. The fact that the only real competition to existing industries came from the external sector could have facilitated the creation of a customs union in the region. Most important was the existence of production factors such as abundant energy resources and low labour costs that could reduce production costs. Complementarities with regard to production factors also existed between various countries. Libya, for example, had a labour importing economy, whereas Morocco and Tunisia had labour exporting but energy importing economies. Beyond these comparative advantages enjoyed by the region, an enlarged market with a common external tariff would have attracted foreign capital to invest in the region, as well as protected productive investment from external competition.

Those industries that only exist because they have been protected by high tariff or non-tariff barriers will disappear in a customs union. This, in turn, would aggravate unemployment. Algeria, whose full-employment policies have resulted in over-employment, would have been particularly hard hit by rationalisation should its industries have faced competition from more competitive exports from other Maghreb countries. Throughout this period, many analysts, experts, and economists argued that while industrialisation had to be pursued as a strategy for economic growth, optimum industrialisation would only happen under conditions of market expansion.

The industrial sector contributed the largest share of the Maghreb countries' gross national products (41.9 per cent in 1968), with the mining industry predominating. This was partly because all Maghreb countries are endowed with natural resources such as phosphates, hydrocarbons, iron and other minerals.[222] In most cases, no value was added to primary products before they were exported. This, in turn, has led to great sensitivity in Maghreb economies to the fluctuations of the global market prices of these products. Minerals constituted an important element in the export revenues of all Maghreb countries. Although

[222] See A Sadik, *Le Grand Maghreb Arabe: intégration et systemes économiques comparés*, Afrique Orient, Casablanca, 1989, pp 45-55

not well integrated with the rest of the industrial sector, mining constituted one of the bases for the industrialisation and development of Maghreb economies.

Both the Libyan and Algerian territories are richly endowed with hydrocarbons, petroleum and natural gas. Libya, however, has a comparative advantage over Algeria in that its deposits are in closer proximity to the coast, thereby reducing transport costs of exported products. In this sense it was not as dependent as Algeria on an efficient transport infrastructure in the region. Morocco at the time was the third largest producer of phosphates in the world and the largest exporter. At the time its reserves were estimated to constitute 60 per cent of the known reserves in the world. Tunisia, the fourth largest producer of phosphates in the world at the time, had to apply a more complex and costly treatment of its phosphates, due to its low tenure, than Morocco.

Many factors influenced mining production cooperation in the Maghreb region during the post-independence period.[223] The location of mineral deposits had impacted on the development of both transport networks and economic cooperation in the region. Export prices of phosphates in Algeria and iron in Libya, for example, were higher than export prices of minerals in Morocco, which are situated close to coastal areas. The location of mineral deposits in border areas lent itself to industrial cooperation ventures. Morocco and Algeria could have mined lead and zinc together, and Algeria and Tunisia, phosphates. The complementarities between the Algerian and Libyan natural gas industry and the Moroccan and Tunisian phosphate industry also had the potential to lead to cooperation in these areas.

Another characteristic of mining production in the Maghreb during the first attempts at regional integration was that most products were exported in raw form or after a very simple first transformation – hardly any value was added. This reinforced the vulnerability of Maghreb economies to fluctuations of primary products in world markets. Such export practices have lead to the development of national railway infrastructures linking mineral deposits to harbours for export, without linking them to other sectors of the economy and other areas of production.

[223] A Zahir, 'Projects industriels inter-maghrebines', in *Le commerce inter-maghrébin: pour une dynamisation des échanges*, Centre Islamique pour le Développement du Commerce Casablance, 1990, p 49

The extractive sector in the Maghreb region has never been well integrated with the rest of the domestic economies, despite its prime importance for the balance of payments in all Maghreb current accounts. This was mainly due to the fact that ultramodern equipment needed to be imported, thereby preventing the development of domestic production and employment creation. The extractive industry also did not contribute to the development of a labour intensive transformation industry, imperative to economic development, since little to no value was added in the country of origin.

It would therefore appear as if Maghreb governments and economic actors have missed out on many windows of opportunity to develop complementary production structures, and use the regional economy as a launch pad for industrial development. In this regard, and in view of the region's economic structure, the debate over whether a region's economies are complementary to determine the success of industrial integration is hardly relevant.[224] Rather, it should focus on how to exploit jointly shared comparative advantages, and create complementarities in a regional context.

2.3.3 Transport integration

Theoretically, a regional transport infrastructure is a precondition for the integration of economic activity in a region. In the Maghreb, even until today, the post-colonial transport network resembled an 'export evacuation' system towards France, the metropole. This was a common trait in all previously colonised regions at the time Although France spent most of the resources in its colonies and protectorates to upgrade their transport systems, it was only with the purpose to ensure efficient transport links between those areas where French industries maintained interests and points of exit and entry into the colony or protectorate from outside. Thus, no transport networks were developed between the respective territories of the Maghreb. The existing transport systems in the region therefore did not provide the basic infrastructure for economic integration. The hydrocarbon and mineral industry remained dependent on specialised foreign transportation. This, together with the high freight costs of trading products among countries in the region, further impeded any potential intra-regional trade.

[224] H Bourguinat, *Les marchés communs des pays en voie de développment*, Librairie Droz, Geneva, 1968, p 35

Transport costs between countries in the region also remained high due to the externally directed nature of the regional transport network, as well as the dependence of Maghreb countries on international maritime companies for sea freight. Their rates were very not competitive, due to the limited trading within the region. This pointed to the necessity to create a maritime transport system that would allow for increasing independence from these companies. As a first step in this direction Maghreb governments signed an agreement to create a creation of a Maghreb Coast Line to link the principal harbours of the four countries in 1969.[225]

2.3.4 Trade integration

Classical integration theory (see chapter one) measures the success of regional integration as a function of the level of intra-regional trade, as well as the degree of industrial policy harmonisation. Measured against these criteria, the early Maghreb regional project was not a success. Intra-Maghreb trade between 1964 and 1968 averaged only 1.67 per cent of total trade of all member countries. This was despite the institutionalisation of a regional integration scheme. This figure never rose above 3 per cent of total external trade, even during the most active intra-regional trading periods. Not only was the volume of trade negligable, but trade was also irregular. A case in point was Algeria, whose share of intra-Maghreb trade fell from 45,6 per cent in 1974 to 1.2 per cent in 1977.[226]

During this period the level of regional conflict also showed a strong correlation to intra-regional trade. The periods of recession in intra-regional trade corresponded directly with the Algerian-Moroccan conflict over the Western Sahara. During this period, Algeria and Tunisia entered into a bilateral trade bloc on the one hand, and Morocco and Tunisia on the other. Tunisia, throughout this period, was the only state in the region to register constant, albeit weak, trade volumes with other states in the Maghreb.

[225] Ibid, p 78
[226] J Bourrinet and Y Wagner, 'Relations communes CEE/Maghreb et aspects de l'integration maghrébine', European Commission, Luxembourg, 1984, p 46

Table 3: Intra-Maghreb trade (Algeria, Libya, Tunisia) (% of total)

Year	Country	Imports	Exports
1970	Algeria	2.4	1.9
	Morocco	0.4	4.2
	Tunisia	1.6	8.0
1975	Algeria	1.2	0.2
	Morocco	0.2	4.1
	Tunisia	1.1	3.3
1986	Algeria	1.5	1.5
	Morocco	0.3	1.1
	Tunisia	4.7	7.3

Source: Abdelmadjid Bouzidi, 'Les relations économiques entre la CEE et les payd du Maghreb', in A Bouzidi (ed). *Panorama des Economies Maghrébines Contemporaines*, Centre Nationale d'Etudes et d'Analyses pour la Planification (CENEAP), 1991, p 131

Libya and Mauritania have always occupied a marginal position in inter-Maghreb trade. With its departure from the CPCM in 1970, Libya's trade with Algeria, Tunisia and Morocco fell to only 2 to 3 per cent of its total trade. Mauritania's low trade with the Maghreb region partly stems from its traditional trade linkages with sub-Saharan Africa, whereas Libya has traditionally traded with the eastern Arab world. Despite signing agreements in 1964 with Tunisia to exempt its exports from customs duties and in 1970 and 1973 with Morocco and Algeria respectively, exempting a list of products from all customs duties, Mauritania still did not register significant trade with these countries.[227] In 1982, Algeria and Tunisia ratified a convention to create an Arab Maghreb Cooperation Bank that was never established. In 1983, Tunisia and Libya embarked on a process to create a joint bank, which was also never established.

Throughout this period, France remained the principal supplier and client of Tunisia, Morocco and Algeria. Although they attempted to diversify their export markets, these were still concentrated in the EEC. This weakened the potential for intra-Maghreb trade. A further characteristic of trade in the region was its bilateral nature – every country only traded with its direct neighbours, for example Morocco traded mainly with Algeria, and Tunisia with Libya. The latter two countries maintained the most stable and significant trade relationship during this period.[228]

Structurally, trade between the Maghreb and Europe resembled the core-periphery relationship characterising trade patterns between first and third world countries at the time. That is, Maghreb countries exchanged primary mining or agricultural products for manufactured goods from Europe. They also imported food products from Europe, as agricultural production did not satisfy local consumption demand. In Tunisia and Morocco, manufactured imports consisted mainly of capital, and then consumption goods.[229] Libyan and Algerian export products were the least diversified: in the late 1960s, 99.9 per cent of all Libyan exports consisted of petroleum and 95 per cent of all Algerian exports consisted of hydrocarbon products. Tunisia and Morocco boasted a more diversified export base, although the majority of export products was still concentrated on a few sectors. Of Moroccan exports, 69 per cent consisted of the following products: phosphates, citrus fruit, vegetables, non-ferrous minerals and fish conserves, and of Tunisian exports, 65 per cent consisted of phosphates, petroleum, olive oil, wine and citrus products. The similar nature of their export production partly explained the lack of trade among countries in the region.[230]

Hardly any complementarity existed in the mineral sector. Also, despite the potential complementarities that existed between Morocco and Tunisia as an agriculture and phosphate producing bloc and Algeria and Libya as a hydrocarbon-producing bloc, intra-regional trade still remained below 3 per cent of the total trade. Although Morocco imported petroleum from Algeria, its major provider was the Soviet Union.[231] While Algeria imported coal from Morocco and phosphates from Tunisia, and the latter imported phosphate fertilisers from Morocco and exported most of its primary products to Libya and Algeria, Libya did not import

[227] Santucci, *op.cit* p 168
[228] A Benyoussef, 'Recherches des fondements économiques de l'integration au Maghreb', in *L'unité Maghrébines: dimensions et perspectives*, Editions du Centre Nationale de la Rechreche Scientifique, Paris, 1972, p 66
[229] Ibid.
[230] There were some possibilities of complementary trade between Maghreb countries: Tunisia, for example, exports animal products and olive oil, and Morocco dry vegetables to Libya, while Algeria imported agricultural products from its neighbours, Morocco and Tunisia
[231] See Benyoussef, *op.cit*, p 66, for the 1967 trade figures

any phosphates from its neighbours. Manufactured products, such as textiles and light industrial products, however, were traded in greater measure among Maghreb countries. Libya hardly exported to the Maghreb – it only sold petroleum in small quantities to its neighbours. Few products, such as petroleum, were traded regularly between the Maghreb countries, the rest was sporadic and in small quantities.

Other reasons why intra-regional trade remained at such as low level include the difficulty of establishing common rules of origin; infant industry protection in all of the Maghreb countries; failure to harmonise customs policies; and the lack of industrial policy harmonisation in the steel, glass and assembly industries.[232] In addition, the mobility of labour among Maghreb countries was constrained, not only by non-homogenous national labour legislation, but also by the instability of regional political relations. For example, Algeria and Morocco mutually expelled all workers during the Western Saharan conflict, and Libya expelled all Tunisian and Mauritanian workers in 1985, partly as a result of the Western Saharan conflict, but also because of economic difficulties.[233]

2.4 Government ideological projects

One of the most common obstacles faced by regional integration schemes throughout the developing world during the 1960s and 1970s, has been the reluctance of national governments to implement regional strategies to resolve national economic development problems. In addition to pursuing very different national development priorities, the Maghreb governments could not agree on the objectives or priorities of the regionalist project, despite agreeing on an economic charter for the region, reflected in the Protocol Agreement signed by the four states in 1964. In the text of the protocol, signatories expressed their willingness to prepare the 'conditions for industrial harmonisation' in the region. The post-independence national constitutions of Algeria, Morocco and Tunisia explicitly refer to regional cooperation as a political and economic priority of governments.[234]

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[232] Santucci, *op cit*, pp 150-1

[233] See Francois Burgat, 'Chroniques Libyennes', *Annuaire de L'Afrique du Nord*, 1985, p 604

[234] See Benyoussef, *op.cit.*, p 80

Maghreb states did agree on two strategies in their shared objective to reduce their dependence on industrialised countries for intermediary goods. Firstly, to raise agricultural productivity by developing domestic agricultural production and secondly, to import less consumer goods through import substitution industrialisation. These objectives and strategies reflected the economic development thinking throughout the third world at the time.

Prior to independence, Maghreb leaders viewed regional cooperation primarily as a means to counter French colonialism in Algeria and later as a counterweight to the EEC. Because of their initial emphasis on cultural-historical unifying factors, Maghreb leaders came to regard regionalism as a process of reconstructing some pre-existing state of unity (which can be contested on historical ground), instead of a process of constructing a new entity. They did eventually recognise that developmental regionalism needed to prioritise the economic and social development of Maghreb societies. However, this realisation was not reflected in the structures and strategies of regional integration pursued in the 1960s. Cooperation strategies were not based on local conditions and neither the political will nor the institutional capacity necessary to sustain the long process of regional integration existed. Political tensions between countries regularly interrupted what were essentially processes of economic and technical cooperation. For example, Tunisia and Morocco ceased all formal economic relations after Tunisia's diplomatic recognition of Mauritania in 1959, despite the claim of Morocco that regions of Mauritania formed an integral and historical part of its territory. Unfortunately, as was the case in most regional groupings among developing countries, the regional conscience existed mostly in reaction to bloc formation by developed countries – in this case the EEC. Economic integration among developed countries, however, was based on a high degree of internationalisation of production processes based on new corporate strategies and industrial and technological developments (see chapter one).

Algeria, on the one hand, viewed Maghreb regionalism as an anti-colonial and anti-imperialist project based on political consensus within the context of the Non-aligned Movement. Maghreb regional cooperation was but a step to African and Arab unity of a more revolutionary nature, and Algeria saw itself as the regional hegemon, which could use the Maghreb region for its own economic expansion. Tunisia and Morocco, on the other, viewed Maghreb regionalism more as a means of achieving cultural unity, following a gradualist approach through economic and technical cooperation without challenging status quo. They were less critical of France, the ex-coloniser or Western capital and believed that Maghreb cooperation should be situated within the framework of Euro-Maghreb cooperation.[235] In light of this, according to Bekhechi, part of the reason for the failure of the PCMM has been the difference between member states on whether to constitute a consolidated Maghreb region able to oppose the EU (Algeria), or a region complementary to the EU (Morocco and Tunisia).[236]

Algeria, in its emphasis on socialist economic development, and Islamic and Arab unity, politically had more in common with President Nasser of Egypt, than with the Moroccan and Tunisian regimes. Houari Boumédienne is on record describing Habib Bourguiba as a 'protegé of imperialism'.[237] The three core Maghreb states therefore attributed different meanings to democracy, socialism, non-alignment, and the modernisation of Islam. Algeria followed a centrally planned economic development model based on modernisation theory, applying it to Islam, and viewed its foreign policy role as that of the 'bastion of the revolutionaries'. The Moroccan monarchy, to the contrary, wanted to preserve the status quo and mistrusted the policies of nationalisation and cooperative self-management implemented in Algeria. It also followed a traditional interpretation of Islam and insisted on promoting Arab-Islamic values. The Tunisian regime also promoted modernisation, but through liberal values and respect for private property.

The strong personality cult that independence leaders – Habib Bourguiba, Mu'ammar Khaddafi, King Mohammed V and Houeri Boumédienne – had developed around their positions and personae has also constrained cooperation. Not only have they captured all political space in their respective states; regional political projects often revolved around their personal ambitions and regional and international role conceptions.[238] Jean-Claude Santucci captured this as follows: 'as long as states remain the necessary and privileged actors of Maghreb cooperation,

[235] Habib Bourguiba had even proposed the creation of a Commonwealth of Francophone States
[236] See Abdelwahag Bekhechi, 'Le Maghreb: passé et perspectives. un point de vue Agérien', *Al Mayadine,* No 6, 1990, pp 23-32
[237] See Muzikar, *op cit* p 19
[238] This refers to Algeria projecting itself as a revolutionary role-player in the international arena while Morocco was part of the moderate faction within the OAU. The leaders of both countries displayed regional hegemonic tendencies, partly to legitimise their authoritarian rule.

due to their juridical monopoly in international affairs and their determining influence on political and economic policies, the content of Maghreb unity will carry the marks of profound antagonism between their [states'] respective social and national projects'.[239]

2.5 Regional institutions and projects

The limitations and obstacles experienced during the first institutional attempt at regional cooperation in the Maghreb echoed the experiences of regional cooperation schemes among newly independent developing states across the third world. There existed only minimum agreement on the objectives and signifi .ance of the regional project among the governments of Maghreb member states.

This partly explains the lack of concrete achievements by the numerous committees and commissions created to develop cooperation between Maghreb countries during the 1960s and 1970s. This situation could also be attributed to the weak juridical structures or regional bodies and their lack of capacity to enforce decisions made by the Conference of Economic Ministers. Not only did the achievements in specialised committees remain limited; the various commissions on trade and industrial relations could boast few concrete developments in the coordination of trade and industrial activities in the region. One of the reasons why member states could not negotiate a free trade area (FTA) or agree on harmonising their external customs tariffs was that they could not reach agreement on the products to be exempted from tariffs or on the rules of origin.

Although the PMCC was financially autonomous from its member states, and was endowed with its own juridical personality, its influence was limited and its status remained that of a research organ for the Maghreb governments. The juridical weakness of the PMCC and other regional institutions in many instances prevented concrete implementation of inter-governmental resolutions, agreements or decisions. Also, in the absence of a regional legally binding treaty, which would force states to institutionalise their relations and interactions, member states did not prioritise their regional obligations. The Conference of Ministers had

[239] Santucci, *op.cit.*, p 161

supreme veto over even technical decisions and projects. This type of decision-making process prevented the implementation of joint projects and integration schedules during times of political conflict between states. Also, the proposals of the numerous technical commissions and committees first had to be approved by the Conference of Ministers, which only made decisions by unanimity and met only seven times before the PMCC was disbanded. Therefore, not only did regional decisions remain at an inter-governmental level, and thus remained dependent on political relations among states, instead of a supra-national culture developing, but these decisions were hardly incorporated into the domestic legal regimes of member states. Member states, if they had the political will, could have made recourse to more rapid, flexible, and efficient procedures frequently used in international economic and social law, which would allow for a 'variable geometry' or implementation of projects at a different speed, among different states. But, despite the professed commitment to the promotion of regional 'unity' in the constitutions of Morocco, Algeria and Tunisia, the late 1970s and early 1980s witnessed a total lack of political will to find solutions to socio-economic and political problems within a regional framework.

Transport and telecommunications cooperation has been a central area of Maghreb regional cooperation since the 1960s. However, it has remained bilateral, rather than multilateral in nature. At the time of the establishment of the Arab Maghreb Union in 1989, no regional institutions have been put into place to coordinate transport networks. Despite this, it was in the transport sector that the most tangible results from regional cooperation have been achieved. In the area of air transport, by the 1980s, a Maghreb air company has been established, national air companies have concluded agreements to create common revenue pools, and they were cooperating in training. A Maghreb coastal railway line was constructed to link the main ports, and joint studies have been commissioned to examine the possibilities of harmonised legislation and joint external representation of Maghreb railway companies. Many rail transport conventions were concluded on the reciprocal use of rolling stock and containers, and the joint management of railway stations and sections of railway lines in border areas. Compensation schemes were created, as well as a Trans-Maghreb Express line between Casablanca, Algiers and Tunis.[240] In the area of post and telecommunications cooperation, the most important

[240] Santucci, *op.cit.* p 149

achievement has been the establishment of telephonic lines betwe the capitals of Mauritania, Morocco, Algeria and Tunisia. These countries also negotiated jointly for preferential rates for their air mail, reduced postal rates, and the elimination of tax zones.

2.6 Balance of power

The numerous border conflicts between the newly independent states of the Maghreb have been at the root of the slow pace and, between 1975 and 1982, the standstill of regional cooperation efforts. In the absence of border conflicts, border areas could have become the catalysts for institutional cooperation by serving as areas for joint production ventures, thereby reducing the frequent incidences of political tension. For example, Tunisia was the only Maghreb country to vote for independence of the Mauritanian territory in 1960. This put it at loggerheads with Morocco, who made historical claim to parts of Mauritania, and only recognised Mauritania as an independent sovereign state in 1969.[241] However, disputed border areas remained highly contentious and politically volatile. One reason why governments or the PMCC and specialised commissions never seriously explored the establishment of border industries, was the arbitrary nature of some borders, which in many cases caused an unequal concentration of natural resources among respective states of the region, resulting in conflict.

These conflicts and the impasse created by Spain's withdrawal from the Western Sahara in 1976 reinforced the existing balance of power in the Maghreb, which has until then been maintained through a series of bilateral cooperation treaties, but evolved into alliance blocs in the 1980s (see chapter three). William Zartman has noted that states will not see any benefit to regional cooperation until their sovereignty has been well established and their regional positions have been consolidated. In his view, the political landscape that would most likely lead to regional cooperation, especially among newly independent states, is that of a fluid balance of power where no single country dominates the region.[242] This partly explains why the pattern of bilateral treaties and alliance formation following in the wake of the Western Saharan crisis, paved the way for the signing of the Treaty of Marrakech in 1989.

[241] In 1970, Morocco concluded an agreement of solidarity, good neighbourliness and economic cooperation with Mauritania.

Already during the 1960s, bilateral cooperation coexisted with efforts at institutionalising multilateral regional cooperation in the Maghreb. About 27 agreements were concluded between Algeria and Morocco from 1963-70 in the areas of diplomacy, consular activities, administration, technical cooperation, post-and-telecommunications, justice, transport and agronomic research. Algeria and Tunisia have signed almost 40 agreements by the early 1980s. These consisted of, among others, economic and financial cooperation conventions in the areas of petroleum production, trade, transport, tourism and public health care. Apart from bilateral treaties on fishing and trade, Tunisia and Libya have also harmonised various economic activities, including joint enterprises in the areas of sea transport, the building industry, trade and specialised industrialisation. Tunisia, for example, provided Libya with labourers, craft workers and construction material, and undertook construction projects in Libya. The two countries actively created or explored complementarities and comparative advantages.[243] Tunisia and Morocco have signed eight conventions after they resolved the political tension over Tunisia's recognition of Mauritania. These were mostly agreements in cultural and technical areas, and in 1968 they established a joint chamber of commerce and several joint banks.

Since 1963, Libya and Morocco have signed 12 cooperation treaties in the social, economic and cultural fields. Their 1965 Convention on Labour gave Moroccan workers privileged access to the Libyan labour market. In 1969 alone, 12 agreements were signed between Algeria and Libya, especially to stimulate cooperation in the areas of hydrocarbon production, transport, tourism, technical and administrative cooperation and agronomic research. Both Algeria and Libya were internationally competitive in petroleum extraction and exporting. Coordination of policies in this sector assisted them in defending their interests against petroleum manufacturers from the rest of the world more effectively.

[242] See William Zartman, 'L'analyse politique du régionalisme', in Sadok Belaid and William Zartman (eds) *Les expériences d'intègration regionale dnas les pays du tiers monde*, CERP-CFMAT, Tunis, 1993, p 30
[243] Based on a 1968 reciprocal agreement on the provision of chemical fertilisers, Libya manufactured only fertilisers derived from ammonia, whereas Tunisia specialised in the manufacturing of phosphate-derived fertilisers.

However, the envisaged cooperation between Sonatrach[244] and Libytecho[245] in the areas of information, technical, and expert exchange, research, production and petroleum transport never resulted in anything other than established principles.[246]

Unfortunately, the above agreements had little, if any, impact on the geographical diversification of export markets and suppliers, or intra-Maghreb trade patterns. The EEC still dominated external trade in the region, whereas intra-regional trade was confined to bilateral exchanges – Morocco was exporting textiles to Algeria and the latter was exporting petroleum to Morocco; and Tunisia was exporting olive oil and textiles to Libya and sugar and fertilisers to Algeria. Bilateral agreements mostly resulted from complementary interests and capacities, and the convergence of consumer needs. In rare cases, neighbouring countries would attempt to solve border disputes through trade cooperation, on recommendation from the OAU. A case in point was the conclusion of a treaty in 1968 between Sonarem, the Algerian National Company for Mining Research and Exploration and the Moroccan Mining Research and Participation Office. This treaty granted a Moroccan firm the contract to treat Algerian zinc to facilitate mining production in a border area.

At the Non-aligned Movement Summit in 1973, the Tunisian president, Habib Bourguiba, based on his belief that close alliances would best serve Tunisia's interests in the region, proposed a confederation consisting of Algeria, Tunisia and Libya. This proposal led to the formation of a so-called Arab-Islamic Republic between Tunisia and Libya. At the same time, the Libyan leader was attempting to form alliances with various states in the region, including Egypt, as part of its incremental approach to Arab unity. Libya also laid claim to the northern part of Chad, which resulted in many military ventures into Chad starting in the early 1970s and continuing throughout the early 1980s. These military forays eventually caused the dissolution of the Tunisian-Libyan alliance. In 1970, in the wake of the conflict between Algeria and

[244] National Company for the Research, Production, Transport, Transformation and Commercialisation of Hydrocarbons, disbanded in 1980, and whose functions were divided among 12 companies, including Sonatrach.

[245] Until 1986 petroleum affairs in Libya were dealt with by the Secretariat of the General People's Committee for Petroleum. This body was in 1986 and sole responsibility for the administration of the petroleum industry passed to already existing national companies. Since 1973 the Libyan government has been entering into participation agreements with foreign oil companies (through production sharing (15-85%) agreements) and nationalising others.

[246] See Santucci *op. cit.* p 156-7

Morocco on the status of the Western Saharan territory and the unsuccessful attempt at cooperation between Libya and Tunisia, Algeria and Tunisia signed a cooperation treaty, which included political, economic, social, cultural, religious and juridical dimensions.

This pattern of bilateral treaties and alliances was to continue throughout the 1980s (see chapter three), providing a framework for the serious reconsideration of institutionalised regional cooperation by the end of the 1980s. Academics and politicians continue to debate the merits and demerits of bilateral patterns of cooperation as a building bloc or impediment to regional cooperation and eventually integration. In the regard, the Secretary General of the PMCC has noted that 'The Maghreb will not be constructed from a bilateral basis. If we had given priority to global negotiations and multilateral agreements, economic integration would have become a reality in the Maghreb and the Maghreb would have had a different face'.[247] While bilateralism may indeed impede or slow-down the imperatives for regional cooperation, in the Maghreb region it has also been a manifestation of the regional political landscape, which was not conducive to regional economic and political cooperation during the immediate post-independence period. Instead, bilateralism has lead to a regional balance of power that turned out to be conducive to regional cooperation. At the same time, bilateral inter-state alliances are insufficient to generate the critical mass necessary for a regional project to succeed.

Conclusion

During the immediate post-independence period, despite their efforts to institutionalise some form of regional cooperation, Maghreb states remained polarised both politically and economically. This was due to various factors, which included their continued individual dependence on the EEC for supplies, export markets, and financial assistance, as well as their divergent economic development strategies and prioritisation of national political consolidation.[248] Weak and unstable interest-based coalitions of socio-economic elites, the relative autonomy of political issues vis-à-vis social and economic matters, and the search for power and prestige by nationalist leaderships have also held back the regional project. During

[247] Quoted in Paul Balta, *Le Grand Maghreb, des indépendences à l'an 2000*, La Découverte, Paris, 1990, p 29
[248] See Santucci, 'Le Grand Maghreb Réactive: crise des états et idéologie de substitution' in *L'Annuaire d'Afrique du Nord*, Vol 23, 1983, p 405

the 1960s and 1970s, the newly independent Maghreb states experienced high economic growth based on their exploration of petroleum resources, in the case of Algeria and phosphates, in the case of Morocco and Tunisia. This enabled them to buy the political passivity of their populations.

During the 1980s, however, the legitimacy crisis of the post-colonial state was reinforced by reduced income from a contracting global economy and falling raw material. They were increasingly unable to respond to the needs of their citizens, which they have done until now through economic regulation, social transfers, the selective allocation of political resources, and ideological mobilisation. This would provide a fresh incentive for pursuing a regional social and economic space in the 1980s. These developments were also accompanied by the enlargement of the EEC in 1986, which led Maghreb leaders to re-evaluate the necessity for a common regional front, which would enable them to engage in a new discourse of 'partnership' with Europe from a stronger leverage.

Since the first meetings among Maghreb independence leaders, the regionalist project has been elite-driven and never captured much popular support. This was but a reflection of the internal political processes underway in respective Maghreb countries, which did not bode well for a participatory regional integration process. This also explains why tensions among political leaders were able to stall most regional cooperation processes, especially at the onset of the war in the Western Sahara, and compounded by the lack of a common developmental perspective among PMCC member states. More importantly, during the immediate post-independence years, the ideology of nationalism took precedence over that of developmentalism, both at a national and regional level. As in other regional groupings among developing countries, this was a fundamental constrain to entrenching deeper regional cooperation and integration.

The next chapter will explore changes in the global and regional environment, which led to a gradual revival of regionalism during the 1980s, and describe the nature of the regional project that has resulted from these developments.

CHAPTER THREE

The Arab Maghreb Union: rationale and structures

Introduction

This chapter will examine the evolution of regionalism in the Maghreb since the early 1980s, after the impasse brought about in 1976 by the conflict between Morocco and Algeria over the status of the Western Sahara, discussed in chapter two. The first section will examine the reasons for the revival of regionalism in the Maghreb from the early 1980s onwards. These are related to three main factors. Firstly, all Maghreb countries were beginning to experience serious economic crises. This was as a result of their failed development strategies, increasing food shortages, and an increasing debt burden, forcing them to borrow from international financial institutions on the condition that they implement economic structural adjustment programmes at high social and political cost. Secondly, undemocratic Maghreb regimes were faced with an increasing crisis of legitimacy, which assisted in fuelling the rise of Islamism, leading to a political crisis in the region. Thirdly, a new post-cold war global order, characterised by increasing capital mobility and trade, investment and information flows across national borders, as well as the spread of a 'new wave' of regionalism globally, spurred on a regional response from Maghreb countries.

The second section will trace developments in the Maghreb region leading up to the signing of the Treaty of Marrakech in 1989. These include the conclusion of various friendship and union treaties between Maghreb states, and the gradual rapprochement between Algeria and Morocco. The third section will examine the regional integration approach and institutions of the Arab Maghreb Union (AMU). This section will also trace the early evolution of the AMU through an examination of its summitry. The chapter will conclude by beginning to point out some reasons for the lack of progress in the implementation of regional treaties, agreements and projects, and how this related to the nature of the political and economic regimes of Maghreb states. This will be the topic of chapter four.

1. Why a revival of regionalism in the Maghreb?

Paul Balta has attributed the revival of regionalism from the mid-1980s in the Maghreb to several factors. These include the evolution of Maghreb nationalism, the psychological and political evolution of Maghreb heads of state, Islamic revivalism in the region, the world economic crisis, the crisis of the nation-state in the Maghreb, a realisation of common developmental crises, and the 'threat' posed by the prospect of European unification.[249] This section will discuss these factors under three main headings: the economic crisis in the Maghreb, the political crisis in the region, and a new emerging global order.

1.1 Economic crisis

1.1.1 Failure of economic development strategies

The structural economic crisis facing Maghreb states by the end of the 1980s was one of the principal reasons for the renewed interest shown by the Mahgreb political elite in regional cooperation. A major reason for this crisis was the failure of the economic development strategies pursued by Maghreb countries since independence to sustain economic growth and domestic welfare distribution. These strategies differed among the Maghreb countries. In both Tunisia and Morocco, import substitution industrialisation (ISI) had failed to diversify production, secure food self-sufficiency, capture export markets or significantly raise the level of human development.[250]

In 1972, the Tunisian government had already started to encourage privatisation and export promotion, particularly in the textile and chemical industry, after a period of implementing an ISI development strategy. This shift has benefited the Tunisian economy in many ways. Tunisia's external debt, for example, has never exceeded 75 per cent of gross domestic product (GDP) and in 1994 it was only 49 per cent of GDP.

[249] For more detail see Paul Balta, *Le Grand Maghreb: des indépendences à l'an 2000*, La Découverte, Paris, 1990, pp 236-244

[250] For more detail on these strategies and their outcome see Larbi Jaidi, 'Etat nation et intégration économique arabe: vers un nouvel éspace regional', *Annuaire de l'Afrique du Nord*, Volume 26, 1987

Its debt-service ratio has averaged 15 to 30 per cent a year and it has always boasted the highest credit rating in the Maghreb – an indication of investor confidence in the economy.[251] Despite this, however, due to diminishing government revenue from petroleum exports, in part the result of declining terms of trade (see below), the Tunisian economy started to stagnate during the first half of the 1980s. Real economic growth fell by 3 per cent a year. After the quiet *coup d'état* in 1987, the new president, Ben Ali, instituted an economic reform programme based on three pillars: the liberalisation of imports, privatisation of the textile, transport, tourism, merchandise and chemical industries, and the convertibility of the dinar.[252] This was met with much opposition by the trade union movement in Tunisia, which viewed privatisation as an anti-development measure.[253]

Although the private sector has always been allowed to operate freely, the public sector in Morocco has been largely responsible for stimulating economic growth. Despite embarking on an export-oriented industrialisation strategy in 1983, as advised by the World Bank, concentrating on manufactured exports such as foods, textiles, leathers and chemicals, almost ten years later the state was still the largest investor and client in the economy. Morocco's export industrialisation strategy also showed limited results. This was due to the growing dependence of the manufacturing sector on an external supply of primary and intermediary goods; the weak beneficiation of primary exports; the narrow internal market; the uncertainty of external markets; and the limited employment opportunities provided by this strategy. In addition, since the drought of 1982, agricultural production has lowered steadily, increasing domestic food insecurity.

The self-reliant development strategy followed by Algeria differed from the inward-oriented industrialisation strategies followed by Morocco and Tunisia. Unlike Morocco and Tunisia, the Algerian economy was highly dependent on the primary export sector, which fuelled its industrialisation strategy and created an import capacity, and unlike Morocco and Tunisia, the Algerian economy did not produce for

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[251] See *L'Economiste Maghrébin*, No 95, 1994, p 18

[252] Larbi Chouika and Kamel Labidi, 'La Tunisie sans filet dans le grand jeu de la libéraliation économique', *Maghreb Digest*, July 1993, p 26

[253] Ibid.

the local market.[254] Self-reliant development or state capital accumulation in Algeria has failed mainly because of the institution of state monopoly over all trade, banking and industrial investment activities. The Algerian government's industrial strategy has focused only on the development of heavy steel and petroleum-based, mechanical and import-substitution industries. The country has thus become a mono-exporter of petroleum, with no integration between this enclave sector and other upstream or downstream sectors of the Algerian economy. Also, due to technical innovations in the North, Algerian cheap labour had lost its comparative advantage in the petroleum export sector.[255] The focus on heavy industry has also led to the creation of surplus capacity and increasing debt behind high tariff walls. Between 1965 and 1980 the Algerian government was able to finance its ambitious heavy industrial investment programme, focused on the gas and petroleum sector, only through external borrowing, as well as income from petroleum exports. This dependency on a single primary export product was to lead to an economic crisis, due to the fall of primary commodities on international markets in the 1980s.

The Libyan economy shifted from an agro-pastoral to a rentier economy after the discovery of oil in 1949. Libya is a member of the Oil-Producing Exporting Countries (OPEC). Its oil income rose dramatically after 1973, when OPEC member states unilaterally raised the price of oil, which had lead to 'Dutch disease' in the economy.[256] The Khadaffi government has never followed a coherent industrialisation strategy and productive activity in the Libyan economy remained dependent on non-productive rent-income from oil, with steel, petrochemical and agricultural manufacturing only recording about 1 per cent of GDP.[257] This has led to strong distortions between the petroleum sector and the non-petroleum sectors, with growth dependent on capital accumulation by the state.

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[254] Larbi Talha, 'Accumulation et crises dans les économies maghrébines: l'apport de l'approche régulationniste', *Annales Marocaines d'Economie*, No 8, 1994, pp 48-51

[255] See Abdelmadjid Bouzidi, 'Industries et politiques industrielles au Maghreb', in *Panoramas des Economies Maghrébines Contemporaines*, 1991, p 43

[256] For more detail see Larbi Talha, *op.cit.*, pp 48-51

[257] See Larbi Jaidi, *op.cit.*, p 65

From 1979 onwards, the new Mauritanian government has started to encourage the development of the private sector. The fishing sector is the most dynamic export industry and has always been the largest contributor to GDP. Before 1978, the accumulation regime was that of state transfers and cross subsidising between various sectors of the economy. Mauritania has been a partner to the Lomé Convention since 1975, and in this framework it has been receiving development assistance from the European Economic Community (EEC), amongst others to develop its iron-ore industry, and provide favourable access for its fishing exports to the European market.[258]

Maghreb countries had experienced sustained growth until the mid-1980s, when the debt crisis and subsequent economic structural adjustment programmes (see below) led them to adopt a new accumulation regime based on export promotion strategies, leading. Their economic welfare therefore became increasingly dependent on international markets, leading to the emergence of a new transnational 'managerial' class.[259] Concomitant to this development, Maghreb economies have also became increasingly marginalised in the global economy, attracting very little of the mobile transnational capital flows, and contributing less than 0.5 per cent to total world trade.

Mining production in the region has always been dependent on price fluctuations and demand on international markets, and the industrial sector on price fluctuations of intermediary goods imports. In Morocco, Algeria and Tunisia, industries were mostly concentrated around coastal cities developed by the French government during its colonial rule, whereas the interior of the countries remained underdeveloped, conforming to Arthur Lewis' classic 'dual' economy model (see chapter one).[260] Maghreb economies thus operated at three different speeds: an export-oriented economy, an increasingly stagnating economy producing for the internal market and a rapidly growing informal economy, contributing an average of about 40-60 per cent of

[258] Mauritania has been borrowing from the European Investment Bank to improve the productivity of its iron-treatment installations. See *IEA*, No 175, February 1988, pp 23-24.
[259] See Ait Amara and Ben Hammouda, 'L'Union du Maghreb: éspace d'échanges ou de production' in *Revue Tunisienne d'Economie*, No 3-4, 1993, p 45
[260] For more detail see Aziz Tajina, 'La récherche d'unité maghrébine', *Cahiers de CERES, Actes Ddu Colloque: Perspectives et Etapes de la Construction du Maghreb*, No 14, 1989, pp 248-254

gross national product (GNP).[261] The next chapter will explore how the informal economy remained the real locus of regional integration, particularly in border zones where labour and smuggled goods circulated freely.

1.1.2 Unequal relations with Europe

The accession of Spain and Greece to the European Economic Community in 1986 fuelled the concern of Maghreb leaders and economists that the region's dependence on Europe would increase, spurring new thinking about regional political and economic cooperation. As Tunisia and Morocco in particular produced the same export goods as the new EEC members, such as citrus products, olive oil, and textile products, they feared the loss of European market share for their goods. They came to view this as a development toward a 'fortress Europe', which also threatened to increase control over immigrants from Maghreb countries into Europe, thus diminishing a major source of income from remittances. Producers in the new EEC member countries also initiated more anti-dumping actions against cheap Maghreb agricultural exports than before, and after 1989, the EEC started diverting more development finance to eastern Europe.[262] By 1989, 10 per cent of the EEC's external trade was conducted with eastern Europe, compared to 1.5 per cent with the Maghreb.[263] The EEC has also started to disburse more financial aid to the new EEC member states in southern Europe, which led to a similar fear as with eastern Europe that this will influence its financial disbursements to Maghreb countries.[264]

Faced with the enlargement of the EEC, the Maghreb countries had two options: one was to continue their historical trade pattern with the EEC as individual countries. The other was to integrate the economies and polity of the Maghreb and to negotiate

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[261] Ibid.
[262] Keith Sutton and Ahmed Agrout, 'Regional economic union in the Maghreb', *The Journal of Modern African Studies*, Volume 28(1), pp 129-132
[263] Mostafa Rhomari, 'L'Union du Maghreb Arabe: édification d'un éspace commercial et financier', *Revue Internationale des Sciences Administratives*, No 4, 1991, pp 678-706
[264] See Saad Amrani and Najib Lairini, 'Le Maghreb deans le systeme regional et international: crises et mutations', *Etudes Internationales*, Volume 22 (2), p 356

collectively for a global agreement between the two regional entities.[265] In this regard, the Tunisian and Moroccan regimes viewed a 'unified' Maghreb as a 'necessary and natural' complement to the EEC, which could promote solidarity between northern and southern Mediterranean countries.[266] Bu the Tunisian regime, in particular, also believed that it would be adversely affected by EEC enlargement and hoped to become self-sufficient by increasing importing products from and exporting products to the Maghreb region. This was part of a growing realisation in the region that they need joint strategies and policies to enhance production capacity and food self-sufficiency. The enlargement of the EEC has therefore led Maghreb states to re-evaluate their economic base and the need to exploit their complementarities. As a parallel strategy, Tunisian leaders also advocated more cooperation with entities such as the Arab Cooperation Council and the Gulf Cooperation Council[267].

1.13 Debt crisis

Prices for commodities such as oil, and minerals such as phosphates started falling in the early 1970s, partly due to the stagnation of the Organisation for Economic Cooperation and Development (OECD) economies during this period. In Maghreb economies, domestic savings and the income from exports were insufficient to finance new investment outlays or food and consumer goods, forcing governments to resort increasingly to borrowing from commercial creditors based on then favourable international demand and prices for primary commodities. The appreciation of the dollar caused the real cost of debt servicing to increase at the beginning of the 1980s. Coupled with a rise in interest rates and inflation, a further fall in world commodity prices in the mid-1980s and their inefficient use of capital, Maghreb countries were forced to reschedule their debt.

The back-to-back economic recessions in Western countries in 1980 and again in 1982, as well as the establishment of new production facilities elsewhere in the world,

[265] El Hassane Hzaine, 'Les échanges commerciaux inter-Magrébins: un nouveau plaidoyer pour éradiquer les goulots d'étrangelement', in *Annuaire Économique du Maghreb*, 1994, p 67
[266] See Jean-Claude Santucci, *op.cit.*, pp 408-415
[267] See *Le Libéral*, February 1990, p 11

have caused a decline in the demand for hydrocarbon, and other primary exports from the Maghreb countries. This was driving down prices of Maghreb exports.[268] Due to the drastic rise in interests rates debtor countries found it increasingly expensive to turn over and service their debt.

New lending did not keep pace with the growing principal debt and interest payment on accumulated debt, leading to large arrears in payments to official and private creditors. This inhibited new commitments from private creditors in particular, thus increasing borrowing from multilateral creditors. The cost of the Western Sahara war, climatic factors and the depreciation of phosphate and oil prices -- leading to a deterioration of the terms of trade and higher prices for food imports -- all contributed to this unsustainable situation, which made productive investment impossible. Low production performance and the lack of export diversification have led to a situation where economies could no longer satisfy internal consumption needs.[269]

Between 1973 and 1988, the ratio of debt to GDP has grown from 19.4 per cent to 24 per cent in Algeria, 18.3 per cent to 100.3 per cent in Morocco, but has declined 40 per cent in Tunisia. By 1987, Morocco's total debt equalled 132 per cent of GNP, Algeria's 35 per cent and Tunisia's 75 per cent.[270] In 1988, the debt-service ratio for Algeria was 33.3 per cent, 15.3 per cent for Morocco and 27 per cent for Tunisia.[271] As a result, Maghreb governments were faced with a decrease in revenue, an increasing debt-servicing burden and thus a decline in resources to provide for the basic needs of their citizens. Due to reduced exports, imports dropped and so did domestic investments. Austerity measures in Libya and Gulf countries after the fall in oil prices also reduced the traditional remittances from these countries to the

[268] The fall in commodity prices was to continue in the 1990s. In 1993, the price of phosphate rock fell by 10.6 per cent, and has not yet recovered by the late 1990s. Crude petroleum fell by 11.4 per cent in 1993, and a further 4.1 per cent in 1994 and iron ore fell by 20 per cent in 1993/4. See United Nations Conference on Trade and Development, *Trade and Development Report 1996*, p 7
[269] See Mohsen Toumi, 'Des dévloppement égo-centrés au developpement solidaire', B Kadmani Darwish and M Chartouni Dubarry (eds), *Maghreb: les années de transition*, Masson, Paris, 1991, pp 155-167
[270] See A Robana, 'Changes in the global economic environment and their impact on Algeria, Djibouti, Egypt, Libya, Morocco, Somalia, Sudan, and Tunisia', *Finances et Développement au Maghreb*, No 6, Janaury 1990, pp 14-20
[271] Hédi Mechri, 'Marché Commun Maghreb: le déclic', *IEA*, 1988, p 21

Maghreb.[272] Table one gives an overview of the evolution of the debt crisis in Maghreb countries from the 1970s to the end of the 1980s.

Table 1: External debt of Maghreb countries

		Algeria	Libya	Morocco	Mauritania	Tunisia
US$	1970	937		711	27	541
million	1984	12052	3200 (1985)	10169	1111	3707
	1988	23200	2900	19700	1450	7700
Debt/GDP	1985	35%		120%	174%	46%
	1988	35%	14.5%	90%		57%
Debt per capita (1988, US$)		978.9	725	836.5	783.7	1000
Debt	1985	36%	7%	37%		21.6%
service ratio	1988	40% (1987)	11%	36%(1987)	60%	86.4% (1987)

Source: Mohsen Toumi, 'Des dévloppements "égo-centrés" au dévloppement solidaire', in B Kadmani-Darwish and M Chartouni Dubarry, *Maghreb, les années de transition,* Collection Enjeux Internationaux, IFRI, Masson, Paris, 1990, p 161

Algeria, Morocco and Tunisia had to resort to borrowing from the World Bank to continue servicing their escalating debt. As a condition for these loans, the World Bank insisted that they follow prescribed macro-economic reform programmes.[273] These structural adjustment programmes aimed at restoring macro-economic balance in debt-ridden economies, mainly through monetarist policy prescriptions. World Bank economic policy prescriptions included shifting to export-oriented industrialisation, currency devaluation, introducing flexible exchange rates, reducing the balance of payment deficit, increasing GDP per capita growth, liberalising foreign investment, making currencies convertible, introducing fiscal and bank reforms,

[272] Robana, *op.cit.*, pp 14-20

privatising state-owned enterprises and liberalising prices. In Morocco and Tunisia, the World Bank insisted on tax reforms to raise government revenue, price reforms mainly by cutting basic food and services subsidies, tariff reduction measures, and the restructuring of the financial and public sectors.[274] Morocco embarked on a structural adjustment programme in 1983, Tunisia in 1986, and Algeria followed suit in 1990.[275]

Because of its high trade deficit, and therefore its inability to service its dollar-denominated debt, the Tunisian government had to start borrowing from international financial institutions, bilateral creditors and commercial banks at high interest rates. A fall in the value of the Tunisian dinar had caused its external debt to rise to 47 per cent of GNP in 1982. Between 1980 and 1986, Tunisia's debt-service ratio doubled from 14 to 28 per cent.[276] In 1984, bread riots broke out throughout the country due to the increase in cost of living and the lowering of bread subsidies. In 1986, Tunisia took a loan from the World Bank and had to embark on an International Monetary Fund (IMF) and World Bank-prescribed economic structural adjustment programme. This led to the lowering of maximum customs duties and non-tariff barriers to imports, the phasing out of industrial and agricultural price controls, fiscal reform and the privatisation or rationalisation of state-owned enterprises. But borrowing from the IMF and World Bank did not succeed in reducing the country's external debt levels. They continued to rise due to a massive hike in energy and food prices, and were sustained by the fall in phosphate prices and a sharp decline in the remittances from emigrant workers.

Due to the sudden and massive rise in world oil prices in 1973 and 1979, the Moroccan economy continued registering a balance of payments deficit and the government had to borrow from various international creditors to cover its oil imports. It started borrowing heavily since 1978. As a result of the rise in the value of the dollar in the early 1980s, it could not service this debt any more and had to resort to

[273] For more detail see Dirk Van der Walle and K Pfeifer, 'North Africa as a peripheral economic region: development and reform', Dirk Vandewalle (ed), *North Africa: development and reform in a changing global economy*, Macmillan Press, London, 1996
[274] A Robana, *op.cit.*, pp 14-20
[275] See Zakaya Daoud, 'La création de l'Union du Maghreb Arabe', in *Monde Arabe Maghreb Machrek*, No 124, 1989, p 34

lending from the World Bank in 1983, on condition that it followed a World Bank prescribed economic structural adjustment programme. Subsequent economic reforms included, amongst others, the lowering of customs duties and import controls, and simplification of administrative formalities and license acquisitions. In 1985 the maximum tariff was 200 per cent, under several structural adjustment programmes by 1995 this has been lowered to 35 p[illegible]t, partly as a result of the Uruguay Round of General Agreement on Tariffs and Trade (GATT) negotiations.[277] Between 1987 and 1993 the government had privatised 113 state-owned enterprises and by 1990, price rises, cuts in social programmes, privatisation of previously state-owned-enterprises and off-shore banking facilities were already under way in Morocco.[278]

Algeria's GDP fell by a staggering 3.4 per cent after the 1986 oil crisis, when the price of a barrel of oil dropped from US$28 to US$12. The terms of trade both in Algeria and Libya dropped by 40 per cent as hydrocarbons constituted respectively 97 per cent and 99 per cent of their exports[279]. By 1988, 22 per cent of the population was unemployed and the imports of consumer goods had risen by 10 per cent. As a result, the budget deficit increased, leading the government to increase money supply, thus fuelling inflation. Unemployment escalated and particularly the middle classes experienced a rapid deterioration in their quality of life. Consumption dropped due to the loss of purchasing power and in Algeria shantytow[illegible] were multiplying due to a lack of adequate government-subsidised housing.[280] This was worsened by the increased cost of the Western Saharan war and food imports after several recurring droughts.[281]

Coupled with the underdevelopment of the agricultural and industrial sectors, mismanagement of state-owned enterprises, its mono-petroleum export economy, the dependency of the industrial sector on imported goods, and food dependency, its debt

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[276] See 'Le Maghreb à l'heure des reformes' in *Enjeux*, no 33, October 1991, p 15
[277] The outcome of these negotiations was an average reduction of world tariffs for industrial goods to 3.6 per cent. In 1987, the Moroccan government signed the General Agreement of Tariffs and Trade (GATT) and started to reduce price controls, depreciate the currency and embarked on fiscal reforms.
[278] Enjeux, *p.cit,*, p 15
[279] See national accounts for percentage of exports
[280] See Zakya Daoud, 'La frustration des classes moyennes au Maghreb', *MD*, November 1991, pp

crisis led to discussions between the Algerian government and the IMF on rescheduling measures since 1987. The government and the IMF finally agreed to a partial credit facility, on condition that the Algerian government commits itself to an economic reform programme. Since 1988, it started implementing the classical reform measures of a World Bank-prescribed structural adjustment programme. This included the devaluation of the dinar, price liberalisatino, reduction and then abolition of basic food and services subsidies, reduction of state expenditure (amongst others by placing a moratorium on hirign public officials since 1992).[282] This reform programme has also led to the reform of the price and banking system and a shift to private enterprise and foreign investment promotion.[283] Algeria took its first major loan from the emergency loan facility of the IMF in 1990. In turn, it had to devaluate its currency, lift price controls and privatise state-owned enterprises and agricultural land. After the adoption of the 1989 constitution, Algeria also started refocusing its economic strategy on the development of small and medium enterprises instead of heavy industry and the promotion of the private sector and joint ventures with foreign partners.

In Mauritania, although agricultural output grew during the 1970s, food production stagnated and the industrial growth rate slumped to 4 per cent a year. By 1984, due to heavy droughts and a subsequent fall in cereal output from 120 000 tonnes to about 20 000 tonnes a year, borrowing has increased to finance imports. By 1984, the level of Mauritania's foreign debt had reached more than twice the size of GNP (US$1.5bn compared with US$600m). In 1983 the government declared Mauritania a disaster area and appealed for assistance from the international community for assistance. This led to negotiations with the IMF in 1985 for a loan to restore the balance of payments on condition that the government undertakes a series of reforms under the IMF Programme for Economic and Financial Adjustment. In contrast with the priorities of the Mauritanian government's previous development plan, which focused

[281] For more detail see André Valmont, 'Le Grand Maghreb: une communauté économique en devenir', *Al Mayadine*, No 6, 1990, pp 178-179
[282] See Abdelkader Taibouni, ''Reformes economiques et ajustement structurel en Algerie', *Alternatives Sud*, Volume 2(3), 1995, pp 87-8
[283] See 'Le Maghreb à l'heure des reformes', in *Enjeux*, No 33, Oct 1991, pp 14

on mines and infrastructure, the new reforms focused on rural development and investment in productive sectors.[284]

By 1990, Morocco owed 106 per cent of GNP, Algeria 48 per cent, Tunisia 70 per cent, and Mauritania a staggering 224 per cent of GNP to commercial banks, governments and multilateral institutions. The debts of particularly Morocco and Mauritania were unsustainable. During the 1990s, Algeria's debt service rose to 80 per cent due to the shorter maturity periods of its loans and Morocco's debt-service ratio rose to 30 per cent in 1994 making it the heaviest indebted country in the Maghreb. A regional debt management strategy to negotiate debt reductions, swaps and cancellation at more favourable terms with creditors would have greatly increased their leverage in this regard and the savings could have increased budgetary resources for social services and other developmental needs.

Structural adjustment programmes were accompanied by a high social and political cost to Maghreb countries. The required cuts in social subsidies led to a rise in poverty, unemployment and the increasing inadequacy of social and education programmes in all four Maghreb countries. Due to cuts in public expenditure, education standards were falling and public health care became inaccessible to the poor. In Algeria, the purchasing power of the general population, and in particular lower income groups, deteriorated drastically, while speculative and informal economic activity increased. The prices of food, consumer goods and public services have risen drastically since 1988, which have had a negative impact on general nutrition levels, health care, and lower school attendance, especially in rural areas. Even the middle and professional classes saw their purchasing power decrease, and by the end of the 1980s, only about 8 per cent of the Algerian population was not impoverished.[285]

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[284] See David Seddon, 'The political economy of Mauritania: an introduction', in *Review of African Political Economy*, No 68, pp 204-5

[285] For full details about the social impact of structural economic reforms in Algeria on health, education, housing, employment, purchasing power, and the agricultural sector, see Taibouni, *op.cit.*, pp 93-121

In Tunisia, the switch from import-substitution industrialisation to export-oriented industrialisation after 1970 has led to a decrease in unemployment. However, the 1986 structural adjustment programme has contributed to higher inflation, reduced purchasing power, and thus lower demand. Many service and production firms had to close down, contributing to rising unemployment. The rising cost of capital, due to the liberalisation of the money market and increases in interest rates, led to an orientation of economic activities to trade and services sectors, which were less labour-intensive, thus fuelling unemployment. Up to 75 000 workers were retrenched in the process of privatising state-owned enterprises, while foreign competition forced entrepreneurs to use more capital-intensive sophisticated technologies, thus further contributing to what has become 'chronic' unemployment in Tunisia.[286]

In 1981, 1984 and 1990 food riots took place in Morocco, in 1984 and 1987 in Tunisia and in 1988 and 1991 in Algeria, mainly due to cuts in basic government food subsidies as well as a massive loss of purchasing power by ordinary consumers. Between 1980 and 1991, the price of sugar, gas, flour and milk increased by 133 per cent in Morocco and by 400 per cent in Algeria.[287] This, in turn, has led to lower production and investment and therefore a rise in unemployment. In 1991, 20 per cent of the labour force in Algeria was unemployed.[288] These conditions fuelled support for opposition Islamist parties such as Ennahda in Tunisia and the Islamic Salvation Front in Algeria.

Morocco's debt rescheduling with the Paris Club in 1983, accompanied by structural economic reforms, had serious effects on the social fabric of the country. Salaries in the public service were blocked and a ceiling was placed on recruitment for the public service, there were drastic rises in the prices of basic goods and services, and public expenditure on housing, health and education dropped.[289] Not only has this led to

[286] See Ridga Bouia, 'Les effets du programme d'ajustement structurel sur l'emploi, la formation et l'emigration en Tunisie', *Alternatives Sud*, Volume 2(3), 1995, pp142-3
[287] Mohammed Benlachem Tlemçani, *op.cit.*, pp 355-364
[288] Zakaya Daoud, 'L'économie du Maghreb en difficulté', *MD*, June 1991, pp?
[289] See Mohamed Benlahcen Tlemcani, 'Bilan de la politique d'ajustement et son impact sur les secteurs sociaux et l'emploi au Maroc', *Alternatives Sud*, Volume 2(3), 1995, p 173

lower school attendance in rural areas, but also lower quality public health care, and an increase in unemployment from 10.2 per cent in 1982 to 20.6 per cent in 1990.[290]

Since 1988, Mauritania has been involved in programmes to mitigate the social effects of structural adjustment through a facility funded by the World Bank, African Development Bank and the United Nations Development Programme. However, this programme proved unsuccessful in limiting the growing unemployment and deteriorating living conditions of a substantial portion of the Mauritanian population. As in other Maghreb countries, cuts in public social expenditure affected especially the impoverished urban population (which grew during the 1980s as a result of a rural exodus spurred by the struggle for survival in rural areas). Wage freezes, job losses, especially in the public sector, higher energy and utility charges, and an increase in the cost of living (due to cuts in basic subsidies) all contributed to a general impoverishment of Mauritanian society.[291]

The economic crises of the 1980s have seriously disrupted the social balance in Maghreb states, which they were able to maintain during the previous two decades of high commodity prices and economic growth through economic regulation, social transfers, selective allocation of political resources and ideological mobilisation. In all three core Maghreb states, rural and peripheral urban communities were suffering the most from the reduction of social transfers, as well as a 'cultural trauma' generated by the secular perspectives of elit-driven modernisation. This provided fertile ground for the rise in Islamism. Not only did World Bank structural adjustment programmes reduce the ability of states to address existing social and developmental challenges; it also compounded their 'crisis of legitimacy'. Under these circumstances, regionalism offered an 'ideology of substitution', enabling states to transmit to a regional level the responsibility for redressing social and economic imbalances caused in part by the adverse global environment.

[290] For more detail on the nature of the unemployment problem in Morocco see Tlemcani, *op.cit.*, p 193
[291] See David Seddon, *op.cit.*, p 205

A side result of structural adjustment programmes was the increasing convergence of economic policies in Maghreb countries, which all started following export-oriented industrialisation policies, embarked on privatisation drives and instituted monetarist fiscal reforms. This was very different from the 1960s and 1970s, when Algeria was following a self-reliant state capitalist development strategy while Morocco and Tunisia aimed at peripheral integration into the world economy, albeit under the guise of the state.

1.1.4 Food insecurity

Since independence, Maghreb governments have neglected agricultural development in their economic development strategies, placing disproportionate emphasis on the development of the industrial sector. Therefore, productivity in the agricultural sector has not matched that of other sectors of the economy due to a lack of mechanisation and modernisation and today, agricultural returns in the region are still below the international average. During the 1980s, the emphasis of structural adjustment programmes on export-oriented industrialisation has contributed to the food deficit in the region, since it encouraged food production mainly for export, to the detriment of local food needs. This was compounded by recurrent droughts, which led to a fall in agricultural production throughout the region. This decline was reflected in lower labour absorption and share of GDP of the agricultural sector during the 1980s.[292] Between 1981 and 1986, Algeria started importing 66 per cent of it cereals, Tunisia 45 per cent and Morocco, which used to be cereal-exporting country, 32 per cent.

The crisis in the agricultural sector was not only brought about by government neglect of this sector (especially in Algeria) but also by the rapid growth of the urban population concentrated in the coastal areas of Maghreb. Between the 1960s and the early 1990s, food production grew by an average of 2 to 2.5 per cent a year, while the

[292] In the 1960s, on average 62 per cent of the Moroccan, 56 per cent of the Tunisian and 67 per cent of the Algerian labour force was employed in the agricultural sector. By 1992, this has declined to 40 per cent and 25 per cent respectively. The share of the agricultural sector in GDP has declined from 23 per cent in Morocco, 24 per cent in Algeria and 16 per cent in Tunisia in the 1960s, to 18 per cent, 14 per cent and 12 per cent respectively by the 1990s. Mostafa Ouaraouach, 'L'agriculture Mghrébine face à l'Europe', in *Revue Marocaine de Droit et d'Economie du Développement*, No 27, 1192, p 35

demographic growth in the region averaged between 2.5 and 3 per cent a year. This partly accounted for the food deficit in the region. By 1991, Morocco imported 80 per cent, Algeria 25 per cent and Tunisia 50 per cent of all sugar, milk, meat and cereal consumed in their respective countries.[293]

If agricultural returns could be augmented by 50 per cent, the region would have been able to become 70 to 75 per cent self-sufficient in cereals. A 50 per cent rise in returns for export cultures (such as horticulture) would also have lead to an exportable surplus as well as food for local consumption. To achieve this, governments started realising that they needed to cooperate at a regional level to improve stockage and irrigation practices.

Compounding their food insecurity was the fact that Maghreb countries hardly traded in agricultural products. In 1991, for example, Morocco was the only country in the region that traded significantly with other Maghreb countries in agricultural products – 2.3 per cent of its total agricultural exports went to the region, mainly tomatoes, citrus and vegetables, imported by Algeria. Only 0.4 per cent of its total agricultural imports originated from other AMU member countries – mainly dates and flour from Tunisia. Although Morocco has always had the potential to become the 'breadbasket' of the Maghreb, by the end of the 1980s the country's agricultural production still could not meet its cereal needs, this despite the building of dams and the mechanisation of agriculture. Although about 40 per cent of the population were employed in the agricultural sector, illiteracy, small holding production, insufficient investment in the agricultural sector and climatic factors have lowered Morocco's ability to supply in its national demand for food.[294]

Despite mechanising its agricultural sector, by the early 1990s Mauritania still lacked the means to exploit its own fishing waters. In Algeria, agriculture has taken the back seat to heavy industrial development and the exploitation of crude petroleum and natural gas, although the government started reprioritising the development of the

[293] Ibid.
[294] Ibid.

agricultural sector in the 1990s. In Tunisia, local production of cereal has never met domestic need, although it is the fourth largest producer of olive oil in the world. After the discovery of oil in the 1950s, the Libyan regime shifted its focus from agriculture, which was the mainstay of the economy until then, to oil exploration.[295]

In 1994, only 2.6 per cent of the Algerian and Moroccan national budgets and 3.5 per cent of the Tunisian budget was allocated to food production policies. Algerian food dependency has increased four-fold between 1970 and 1992. In 1992, it imported 80 per cent of its staple food and by then it had become the largest food importer in the Maghreb. Morocco, which traditionally used to be a food exporter, was importing 20 per cent of its food stock in 1992. As a result of the structural adjustment programmes they were implementing, Tunisia and Morocco were forced to abandon food price controls and Algeria, in renegotiating its debt package with the World Bank, was only allowed to retain subsidies of bread and semolina[296]. Although food subsidies have discouraged local agricultural production in previous years, demographic growth has led to higher food consumption. Due to the new price system and a focus on export oriented industrialisation, less food was produced for local needs, thus augmenting the food import bills of all Maghreb countries.

The contraction of the European agricultural market and the falling of primary commodity prices on world markets necessitated the development of a regional Maghreb market for agricultural production and exports.[297] Maghreb countries could solve their food security crisis not only by regional-scale food storage and import strategies, but also by exploiting the comparative advantage between the various Maghreb countries in terms of agricultural production. Tunisia and Morocco, for example, could explore 'upstream' cooperation in agro-processing industries, as well as 'downstream' cooperation by following a common trade policy with major agricultural trading partners such as the EEC.[298] Faced with similar agricultural and

[295] Mohamed Chatou, 'The present and future of the Arab Maghreb Union', George Joffé (ed) *North Africa: nation, state and region*, Routledge, New York, 1993, p 98
[296] 'Un Maghrébin sur 5 sous le seuil de pauvreté', *IEA*, No 242, March 1994, pp 42-43
[297] See CENEAP, 'Les politiques agricoles de pays Maghrébins' in A Bouzidi (ed), *Panorama des économies Maghrebines contemporaines*, , CENEAP, 1991, pp 52-53
[298] See Abdeslam Seddiki, *Economie et Socialisme*, No 11, 1992, pp 17-24

food security problems, during the 1980s Maghreb governments increasingly started recognising the value of regional cooperation in these areas, for example, research on drought resistant cereal cultures, desertification, and the rational use of hydrolic resources.[299]

1.1.5 Benefits from regional cooperation

Their common experiences of weakening food security, receding growth rates, the unravelling of their social fabric (reflected in increasing unemployment, impoverishment, and social protests), and increasing marginalisation in the global economy, have contributed to the increasing regional consciousness of Maghreb leaders by the end of the 1980s.[300] Not only were leaders faced with an average of 30 per cent under-employment, inadequate political and administrative systems, and social unrest. They also shared economic problems such as indebtedness, less than 50 per cent food self-sufficiency and growing food deficits, fluctuations in commodity prices, recession in Europe and subsequent blocking of emigration outlets, and limited national markets. They also started realising that they have been duplicating industrial investment and that the vehicle industry, for example, could benefit from a joint industrial strategy within a large tariff-protected market.[301] There was also a growing realisation that public sector enterprises had become non-competitive, showing a failure of the development models followed since independence.

Maghreb countries boast significant deposits of petroleum, natural gas and phosphates, to which value could be added in a regional framework. It has been projected that by the year 2000, Algeria would be Europe's principal supplier of natural gas via the gas pipeline to Spain, while Morocco supplies 75 per cent of the world's phosphates. However to develop sectoral complementarities and add value to primary commodities would require large economies of scale, which pointed to the need for a regional industrial investment strategy. Labour costs in the Maghreb countries were cheaper than that of southern Europe and the joint exploitation of this

[299] See Benzaghou Mouradi, 'Un Maghreb plus concret', *IEA*, No 187, 1989, p 18
[300] Moncef Mahroug, 'Maghreb – mode d'emploi', *IEA*, No 178, May 1988, pp 22-24
[301] See Ahmed Agrout and Keith Sutton, *op.cit.*, pp 128-129

comparative advantage, Maghreb leaders hoped, might have motivated labour-intensive industries to relocate to the Maghreb, rather than southern or eastern Europe.[302]

A further argument in support of regional cooperation was that national markets in the Maghreb were too small for rapid and sustained economic growth, a prerequisite for sustainable development, and that individual markets also could not benefit sufficiently from new opportunities in the global market. For example, due to poor economies of scale, automobile unit costs in the Maghreb by the end of the 1980s were twice than that in France.[303] Another common structural problem was the non-diversification of primary product exports. In 1988, primary commodities constituted 97.5 per cent of Algerian, 52 per cent of Tunisian and 45.5 per cent of Moroccan exports.[304] A regionally integrated market could supply the necessary economies for scale for certain industrial sectors to become more competitive, and would also be more attractive for foreign investors.

Maghreb economic activity could grow significantly by producing for regional demand, but also by rising productivity and quality. By the end of the 1980s, Maghreb economies suffered from structurally weak productive systems; dependency on global markets for technological and intermediary goods; a weakly integrated industrial sector; and unproductive textile industries, which were dependent on subcontracting deals. Maghreb economies therefore did not have the capacity to integrate into the global economy. This has led to the argument that the best path to industrialisation would be first to industrialise to satisfy regional demand for food, clothing, housing, health, transport and household equipment, assuming that the purchasing power of regional consumers would rise sufficiently. This theory, whereby growth in production for local demand will lead to growth in productivity and growth in employment, has been termed endogenous cumulative development.[305] However, to achieve such development, hAMUn resource development, resource

[302] 'Handicaps et atouts', *IEA*, No 198, 1990, p 4
[303] Ibid.
[304] Ibid.

mobilisation, technological know-how and organisational skills development would need to take place within a regional framework.

Protectionism in developed countries remained an important structural obstacle to economic development in the Maghreb countries. Most developed countries were maintaining high agricultural and textile tariffs and non-tariff barriers (such as voluntary export restraints) on imports from developing countries. This affected especially textile exports from Morocco and Tunisia. Despite receiving preferences not given to other textile exporters, regulated by the 1974 Multi... e Arrangements, the EEC still imposed high tariffs and strict tariff-free quotas on their exports. Moreover, while European agricultural producers continued to receive high production and export subsidies under the Common Agricultural Policy, the EEC also imposed countervailing charges on citrus products from Morocco and Tunisia, as well as quotas and import licensing requirements for many of their agricultural and light manufactured exports.[306]

Intra-Maghreb trade in 1988 constituted only 2 per cent of the total trade of Maghreb countries. Trade took place mainly between Morocco, Libya and Tunisia, respectively constituting 4.4 per cent, 1.6 per cent and 4.6 per cent of their total trade.[307] Seventy per cent of total intra-Maghreb imports were concentrated between Libya and Tunisia alone.[308] This was the result of the region's vertical integration with the EEC, a colonial legacy, but also reflected significant income inequality and differences in trade policy among Maghreb countries.

[305] See Jaques de Brandt, 'Quelle industrie, quelle insertion dans l'économie mondiale pour les pays du Maghreb', in *Annales Marocaines d'Economie*, No 8, 1994, pp 13-24

[306] The EEC continued to levy non-tariff barriers such as quotas on manufactured imports from Maghreb countries and in 1989 the steel industry lodged anti-dumping complaints against Algerian steel exports. In addition, new tariff levels negotiated during the Tokyo Round of the General Agreement on Tariffs and Trade (GATT) imposed tariffs of about 20 per cent on manufactured exports from developing countries to industrialised countries. For more detail see Abderrahman Robana, *op.cit.*, pp 14-20.

[307] For a breakdown of the products traded by the Maghreb countries in 1990, see Abdelmadjid Bouzidi, 'L'integration economique Maghrebine: realités et perspectives', in *Panorama des économies Maghrebines contemporaines*, , CENEAP, 1991, pp 131-133.

[308] See Bouchra Muftisade, 'Comment faire L'Union Economique Maghrébine?', *Revue Banques et entreprises*, No 27, 1990, pp 12 -15

In Algeria, until 1988, trade has been the monopoly of the state and domestic and foreign investment was concentrated in the petroleum and gas sectors. At the time, 94.5 per cent of Algeria's exports were concentrated in the hydrocarbon sector, and imports were concentrated in industrial products, food, transport equipment and intermediary goods. Morocco, also exported textiles, chemicals, clothing and mineral products, in addition to its primary export, phosphates. It therefore has a more diversified export e than Algeria. Moroccan imports constituted mainly of industrial and intermediary equipment, food products and petroleum.[309] In Libya, petroleum still constitutes 99 per cent of export earnings, although the government has tried to diversify in vehicle construction and assembly and iron and steel works.[310]

By 1991, 73 per cent of total Maghreb exports went to the EU and 65 per cent of total imports originated from the EU. Only 3.5 per cent of the total trade of Maghreb countries were conducted with other countries in the region. This was very low even compared to other developing regions, such as the Association of Southeast Asian Nations (Asean), which registered 19.1 per cent intra-regional trade and the Economic Community of West African States (Ecowas), which registered 10.6 per cent over the same period.[311] Structurally, intra-regional trade in the Maghreb consisted of 50 per cent primary products and 45 per cent manufactured products. Between 1989 and 1991, intra-Maghreb trade grew by only 1 per cent – other younger groupings such as Mercosur over the same time period have increased their intra-regional trade by a much larger percentage.[312]

The signing of the Treaty of Marrakech also did not lead to a qualitative evolution in the products traded between Maghreb countries – these remained concentrated in the energy and light manufacturing sectors. In addition, trade has remained concentrated among Libya, Tunisia and Morocco, with the highest value of exports to and imports from the region registered for Morocco and Libya respectively.

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[309] See Malika Hattab-Christmann, 'Les relations commerciales Maghreb-CEE: enjeux et perspectives', in *Revue Marocaine de finances publiques et d'économie*, No 7, 1991, pp 57-70
[310] See Mohamed Chatou, 'The present and future of the Arab Maghreb Union', in *North Africa: nation, state and region*, George Joffé (ed), Routledge, New York, 1993, p 272
[311] See Marchés Tropicaux, No 2509, 1994, p 12
[312] See L'Economiste Maghrébin, No 91, 27 Oct-9 Nov, 1993, pp 18-23

However, trade complementarity did, and still does, exist, especially in the energy sector.[313] The region is structured into two complementary blocs of producers: Algeria and Libya could provide steel and energy to the region while Tunisia and Morocco could provide the region with food, textiles, construction material and electronics. These potential complementarities, if properly explored by creating joint ventures, lifting non-tariff barriers, integrating industries and creating a regional industrial cooperation programme, could increase intra-regional trade to 15 per cent of total trade. The bulk of the trade would consist of transport materials, machines, chemical, pharmaceutical and agricultural products and energy.[314]

As agricultural producers, Tunisia and Morocco could cooperate on agricultural research and joint export projects. At a structural level, Algeria could provide Libya and Morocco with natural gas, Mauritania and Morocco with petroleum and all Maghreb states with industrial services. It was the only Arab country whose value-added petroleum and heavy industrial products contributed more to the national accounts than raw petroleum exports. Mauritania could provide Libya with much needed iron and Algeria and Libya with fish and other food products. Morocco could provide Algeria and Libya with light industrial products and food products. Tunisia could provide Algeria and Libya with food products and Libya could absorb much of the surplus labour in the region.[315] Morocco, Mauritania and Algeria had a comparative advantage in mining and networking industries, whereas Tunisia and Morocco had a comparative advantage in the service industries.[316] Mineral deposits in border areas such as the iron deposits at Garaat Jebilet in Algeria, close to the Moroccan border and similarly, iron, zinc and phosphate deposits in Morocco, close to the Algerian border, enhanced the possibilities for joint exploitation and beneficiation of the raw materials.[317]

[313] See Smail Khennas, 'L'energie au Maghreb – ressources et politiques' in *Panorama des économies Maghrebines contemporaines*, , CENEAP, 1991, pp 151-161
[314] See L'Economist Maghrébin, No 91, 27 October, 1993, pp 18-23
[315] For more detail see André Valmont, *AL Mayadine*, No 6, 1990, p 193
[316] See Bouchra Muftisade, 'Comment faire l'Union Maghrébine: coopération ou intégration', in 1990 p 15
[317] See MA Tajina, 'La récherche de l'unité Maghrébine', *Perspectives et étapes de la construction du Maghreb*, 1989, pp 246-254

Regional economic cooperation could also benefit Maghreb countries in other ways. A unified Maghreb, for example, would have been able to exercise more influence in controlling trans-Mediterranean sea traffic and greater leverage than single nations when negotiating development assistance and trade deals with a single European market.[318] In this regard, regional cooperation could facilitate a joint partnership agreement with the EU and an integrated and complementary approach to other international aid institutions.[319] Furthermore, a region with integrated production structures could benefit substantially from the cumulation provisions in the rules of origin stipulated by the EEC. Maghreb producers could have cumulated, and still qualified for the customs, tariff and non-tariff barrier exemptions granted to the exports from a single country.

1.2 Political crisis

The social cost of structural adjustment programmes, coupled with the decrease in governments' revenues as a result of the above factors, has hampered the ability of undemocratic Maghreb regimes to continue buying legitimacy through the provision of basic services to their populations. Resistance and opposition to Maghreb regimes increased during the 1980s, and fuelled the rise of Islamism in Algeria and Tunisia (see chapter four). Maghreb leaders therefore have resorted to mobilising their constituents around idea of regional unity partly as an ideological response to the 'crisis of the state', and to remain legitimate in the eyes of their populations.

The ruling class could use the solidarity-building around a Maghreb region project to substitute for the social and economic malaise in all Mahgreb countries, thus turning the attention away from their responsibility for opening up the Maghreb economies.[320] The signing of the Treaty of Marrakech, therefore, was in part an effort to consolidate

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[318] However, in this regard Morocco did not wish to be represented by AMU in its negotiations for a free trade area with the EU. See Said Hamdouni, 'Les tentatives d'integration des pays du Maghreb', in *Etudes Internationales*, Vol 23(2), June 1992, p 345

[319] See Mesallati Slaheddine Abdallah, 'Amorce d'une nouvelle donnée', *IEA*, No 187, March 1989, p 21

the ideological and political foundations of the Maghreb ruling elite by institutionalising and reproducing their hegemony, and did not represent a radical shift towards a more 'people-centred' development approach in a regional framework.[321]

Nowhere is this better illustrated that by the Algerian regime's shift in foreign policy orientation from the edification of the Algerian nation-state to the edification of the Maghreb region in the new constitution adopted by referendum in 1989. The constitution made no reference to the guiding foreign policy principles of the post-independence years such as the struggle against colonialism and imperialism.[322] In fact, the growing realisation that national development strategies have failed and the subsequent intellectual consensus on the necessity of regional economic cooperation has led Maghreb political leaders to start exercising greater pragmatism in the conduct of their foreign policy.[323] Promoting regionalism was also a response from some elites, especially in Morocco and Tunisia, to their failure in integrating the Maghreb into the European productive system.[324]

The regional project in the Maghreb has therefore evolved from a political-cultural imperative for independence from colonial power (see chapter two), to a political economic imperative of ruling elites to gain legitimacy and respond to an unfolding economic crisis in the Maghreb region. In both instances, the call for regional cooperatoin has been primarily mobilised by the economic and political elite.[325] The drive for regionalism came mainly from Maghreb states, based on their existing monopoly both in international and internal political and economic spheres.

[320] See Santucci, 'Le Grand Maghreb réactive: crise des états', in *Annuaire de L'Afriuqe du Nord*, 1983, pp 408-415

[321] This insight was originally drawn from Saad Amrani and Najib Lairini, 'Le Maghreb dans le système régional et international: crises et mutations', *Etudes Internationales*, Vol 22(2), 1991, pp 339 - 356

[322] See Paul Balta, 'L'Algérie et le Grand Maghreb', in , 19, pp?

[323] See J Santucci, 'Le Grand Maghreb Réactive' in *L'Annuaire de L'Afrique du Nord'*, 1983 p ?

[324] Ait Amara and Ben Hammouda, *Révue Tunisienne d'Economie*, 1993, pp 25-60

[325] See MA Tajina, 'La recherce d'unité Maghrebine', *Perspectives et étapes de la construction du Maghreb*, Cahiers de CERES, 1989, p 241

1.3 The global context

During the 1980s, world demand primary commodities started dropping and in 1985 world petrol prices started declining. Part of the reason why demand and prices for energy products started falling was the decline in global energy intensity by 20 per cent between 1973 and 1985. This was as a result of energy conservation measures, the development of energy efficient technology and a shift from the manufacturing to the services sector in the industrialised countries, leading to a decline in the demand for oil. This decline has led to a fall in phosphate and oil exports, and therefore a fall in the government revenues of Algeria, Libya and Tunisia, leading to negative growth rates in Tunisia and Algeria. In 1986, for example, despite IMF credit and World Bank loans, the Tunisian government had no external reserves.[326] Also, due to the depreciation of the US dollar since 1986, the price of fuel and non-fuel commodities that were dollar denominated dropped drastically. Several droughts and locust plagues during the 1980s also affected agricultural production in Morocco and Tunisia[327] and average per capita income in Algeria and Libya declined by 1.3 per cent a year.[328] The international liquidity crisis in the 1980s, leading to higher interest rates and competition among developing countries for preferential access to the markets of industrial countries, marked the end of what has been called 'les trentes glorieuses', and the beginning of a global economic recession. [329]

This recession also affected official development assistance (ODA) flows from the OECD countries. The net disbursement of aid flows as a percentage of GDP declined in real terms, affecting Morocco and Mauritania in particular. ODA flows from the former Soviet Union and the US also declined after the end of the Cold War. While the disintegration of Soviet-style communism has added to the decline and the discrediting of socialism and nationalism as official state ideologies world wide, these ideologies have been receiving scant support by Maghreb regimes for some years. In

[326] See Mohammed Benlahcen Tlemçani, 'La crise de la dette au Maghreb: données économiques et implications sociales', *Annuaire de L'Afrique du Nord*, 1991, p 357
[327] See Mary Jane Deeb, 'The Arab Maghribi Union and the prospects for North African Unity', in Willian Zartment and WM Habeeb (eds) *Polity and Society in Contemporary North Africa*, Westwiev Press, Boulder, Colorado, 1993, pp 192-197
[328] See Abderrahman Robana, *op.cit.*, pp 14-20

Algeria, the provision of basic services such as transportation, water and electricity have been in decline since the mid-1980s, state factories have been idle and a general contempt for the National Liberation Front (FLN) government has been spreading.[330] The collapse of the Soviet Union also meant that the Algerian government no longer received financial and diplomatic support for self-reliant economic development strategies. This, coupled with the structural adjustment programmes imposed by the World Bank, assisted in eroding statist nationalism in Algeria.

The end of the Cold War in 1989 also removed the traditional regional divisions between Libya and Algeria, supporting and receiving support from the former Soviet Union, and Morocco and Tunisia, supporting and receiving support from the United States. Maghreb leaders feared further marginalisation in a new global order characterised by regional bloc formation. Across the world, regional trading blocs were being newly established or consolidated, notably the North American Free Trade Area (NAFTA), the EEC, Asean, as well as Arab groupings such as the Gulf Cooperation Council and the Council of Arab Cooperation. Although Maghreb states were all members of the Arab League, they did not participate fully in this grouping or view it as a forum to advance their own interests, mainly due to their perception that it served as an instrument of Egyptian hegemony in the Arab world. This perception remained even after its seat moved to Tunis in the 1980s.[331]

The 1980s were characterised by increasing globalisation, or the spread of integrated systems of global production, concomitant to the spread of financial markets, increasing mobility of capital, facilitated by new developments in communications technology and increasingly open economies. This has been an uneven process, impacting negatively on developing regions and states, and diminishing their access to power. Although it has greatly diminished the ability of states to impose regulations on capital flows to protect their own industrial base and populations from the often-

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[329] See Tlemçani, *op.cit*, pp 355-364
[330] See James A Paul, 'The emerging Maghreb: North Africa and the New World Order' in P Bennis and M Mousbeck (eds), *Altered States: a reader in the new world order'*, Olive Branch Press, New York, 1993, pp 332-340
[331] For further elaboration see Saad Amrani and Najib Lairini, 'Le Maghreb dans le système regional et international: crises et mutations', *Etudes Internationales*, Vol 22(2), 1991, pp 339 -356

detrimental effects of globalisation, states remained instrumental in providing the legal framework for corporate strategies, acting as its 'transmission belt' for global capital.[332] This process has led to the increasing marginalisation of developing countries, especially in Africa. Maghreb countries have not escaped these developments; in fact, their marginalisation also pointed to the failure of European capitalism to integrate the continent's periphery into its 'logic of reproduction'.[333]

The new international economic order, characterised by an increasing predatory neo-liberalism, made developmental regionalism imperative for Maghreb states. States were increasingly disengaging from the economy, opening it to global capital and investment. Under these circumstances, a 'plurinational' accumulation regime would enable small economies and marginalised regions to exit from underdevelopment and dependence, by joining their productive forces through processes of political and economic cooepration. [334] Regionalism offered a means of achieving national economic priorities through the harmonisation of development policies at a regional level. This, however, required a new perspective on the use of productive and political resources.

The Maghreb elite therefore viewed the creation of an economic union as a necessary strategy to integrate the countries of the region into the global economy, by using a regional strategy. Globally, the redeployment of industrial, financial, commercial and technological structures internationally has brought about a new international division of labour, characterised by massive industrial relocation, the subdivision of the manufacturing process into multiple partial operations situated over many geographical areas, major technological innovations, widespread migration and the feminisation of labour.[335] From a Maghreb perspective, an enlarged, more efficient regional market would be able to attract assembly plants from firms subcontracting for some of their production functions, particularly export-oriented goods. In this regard, Maghreb leaders hoped that a more integrated Maghreb market would attract labour-

[332] For further elaboration see Robert W Cox, *Production, Power and World Order: Social Forces in the Making of History*, Columbia University Press, 1987, pp 253-265
[333] See Ait Amar and Ben Hammouda, *Révue Tunisienne d'Economie*, 1993, pp 25-60
[334] See Jaidi Larbi, 'État-nation et intégration éconmique arabe', 1987, p 350

intensive industrial relocation to North Africa and that the region could cooperate to become southern Europe's key supplier of strategic products such as liquified hydrogen energy.[336] However, This new international division of labour, however, has not replaced the old division of labour between the Maghreb and Europe.[337] Maghreb economies still furnished the European productive system with cheap migrant labour and primary commodities such as gas, agricultural products, phosphates and hydrocarbon derivatives, and sourced intermediary goods and final consumer items from Europe.[338]

2. The evolution of Maghreb regionalism in the 1980s

2.1 Political milestones

During the 1980s, official discourse and rhetoric reflected a new commitment to regional integration. A series of bilateral technical cooperation agreements between Maghreb countries as well as bilateral and multilateral diplomatic unions paved the way for the signing of the Marrakesh Treaty in 1989. These events have led to debates around whether the bilateral and incremental or the multilateral and institutional route to regional cooperation, which was adopted in 1989, would best serve national economic development goals and give rise the political trust necessary for regional cooperation.[339] They also spurred debates around whether sub-regional political solidarity should be fostered, or whether more resources should be spent on

[335] 'AMU – Un jalon de fontionalité' in *IEA*, No 197, 1990, pp 6-8
[336] See Ahmed Agrout and Keith Sutton, *op.cit.*, pp 137-138
[337] See James Mittelman, 'The End of a Millenium: Changing Structures of Production and the Post-Cold War Division of Labour' in LA Swatuk and T Shaw, *The South at the End of the Twentieth Century*, McMillan Press, 1994, pp 18-19
[338] This has been advocated by, amongst others, Ait Amar and Ben Hammouda, *op.cit.*, pp 49
[339] The nature of these debates was explained in many interviews with professor Jhazzouli, Department of Economics, University Mohammed V, Rabat, December 1994. Between 1962 and 1975, about 90 per cent of agreements covering almost all sectors of economic activity concluded in the region were bilateral, and only between 1964 and 1966, the first years of the CPCM, did countries follow a sectoral and industrial coordination approach to regional integration. Between 1967 and 1970, a so-called 'global' approach was followed, including measures to liberalise intra-regional trade. This ultimately led to the division between Algeria and Libya over the approach to regional integration and Libya's subsequent withdrawal in 1970. See Habib El Malki, *Le Grand Maghreb*, No 50, July 1986, pp 313-314

economic integration initiatives among all countries of the Arab world.[340]

The signing of the 1989 Marrakech Treaty was preceded by a series of significant political events in the region. These included the settlement of most of the border disputes of the 1970s and early 1980s; the change of the Tunisian regime and its subsequent rapprochement with Libya in 1987; Algerian and Moroccan rapprochement from 1986 onwards; and Libya's increasing isolation in the Arab world, which prompted it to seek new alliances with Algeria and Tunisia after the dissolution of the Oudja Treaty.[341] Finally, in 1985 Morocco and Mauritania resumed diplomatic relations, broken off in 1976.

The rapprochement between Morocco and Algeria, starting in 1983, was probably the most significant political event that would lead to the signing of the Treaty of Marrakech. In 1983, Algerian President Chadli Benjedid and Moroccan King Hassan II met for the first time since they broke all diplomatic relations in 1975, due to their fundamental disagreement on the status of the Western Sahara (see chapter two). Although this meeting would initiate the re-invigoration of various bilateral treaties that would eventually lead to the signing of the Treaty of Marrakech in 1989, the two leaders still disagreed in principle on the status of the Western Sahara. Chadli Benjedid insisted that 'Maghreb unity would not be achieved at the expense of Saharan independence', whereas King Hassan stated unconditionally that Maghreb unity must be achieved, but not at the expense of *our* Sahara' [author's emphasis].[342]

Since 1986, relations between the Algerian and Moroccan governments started normalising, leading to the May 1987 meeting between the two heads of state. At this meeting, there was still no agreement on how to resolve the Western Saharan issue. Chadli Benjedid insisted that relations between the two countries could only be

[340] See PS Agate, 'Cooperation CEE-UMA: alternative our morcellement', *Le Maghreb, l'Europe et la France*, CNRS Editions, Paris, 1992, p 125
[341] Algerian president Chadli Benjedid proposed the holding of a Maghreb Summit, but which should include the Western Saharan Republic. King Hassan II in return proposed the organisation of a Common Maghreb Consultative Assembly, but that would exclude Libya, since it had broken ties with the Khadaffi regime in 1986.
[342] Ahmed Aghrout and Keith Sutton, 'Regional economic union in the Maghreb' in *Journal of Modern African Studies*, Vol 28(1), 1990, p 119

normalised once Morocco has come to an agreement with the Polisario on the principle and modalities of a referendum on independence. In turn, Hassan II expressed the view that Algerian interference was the main obstacle to resolving the conflict. Morocco and Algeria both viewed the creation of the AMU as a potential solution to the crisis. Algeria saw the opportunity to disengage from the Western Saharan issue without 'losing face' and Morocco saw an opportunity to isolate the Polisario by insisted that the Western Saharan Republic not be included as a separate member of the Arab Maghreb Union (AMU).[343] Both countries were also eager to find a solution to this conflict because of the drain of the Saharan war on their national budgets.[344]

In January 1989, King Hassan II received a delegation of Polisario. This month also marked the first official visit of an Algerian delegation to Morocco. At this meeting it was agreed to put the fundamental division over the resolution to the Western Saharan conflict on hold for the sake of fostering regional cooperation and integration. While Morocco agreed in principle to a referendum on self-determination in the Western Sahara, the Algerian regime has started giving less official support to the Polisario, partly due to the cost of dealing with the aftermath of the 1988 domestic riots. However, FLN hard liners did renew some military and financial support for the Polisario, which was indirectly responsible for renewed Polisario attacks on Moroccan troops in the Western Saharan territory in 1989.[345] The relations between Algeria and Morocco, the two key players in the region, would remain central to the progress of the regional integration project, not only because of their economic size, but also because both have expressed the desire to become the central pole or locomotive of the regional project.[346]

The Tunisian president, Habib Bourguiba, played a central role during the 1980s in trying to revive the regional project. This was mostly because, apart from Mauritania,

[343] See Habib Slim, 'Lévolution du Grand Maghreb entre le CPCM et la naissance de l'UMA', *Etudes Internationales*, No 41(4), 1991, pp 53-62
[344] See André Valmont, 'Le Grand Maghreb: une communauté économique en devenir' *Al Mayadine*, No 6, 1990, pp 176-196
[345] See *Le Libéral*, No 24, February 1990, p 11
[346] Moncef Maghroug, 'Le sommet de l'espoir: Algérie – Maroc' in *IEA*, No 168, 1987, p

Tunisia was the most vulnerable country in the region. In the view of the Tunisian regime, strong institutionalised regional cooeperation would provide it with a buffer against Algerian hegemony and an opportunity to renew its relations with Libya without entering again into a political union or inviting Libyan interference in its affairs. It was also a way to restrain the influence of Egypt in the region, as a regional treaty would prevent Libya from entering into other alliances with Arab countries such as Egypt.[347] The Libyan regime also had strong political motives for wanting to enter into regional cooperation. It viewed a unified Maghreb as an anchor against its increasing isolation in the Arab world, which could provide it with the necessary solidarity against threats of sanctions by the US, especially after the 1986 Lockerbie incident. A Maghreb union also would provide Libya with the opportunity to play a significant role in the Maghreb region. Mauritania, in turn, had an interest in a union to avoid being implicated directly in the diplomatic tugging between Algeria and Morocco.[348]

2.2 Treaties and unions

In 1983, Algeria and Tunisia signed a Treaty of Brotherhood, Cooperation, and Good Neighbourliness. It was based on the principles of respect for state sovereignty, the intangibility of borders and territorial integrity. The Treaty established a common defence pact and included an agreement that any conflict between the two states would be resolved in a peaceful manner. Both states were free to conclude cooperation agreements with third states and other states were free to join the treaty. The two countries also signed protocols of cooperation between their respective telecommunications sectors, treasuries, and central banks. Under the terms of the Treaty, joint industrial diesel and cement manufacturing companies were set up in border areas to stimulate economic development in these economically marginalised zones through exploiting economies of scale.[349] This was a deliberate attempt to find ways of dealing with border disputes by allowing border communities to become the

[347] For further detail on various Arab alliances and the role of AMU, see Mary-Jane Deeb, *op.cit.*, pp 192-197
[348] Habib Slim, *op.cit.*, pp 56-62
[349] Ibid, pp 53-62

cementing factor in their development cooperation efforts, instead of remaining symbols of separation.

The significance of this Treaty lay in the underlying acknowledgement by its signatories that once territorial disputes have been resolved, common values and shared economic and social challenges could catalyse meaningful cooperation. It was the first Treaty in the region, which addressed common interests as a means to make mutual concessions and establish the preconditions for integration through extending it to trade cooperation, joint enterprise development, common infrastructure construction, and the joint management of population movements.

Countering the Algerian initiative, Morocco concluded an agreement with Libya, called the Oudja Treaty, which established a so-called African-Arab Union between the two countries. The Libyan leader welcomed the Oudja Treaty for ideological reasons. Since the take-over by Khadaffi's military government in 1959, Libyan foreign policy has been marked by a quest for the unification of states in the Arab world in a single entity based on Islamic cultural, religious and social values.[350] This has lead to the image of Khadaffi as the 'consumate Arab unionist'.[351] This treaty constituted Libya's eighth attempt at a union with an Arab state, and its third with a Maghreb state. Its union treaties with Maghreb states would usually follow a failed union with a state from the Arab East.[352]

Morocco, in turn, hoped to cut Libyan support for the Polisario through this alliance and to explore production complementarities between their respectively agriculture-based and petroleum-based economies – Libya was a natural market for textile and construction products manufactured in Morocco. It was also a way for Libya and especially Morocco to balance Algeria's pursuit of regional dominance with a counter-alliance. In the view of the Moroccan regime, Algeria's support of Polisario has always been part of its strategy to extend its influence in the region.

[350] Santucci, 'Le Grand Maghreb réactive: crise des états et idéologie de substitution', *L'Annuaire de L'Afrique du Nord'*, Volume 23, 1983, p 89
[351] Ahmed Aghrout and Keith Sutton, *op.cit.*, p 139
[352] William Zartman interviewed by Moncef Mahroug in *IEA*, No 175, February 1988, pp 27-29

Under the terms of the Treaty, Morocco and Libya negotiated trade, culture and labour exchange agreements, air links, as well as joint holding companies and marketing agreements.[353] The form of cooperation was that of a confederation, decidedly promoted by Libya. It included a permanent secretariat, a presidency, a common assembly, an executive commission and four consultative councils on respectively political, economic, defence and technical and cultural matters.[354] The union had a short life span of two years. Morocco withdrew in 1986 after the expulsion of Moroccan workers from Libyan territory in 1985, under the pretext of difficulties in the Libyan economy.

2.3 Bilateral economic cooperation initiatives

Since the early 1980s, a Maghreb countries started concluded a series of bilateral treaties and agreements, mostly to facilitate trade cooperation. Figure one gives an overview of these. Tunisia and Morocco have already started developing trade and industrial ties since the early 1980s. A joint Moroccan-Tunisian Commission was created in 1981 to implement a preferential trade agreement and the two countries also signed an Agreement on Economic and Technical Cooperation in 1981. In 1981, Tunisia and Algeria signed a Trade and Tariff Convention, exempting all bilateral trade from customs duties, established a joint bank, and entered into an agreement to buy jointly certain products and prepare joint exports positions in international markets.[355] In 1983, Mauritania entered into a border agreement with Algeria.[356] It had also negotiated an exemption from customs duties of all its exports to Tunisia, Algeria and Morocco. Libya also started investing capital in Mauritania during this year.

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[353] Ahmed Aghrout and Keith Sutton, *op.cit.*, pp 120-125
[354] Habib Slim, *op.cit.*, pp 53-62
[355] Mohamed Kharroubi, 'L'intégration par le marché' in *Cahiers de CERES, Actes du Colloque: Perspectives et Étapes de la construction du Maghreb*, No 14, Tunis, 1989, p 191

Figure 1: Bilateral trade agreements signed between Maghreb countries

Date and place	Countries	Type of agreement
30 April 1986 Tunis	Morocco-Tunisia	Trade and Tariff Convention, which aims to treat Moroccan and Tunisian products identically in the two countries
17 March 1983 Algiers	Morocco-Algeria	Trade and Tariff Convention, which provides for the exemption of traded products from customs duties
15 August 1983 Tripoli	Morocco-Libya	Tariff and Trade Convention signed, which exempts reciprocal trade is exempted from customs duties
Nouakchott	Morocco-Mauritania	Tariff and Trade Convention. Two lists of products, A and B, to be drawn up and will be exempt from customs duties
15 May 1984.	Algeria-Tunisia	Tariff and Trade Convention, which provides for the exemption of customs duties on traded goods
14 September 1984.	Tunisia-Mauritania	Tariff and Trade Convention, which exempts all traded products are exempt from customs duties.

Source: H Bentahar, 'Politiques économiques et dynamique maghrébine', *Al Mayadine* No 6, 1990, p 57

In 1985, Morocco and Algeria, despite their still hostile political relations, negotiated the construction of a joint gas pipeline, to serve the European market. Tunisia and Morocco negotiated a preferential trade agreement in 1986 for all products originating in their respective countries. The same year also saw the opening of the Trans-Mediterranean Gas Pipeline, originating in Algeria and joining Italy through Tunisia, as well as the installation of a joint electrification project by the Algerian and Tunisian governments.

[356] Habib Slim, *op.cit.*, pp 53-62

After the disintegration of its African Arab Union with Morocco in 1986, Libya proposed to enter into a full union with Algeria. Although the latter declined the offer, the two countries did start to explore joint ventures since 1986 and in 1988 created a joint Arab Maghreb Bank and an Arab Maghreb Gas Company.[357] Significantly, the Algerian regime viewed its 1983 Cooperation Treaty with Tunisia as the appropriate framework to enter into a special alliance with Libya. The two governments agreed in principle to a political union in 1987, but political opposition to this in Algeria, led to a concrete proposal that Libya should sign the Maghreb Fraternity and Cooperation Treaty of 1983.[358] To add to this, in 1987, Tunisian president Ben Ali proposed the creation of a common market in the Maghreb through the expansion of the 1983 Fraternity Treaty.

By 1986, all five Maghreb states were exploring joint ventures with states in the region, a trend that intensified from 1986 onwards. In 1987, Morocco and Tunisia started discussing the possibility of bilat-ral trade opportunities, joint public capital companies and other projects such as the joining of electricity grids. Strong intra-sectoral linkages between industrial sectors in Algeria and Morocco already existed by 1989. For example, the Algerian National Society of Industrial Vehicles was using Moroccan-manufactured components.[359]

The coming into power of a new Tunisian president, Zine El Abidine Ben Ali, in November 1987 has led to a gradual rapprochement between Tunisia and Libya, who broke off ties after the Libyan government expelled thousands of Tunisian workers from its territory in 1985. Ben Ali had a regional vision, as opposed to the nationalist tendencies of his predecessor. The two governments negotiated the free circulation of people between Libya and Tunisia, they explored the issuing of common identity

[357] A Agrout and K Sutton, *op.cit.*, pp 20-25
[358] See David Seddon, 'Europe, the Maghreb and the new regionalism', in Jean Grugel and Wil Hout (eds), *Regionalism across the North-South divide: state strategies and globalisation*, Routledge, London and New York, 1998, p 138
[359] See Mohsen Toumi, 'Un Maghreb pour les Maghrebins' in *IEA*, No 187, 1989, p 16

documents, gas transport, and petroleum trade, and initiated developmental pilot projects[360].

From 1987, Algeria and Libya started to explore possibilities of cooperation in the petroleum sector and in the steel, automobile and electronic industries.[361] In the same year, Algeria and Libya entered a trilateral agreement with Tunisia to create a gas transport company to transport gas between Algeria and Libya through Tunisia.[362] In 1988, all five Maghreb agriculture ministers met to devise a joint strategy to deal with a locust plague, which was affected crops throughout the entire region. In the same year Libya and Algeria created a joint venture for the exploration of oil and Tunisia and Libya signed joint agreements on agricultural, infrastructure and industrial cooperation.[363] In 1988, Algeria, Morocco and Tunsia revived the Maghreb Electricity Committee, established in 1973, but which ceased to function at the onset of the Western Saharan conflict in 1975. Its main function was to install electric connections between Maghreb countries.[364]

In February 1988 the heads of state of Algeria, Tunisia and Libya also held discussions on signing a proposed regional agreement, following the opening of the border between Libya and Tunisia. In March 1988 Libya and Algeria signed two industrial development agreements and in April, Libya and Tunisia signed a pact to cooperate in political, economic, cultural and foreign matters.[365] These agreements were gradually changing the bipolar balance of power in the region, with two power blocs centred on Algeria and Morocco. The Tunisian-Libyan bloc proved to be the necessary third pole, which helped to pave the way for the signing of the Marrakech Treaty.[366]

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[360] See Paul Balta, *op.cit.*, pp 232-235
[361] André Valmont, *op.cit.*, pp 176-196
[362] Ibid.
[363] See Mary-Jane Deeb, *op.cit.*, p 191
[364] By November 1993, Morocco was importing 150W electric energy from Algeria. However, by 1993, only two lines had been installed, both of them between Morocco and Algeria For more detail see *Vie Economique*, 12 November 1993, No 3738, p 17
[365] See Seddon, *op.cit.*, p 138
[366] See Heidi Mechri, 'Marché commun magrébin: le declic' in *IEA*, No 175, February 1988 pp 20-24

Finally, in February 1989, Morocco and Algeria signed an agreement that would create a joint company to construct and manage a gas pipeline from Algeria, through Morocco to Spain. Each government agreed to provide 50 per cent of the capital. This has done much to break down the 'psychological wall of mistrust' between them.[367] Algeria and Tunisia also started exploring the joint development of a river basin project in a border zone, which would provide water to 7300 families on both sides of the border.[368] The bilateral economic agreements concluded throughout the 1980s, together with joint technical cooperation ventures did much to create political trust and a functional basis for future political and economic cooperation in the Maghreb region.[369] In this sense, bilateralism did provide the building blocks for multilateral regional cooperation

3. The Arab Maghreb Union

3.1 Regional integration approach

As a result of the powerful global convergence of forces promoting neo-liberalism since the early 1980s, also called the 'Washington Consensus, economic development strategies of many countries in the 1990s started converging. These strategies all included elements of monetarism, trade liberalisation, privatisation, deregulation, and an increasing reliance on market forces as opposed to state responsibility for welfare creation. Maghreb regimes have not escaped this trend, as was shown in the previous section. This explains why Maghreb leaders opted for a strategy focusing on export promotion and trade liberalisation of accelerate regional integration (see below), despite rhetorical calls for 'collective regional self-reliance' as a strategy for regional integration.[370]

At the core of the Washington 'consensus' prescription for development is the notion that market competition will generate economic growth, which in turn will spur

[367] Africa Research Bulletin, 31 March 1989, Vol 23(2), p 9459
[368] Ibid.
[369] See the explanation of this theory, which was first developed by Joseph Nye and Ernest Haas, in chapter one.

economic development. Debates have therefore shifted to questions of how to effect market reforms and how to structure and sequence these reforms. The World Bank and the International Monetary Fund, lenders of last resort, as well as the policy instruments used to promote the hegemonic interests of the powerful Group of Seven industrialised countries, did much to spread this consensus. This was especially evident in their policy prescriptions to the dministrative and economic elite of developing countries.

At the first heads of state summit in 1988 in Zeralda, Morocco, five commissions were established to research and make recommendations on the following aspects of regional cooperation integration: finance and customs, economic affairs, education, culture, and information, social, human and security matters, and regional institutions.[371] In addition, a political commission consisting of the five Maghreb foreign ministers was created to propose to the heads of state a common approach to regional integration in the Maghreb and draft a regional treaty. Already at the first two meetings of this commission in 1988, first in Algiers and later in Rabat, there was great divergence of views on how to constitute a regional Maghreb grouping.[372]

Before the foreign affairs commission meeting in Rabat, Polisario had launched an attack in Morocco, leading to renewed tension between the Algerian and Moroccan delegations as well as between Morocco and Tunisia. The latter was favour of a resolution calling for direct negotiations between the Moroccan government and the Polisario leadership. The Tunisian government had also received the Polisario leadership to try to resolve the conflict. The Algerian government did not want to make any concrete commitments to establishing a regional institution since it lacked the resources and was preoccupied with domestic affairs in the aftermath of the 1988 riots. It could also not accept the principle of free circulation of goods and people for fear of its market being flooded with cheaper Tunisian and Moroccan consumer

[370] See Mohsen Toumi, 'Un Maghreb pour les Maghrébins', *IEA*, No 187, 1989, p 17
[371] For more detail on the recommendations of these commissions see Mohamed Ben el Hassan Alaoui, '*La Coopération entre L'Union Européenne et les pays du Maghreb*, Nathan, Paris, 1994, pp 114-120
[372] Habib Slim, *op. cit*, p 59

goods, thus putting local Algerian industries out of business.[373] Consequently, no agreement was reached on the regional coordination of policies or regional cooperation mechanisms in this commission before the Treaty of Marrakech was signed in February 1989.

This disagreement was also the result of the Maghreb leaders' different political motivations for and therefore approaches to regionalism.[374] From the onset of discussions on an Arab Maghreb Union (AMU), the Libyan regime has promoted a federalist approach, suggesting common identity documents for all Maghreb citizens and a Maghreb flag. This was consistent with the Libyan quest for one 'Arab' nation since 1959. The Algerian, Moroccan and Tunisian governments, however, promoted an incremental approach towards a political and economic union.[375] For Algeria, AMU could bring about an improvement in its relations with Tunisia, a larger regional market, a means of dealing with the regional leadership drive of Khadafi in a multilateral forum, and an opportunity to withdraw from its position of active support for the Polisario without 'losing face'. This position reflected a new pragmatism of President Chadli Benjedid, appointed in 1987, as opposed to the populist theme of a 'Maghreb of the people', which was advocated by Houari Boumedienne throughout the 1960s and 1970s.[376]

Economists recognised that Maghreb economies shared many structural traits, including dependence on single commodity exports, lack of infrastructure and small economies of scale, necessitating a regional framework for economic development. Joint industrial projects, joint development of transport and communications infrastructure, financial and monetary cooperation (all Maghreb currencies were still inconvertible at the time) and joint trade promotion were viewed as the desired road of

[373] See Moncef Maghroug, 'Incident de parcours', *IEA*, No 185, 1989, p
[374] For further elaboration see Khlifa Chater, 'Les enjeux de l'AMU d'après les textes organiques et le discours officiel' in *Études Internationales*, No 41(4), 1991, pp 88-91 and Paul Balta, *Le Grand Maghreb*, 1990, pp 246-248
[375] Said Hamdouni, 'Les tentatives d'intégration des pays du Maghreb face à l'elargissement de la CEE', June 1992, pp
[376] See RA Mortimer, 'Maghreb matters', *Foreign Policy*, No 76, 1989, p 164

regionalism, and not only trade liberalisation.[377]

This informed the programme of action adopted by AMU heads of state at the first summit meeting. A gathering of AMU foreign ministers in October 1989 approved a set of priorities for a regional programme of action. These included regional cooperation to secure food self-sufficiency; regional financial cooperation; common projects to develop basic infrastructure; human resource development; the consolidation of different trade and development relations with the EEC; studying the implications of Europe's unification in 1992 for the Maghreb; and the collective management of debt and unemployment in the region.[378] The regional programme of action included a mandate to create a trade information system and mechanisms to finance transactions, the harmonisation of credit and insurance industries throughout the region, embarking on a trade liberalisation scheme and jointly developing a regional transport network.[379] It also provided for regional cooperation in food security, energy, maritime and air transport, post and telecommunications and industrial development.[380]

The 1989 AMU Treaty envisaged three main objectives: to develop a regional response to the unification of Europe, to promote a regional development strategy and to serve as a step towards the unity of all Arab states[381]. The regional integration approach agreed upon by AMU leaders can be found in three central texts. These are the 'Maghreb Strategy for Common Development', the 'Convention on Trade in Agricultural Products' and the 'Maghreb Trade and Tariff Convention'. The latter two were adopted in July and May 1990 respectively by the Council of Foreign Ministers.[382]

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[377] Bouchra Muftisade, 'Comment faire l'Union économique Maghrébine? Cooperation ou intégration?' in *Revue Banques et Enterprises*, No 27, 1990, p ?
[378] Malika Hattab-Christmann, 'Les relations commerciales Maghreb-CEE: enjeux et perspectives' in *Revue Marocaine de Finances Publiques et d'Economie*, No 7, 1991, pp 50-52
[379] Bouchra Muftisade, 'Comment faire l'Union Economique Magrébine: coopération ou intégration' in *Revue Bancaire et Enterprises*, No 27, 1990
[380] See Saad Amrani and Naijib Lairini, *op.cit.*, p 352
[381] See Khalifa Chater, 'Les enjeux de L'AMU d'après les textes organiques et le discours officiel' in *Etudes Internationales*, No 41(4), 1991, pp 84-91
[382] See appendix two for the full text of the Convention on Tariffs and Trade

To understand and evaluate the regional integration approach of the AMU, the aims of the regionalist project need to be unpacked. If the aim were primarily to benefit the marginalised population, and not the elite, a production integration approach would need to accompany market integration. This would avoid replicating the situation that existed at the end of the nineteenth century whe Maghreb colonies and protectorates were fully integrated into the productive system of France, but to the detriment of the local population. However, the p ratory committee assigned to make recommendations for an integration app. ach before the February 1989 AMU Presidential Council Summit in Marrakech, proposed the classical linear stage-by-stage approach first theorised by Bela Balassa (see chapter one).[383]

The Maghreb Strategy for Common Development, adopted at the third AMU summit in Ras Lanouf, followed this recommendation and proposed the following four stages for the progressive integration of the regio ..

1) the conclusion of a free trade area by 1992 exempting all products originating from within the region from customs duties and progressive lowering tariff barriers and elimination of NTBs such as import licences and quotas on factors of production;
2) a customs union before 1995, lifting all administrative constraints on intra-regional trade, devising uniform customs taxes and practices (eg a unified customs nomenclature and harmonised customs regulations) and a common external tariff;
3) a common market by 2000 that will allow the free movement of goods, people, capital and services and finally,
4) the harmonisation of fiscal, monetary, social and economic policies.[384]

This plan of action was accompanied by a Convention on Trade in Agricultural Products, which aimed to promote agricultural production in the region, and facilitate the free flow of basic agricultural products such as cereal across national borders to alleviate the food security crisis. The third pillar of the regional integration strategy, the Trade and Tariff Convention, stipulated that tariffs and non-tariff barriers to intra-

[383] See Amrani and Laimi, *op.cit.*, p 353
[384] See Khemais Krimi, 'Faiblesses, forces et perspectives du commerce inter-Maghrebin', *L'Economist Maghrébin*, No 91, 27 October-9 November 1993, pp 21-23

regional trade be eliminated gradually. To facilitate the implementation of this Convention, AMU member states had to develop lists of products for each country to be exempted from tariffs and non-tariff barriers in other member countries. These lists would gradually be expanded.[385] This 'positive list' approach was more appropriate to developing countries such as the Maghreb countries, which still needed to protect sensitive, strategic, or infant industries.

However, these conventions were never accompanied by a formal agreement to promote a joint regional industrial development or a regional poverty alleviation strategy. Freeing trade in a region with the structural economic characteristics of the Maghreb, lacking actual trade complementarities, would be premature and have very little impact on economic development. Joint industrial cooperation should take place first to develop a regional industrial base, regional transport infrastructure and create complementarities, in a gradual way. Although the AMU Treaty promoted both the integration of national markets and the regional integration of production, this approach was never followed up through a formal mechanism.[386]

The Economic Commission established at the Zeralda summit proposed that existing bilateral trade agreements be generalised to include all AMU member countries. However, it did recognise that obstacles to such generalisation still existed, for example, Maghreb economic operators in one country did not know the economic operators or even the legislation in neighbouring countries. The Commission further more recognised that regional market integration would be conditional on the development of complementary regional productive capacity, which was also one of the aims of the AMU Treaty. The fear of a closure of European markets to Mahgreb exports after the 1992 Maastricht Treaty partly fuelled the Commission's proposal that joint ventures in motor manufacturing and joint banks be established among Maghreb countries.[387] To promote regional self-sufficiency, the Commission also recommended the integration of the regional productive apparatus and reducing

[385] See Fathalla Oualalou, *Après Barcelone, le Maghreb est nécessaire*, Les Editions Toubkal, L'Harmattan, Casablanca and Paris, 1996, pp 25-26
[386] Moncef Mahroug, 'Maghreb: mode d'emploi' in *IEA*, No 178, 1988, pp 23-24

dependence on food and technological imports.

Regional integration was therefore, to go beyond the elimination of trade barriers, and had to include the integration of the production structures of Maghreb states. The recommendations of this commission came close to the objective of developmental regionalism, namely to satisfy the basic needs of Maghreb peoples in a sustainable way. Theoretically, integrating production structures would create employment and spill over into upstream and downstream industries. The various industrial sector branches that would lend themselves to integration across national borders were the electrical and mechanical industries in Algeria, the non-iron and mechanical industries in Morocco, the construction, chemicals and plastics industries in Tunisia and the mechanical and construction industries in Libya.[388] Three conditions, however, were necessary before such integration could take place: a common regional monetary policy, a regional price system that would permit internal accumulation, and coherent technological policies.

Theoretically, a new, more productive regional division of labour would emerge if national states coordinate their economic policies. This, however, presupposed the existence of complementarities between national economies, while Maghreb countries produced mostly the same goods for the same markets. This necessitated regional planning of production.[389] In this regard, the Economic Commission recognised that intra-regional trade was not weak because of trade barriers, but because Maghreb countries did not produce products that they can trade with one another. A regional development strategy would therefore need to be developed to exploit potential complentarities and reorient agricultural production towards regional consumption needs. To transform potential demand into actual demand, however, would necessitate the development of an integrated regional commercial and economic space. Table two gives an overview of potential complementarities for some Maghreb products.

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[387] Algeria and Libya already boasted six joint ventures in the energy and manufacturing sectors by 1989. See *Africa Research Bulletin*, Vol 23(2), 1989, p 9457

[388] See Ait Amara and Ben Hammouda, *Revue Tunisienne d'Economie*, 1993, pp 25-60

Table 2: Potential complementarities for some Maghreb products

	Production					Total	Potential
	Algeria	Libya	Morocco	Mauritania	Tunisia	Maghreb	markets
Fish[1] 1986 (tons)	70000	7800	595324	104100	92681	869845	Algeria Libya
Wheat flour[2] 1985(tons)	690000	160000	2000000		489000	3348000	Algeria Tunisia
Sugar[2] 1985 (tons)	7000		623000		79000	709000	Morocco Algeria Libya
Olive oil[2] 1985 (tons)	16000	26000	31000		95000	168000	Algeria, Morocco Libya Mauritania
Iron & steel[3] 1985 (tons)	1665000	50000	28000		160000	2155000	Libya Mauritania Tunisia Morocco
Phosphate[4] 1986 (tons)	1203000		21178000		5900000	28281000	 Algeria
Triple super-phosphate 1986 (tons)	24000		600000		966000	1590000	Libya Mauritania
Raw petrol[5] 1987 (tons)	31500000	48600000			5000000	85100000	 Morocco
Natural gas[5] 1987 (cubic meters)	89919	8268			800	98987	Tunisia Mauritania

Notes:

1. Total Maghreb consumption is very weak, 1.8kg/Algerian and 14kg/Moroccan
2. All five Mahgreb countries import wheat or flour, sugar, and vegetable and animal oils. Only Tunisia exports olive oil, but imports large quantities of animal and vegetable oil
3. Maghreb consumption is 5 million tons. Real demand is closer to 7 million tons. Algerian production functions only at about 39% of capacity
4. To raise production capacity in superphosphates (especially in Morocco), the Maghreb countries

[389] See M Bentahar, 'Politiques économiques et dynamiques Magrébines' in *Al Mayadine*, 1990, No 6, 1990, pp 45-56

can respond to the immense needs for agricultural development in Algeria, for example

5. Total Maghreb consumption is 19866 million tons of petrol and 1689 million tons of natural gas. Total energy demand in the region will be around 55 million tons in 1995 and 67 million in 2000, with an average growth in demand between 1995 and 2000 of 4.2%. Tunisia will not export petrol from 1991.

Source: Mohsen Toumi, 'Des développements "égo-centrés" au développement solidaire', B Kadmani Darwish and M Charouni Dubarry, *Maghreb: les années de transition*, Masson, Paris, 1990, pp 178-9

The Commission further recommended the creation of regional development poles in different sectors, to exploit economies of scale and to curtail the under utilisation of productive capacity. Vehicle assembly plants in particular would benefit from joint production ventures, which case a regional investment code would become necessary.[390] Concomitant to this, a regional transport network would need to be established, and national monetary policies harmonised. To facilitate trade, credit agreements would need to be established as well as compensation mechanisms for those governments losing their tariff-based revenue.[391] The different economic and financial systems in AMU countries, customs barriers, non-harmonised fiscal, monetary and financial policies and non-convertible currencies have thus far constrained the establishment of a regional financial market. An integrated regional financial market would create economies of scale, secure the optimal allocation of resources throughout the region, ensure the balance between demand and supply, and provide finance for Maghreb businesses. These are all necessary measures for the development of a regional industrial base.[392]

The development of a regional transport network is another necessary, although insufficient driving force for equitable regional economic development. Maghreb

[390] For a critical appraisal of the potential for a regional automobile industry, see Adnan Ennifer, 'Une industire automobile à l'échelle du Maghreb: réalité ou utopie?', *Le Grand Maghreb*, No 51-1, September 1986, pp 389-390

[391] See Aouam Maryèm, 'L'intégration maghrébine à la lumière du traité de Marrakech et des textes y afférents' in *Al Mayadine*, 1990, pp 61-73 and Rhomari, 'L'Union du Maghreb Arabe', in *RISA*, No 4, 1991, pp 680-681

[392] See Tahar Raji, 'Marché financier et intégration économique Maghrébine' in *IEA*, No 184, 1988 p 87

countries have inherited a highly unbalanced spatial and economic infrastructure. To rectify this would necessitate a political commitment to enlarge the percentage of GDP spent on road transport, especially in Mauritania, which had the weakest road links. Until the creation of the Maghreb Commission of Road Transport in 1991, no regional regulatory framework existed for road transport networks. Although a railway transport committee was established in 1965, Libya and Mauritania only became members in 1990 and the Libyan railway system was still [illegible] linked to the regional network. The agreement on railway transport provided for the reciprocal use of rolling stock and containers, a compensation mechanism, and a uniform transport contract procedure – the latter has been the only measure that has been implemented.[393] Maritime transport agreements have remained at bilateral level only and the permanent Maghreb Aviation Commission focus has remained on improving air linkages to Europe and not between Maghreb countries – administrative and customs practices at Maghreb airports are still not homogenous. As part of a regional development strategy, it is imperative that the development of a regional transport network corresponds to investment and production planning; this has never received serious attention in the work of the AMU infrastructure ministerial commission.

Various AMU bodies as well as policy advisors highly recommended a sectoral policy coordination approach to regional development integration, which would mean coordinating national economic sectors, though joint projects. Through sectoral coordination, productive structures could be created and diversified and foreign trade and economic policies could be harmonised in a stronger regional forum for international negotiations. This was based on the theory that lesser-developed countries in close geographical proximity should coordinate and jointly stimulate investment flows and employ previously idle factors of production to strengthen the production process. Since the prerequisites for a liberalised regional trade regime were not in place, regional infrastructure cooperation could create the basis for trade

[393] For further detail see Tarik Ezzaki, 'Le Maghreb des transports et des communications', in *Revue Marocaine de droit et d'économie du Développement*, No 27, 1994, p 9

through joint industrial planning.[394]

It is clear that those advising AMU leaders understood that a mere trade liberalisation approach would not have been appropriate to ensure equitable regional economic development. It has been estimated that to realise even 30 per cent of the trade potential between AMU member countries, joint industrial projects would be essential to stimulate intra-industry trade. Cooperation in the agricultural sectors (Morocco in hydraulic sector and Algeria in agricultural equipment manufactures) and a regional technology and scientific policy would also complement regional industrialisation. Therefore, to achieve an integrated economic community, Maghreb states would need to harmonise their social and economic policies, promote the free circulation of goods and production factors in the region, harmonise financial and monetary policies, coordinate sectoral policies and reach a common position vis-à-vis other economic groupings.[395]

Despite the many trade agreements between countries in the region since the 1960s, there has hardly been any increase in trade, partly due to the fact that joint regional production ventures were not created and production was not diversified. What was needed in the region, therefore, was partial trade liberalisation, regional industrial development strategies, trade facilitation, joint tariffs on trade with third countries and a joint negotiating position towards the European Union.[396] Complementarities between the Tunisia and Morocco, the main agricultural producers, and Algeria and Libya, the main hydrocarbon producers, also had to be exploited through joint strategies.

Experience from other regional groupings in African and Latin America has shown that in regional groupings of developing countries, a mechanism to compensate those states that depend on tariff income for a large share of their revenue needs to be

[394] See chapter one for further elaboration. Peter Robson, in *Integration, Development, and Equity: economic integration in West Africa*, George Allen and Unwin, London, 1983, discusses the need for infrastructure development in developing regions in detail.
[395] See Youssef Tahiri, 'AMU-CEE: analyse d'une réalité et schémas futurs', *Etudes Internationales*, No 48, 1993, pp 141-144

created. The creation of such a mechanism was explored at the third AMU Summit at Ras Lanouf in 1991 (see below), but was never followed up. Also, in such groupings, a longer transition period towards a free trade area is necessary, to allow different economic sectors in the member states to adapt to increased competition. In similar vein, each state should be able to integrate first those sectors of the economy that would benefit most from or be least affected by the lowering and gradual elimination of import tariffs. This has been termed a 'multiple speed', 'variable geometry', or 'positive list' strategy, and other regional groupings in the developing world such as the Southern African Development Community (SADC) have experimented with this approach. There is no evidence that AMU has seriously explored such a strategy. According to Ahmed Larbaoui, executive secretary of the AMU General Secretariat, natural gas and hydrocarbon transport projects had the potential to 'cement' regionalism in the Maghreb, as cooperation in these areas have continued functioning despite the political impasse that have stalled all other regional activities since 1995.[397] They might even lead to a resumption of political cooperation. This belief is drawn from the neo-functionalist theory of Richard Haas and Joseph Nye (see chapter one), but in the case of UMA, has not led to increased political cooperation.[398]

Still, energy has always been a sector around which regional cooperation took place in the Maghreb. In 1983, Algeria, Tunisia and Libya negotiated a joint venture to construct a gas pipeline and in 1992 Tunisia, Algeria and Libya agreed to the construction of a gas pipeline that would transport gas into Europe through Libya and Tunisia.[399] Tunisia was granted permission to consume gas from this pipeline. In the same year, Algeria and Morocco negotiated the construction of a gas pipeline into Spain.[400] This pipeline would provide Algerian and Moroccan villages and towns

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[396] See M Bentahar, 'Politiques économiques et dynamiques Magrébines', in *Al Mayadine*, 1990, pp 48-52

[397] In 1995, the Algerian government submitted a letter to the UN Security Council in which it criticised the UN Secretary General's proposals for the Western Saharan referendum. The Moroccan government took exception to this and called for the freezing of all AMU activities and institutions.

[398] See Gharouti Mecamcha, 'L'intégration économique des pays du Maghreb: deux examples – les hydrocarbures gazeux et la question alimentaire',*Al Mayadine*, No 6, 1990, pp 75-81. By early 1999, the political impasse in the AMU has still not been resolved and regional activities resumed, despite the successful completion of these projects.

[399] See Moncef Mahroug, 'Le Magheb des gazoducs', in *IEA*, No 185, 1989, p 14

[400] See Said Hamdouni, 'Les tentatives d'intégration des pays du Maghreb face à l'elargissement de la CEE' in *Etudes Internationales*, Vol 23(2), June 1992

with gas, and in a next phase, be extended from Spain into northern European countries such as France and Germany.[401] Libya's gas pipeline, built after a contract was signed between Agip and Libya's National Oil Corporation in 1992, would transport 8-10 billion cubic metres of gas a year between Libya and Sicily and from there to the rest of the Italian gas network for an initial period of 25 years[402].

3.2 AMU institutions

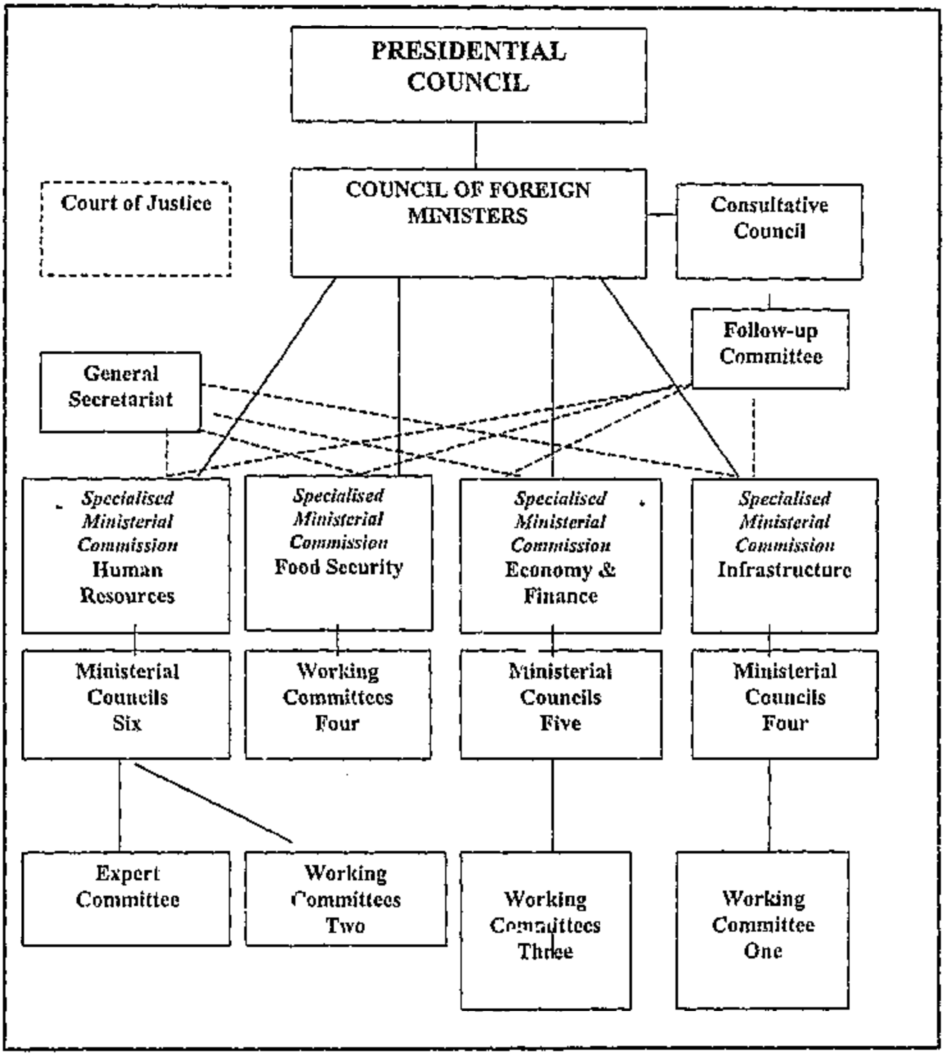
The AMU Declaration, Treaty and Programme of Action all reflected the preoccupation of Maghreb founding members with the classical distinction between administrative, technical and political organs, based on the EEC model of institutional integration. [403] The most innovative institutional structure was the Consultative Assembly, which could potentially allow for popular participation in regional affairs. However, this body has been marginalised, and as is the case with all other AMU bodies, remained subordinated to the directives of the Presidential Council.

The commission established at the Zeralda Summit to make recommendations on an appropriate institutional framework for regional integration, suggested a federalist model of regional cooperation. They based their suggestions on the examples of the European Economic Commission and the Arab Cooperation Council. Legal experts differ about the definition of the regional institutional framework. While some maintain that the AMU is a federalist-type arrangement, others view it as a grouping somewhere between a classical alliance and a confederation, as there is no transfer or delegation of competence from national governments to a supranational institution. This means that it had the legal powers of an international organisation[404]. But, despite this legal status, the concentration of power in the Presidential Council meant that priorities were only defined at the highest executive level, which did not allow for

[401] See '6 Milliard de m3 de gaz transiteront par le Maroc' in *L'Economiste Maghrébin*, No 60, August 1996, p 25
[402] See Marchées Tropicaux, 24 January 1992, p 191
[403] For full details see Rhomari, 'L'Union du Maghreb Arabe: édification d'un espace commercial et financier', *RISA*, 1991, pp 680-681
[404] For a detailed argument on the legal structure of the AMU see Abdelkader Kadiri, 'Reflections sur le Traité de Marrakesh', in *Révue Général de Droit International Public*, Volume 95(1), 1991, pp 79-89

technical cooperation between functionaries without direct political oversight.[405] The principle of state sovereignty primarily guided the composition of regional institutions in the AMU and was also responsible for the inter-governmental, rather than surpra-national character of regional institutions. Figure two outlines the structure and institutions of the AMU as it they were constituted in 1992.

Figure 2: The structure of the Arab Maghreb Union



[405] See Hareth Mzioudet, 'Les Institutions de l'AMU' in *Etudes Internationales*, No 41(4), 1991, pp 70-79

By 1992, the AMU comprised the following institutions:

- A Presidential Council with exclusive decision-making powers. The mandate of each president would last six months and summits would ideally take place twice yearly, in January and July. Member states would host summits in alphabetical order. The Presidential Council has only met six times since the Marrakech Summit, between July 1990 and April 1994, before an impasse was declared in the Union in 1995. Ministerial a. ı expert group meetings between these summits have prepared close to 40 conventions on all sectors of cooperation.
- A Council of Foreign Ministers, which prepared the sessions of the Presidential Council. It was the principal liaison between the Follow-up Committee and other organs of AMU. It had the primary responsibility of overseeing the programme of action, and the common development strategy. Not only did it have to examine proposals prepared by the specialised ministerial commissions and the follow-up committee, but the Council of Foreign Ministers also had to give direction to the Presidential Council, make recommendations and introduce new projects.
- A General Secretariat, headed by the Tunisian Mohamed Amamou and based in Rabat, had to implement the decisions of the Presidential Council. It had to coordinate with the Follow-up Committee, keep the AMU archives, and liaise with other AMU bodies. It was also the legal representative of the AMU. Mohamed Amamou was nominated in 1991 as secretary general for a mandate of three years, after two years of indecision as a result of differences among member states on the creation of a secretariat, its functions and prerogatives, and its location.[406]
- A Follow-up Committee, comprising the minister for AMU affairs of each member state, had to oversee the implementation of the Presidential Council decisions. To do so, it had to coordinate with the specialised ministerial commissions, and general secretariat. It met as often as necessary. During the first years of the AMU the Follow-up Committee played a central role. It generated most of the ideas, projects, and principal texts, and played an active role

[406] Tunisia insisted that the AMU secretariat be hosted in Tunis, whereas Morocco insisted that its headquarters be in Rabat.

in coordinating AMU affairs. Although it reported to the Council of Foreign Ministers, this Committee saw itself as the 'engine' of AMU cooperation, although later on it became marginalised within the operations of the Union.

- Four Specialised Ministerial Commissions were established to examine and make recommendations to the Presidential Council on the issues of food security, economic and financial cooperation, infrastructure and human resources.[407] These Commissions provided the broad direction for regional policy and project implementation, as defined by the Presidential Council. Together with the General Secretariat and the Follo-up Committee, they identified the priorities for regional cooperation. Three of the commissions were divided into ministerial councils. The structure of these commissions were based on the European Commission, and was a compromise between the Algerian and Moroccan proposals on how to structure the operations of the AMU.[408]

The four commissions dealt respectively with human resources, finance and the economy, infrastructure, and food security. Six ministerial councils coordinated the work of the Specialised Ministerial Commission on Human Resources. They were divided as follows: education and teaching; culture, information, youth and sport; training, employment, social questions, and emigrants; health; juridical questions, and interior affairs such as movement of people. Five ministerial councils coordinated the work of the Ministerial Commission on Finance and the Economy. They were divided as follows: planning; mining and energy; finances, customs, insurance, and accounting; industry and crafts; and services and tourism. The Specialised Ministerial Commission on Infrastructure was divided into the following ministerial councils: postage and telecommunications; transport; housing and urban issues; public works and equipment. All of these had working committees and committees of experts to assist them in their task. Finally, the Specialised Ministerial Commission on Food Security was organised into four working committees: agricultural development; ground transformation; hydrolic

[407] In July 1995, a Maghreb commission for citrus fruits and early fruits and vegetables was appointed to find solutions to the continuing food security crisis, partly as a result of cyclic droughts, in the region. See *La Presse*, 5 May 1995, p 4

energy; and food industry development.

- A Consultative Council, comprising twenty representatives from each member country, was to meet once a year to advise the Presidential Council on all decisions. The Council hoped eventually to make recommendations of its own regarding AMU's programme of action. However, this Council, which was supposed to be the genesis of a Maghreb parliament, met for the last time in 1992, partly because of the dissolution of the Algerian national assembly in January 1992. Since its inception, this body had wanted to play a more proactive role, for example studying ministerial commission proposals before they were recommended to the Presidential Council, but the Council of Foreign Ministers and the Presidential Council both marginalised it. It wanted the same prerogatives as the European Parliament and to this end even organised itself into five commissions: political affairs; finance, economy, development planning and food security; juridical affairs; human resources; and infrastructure, modelled roughly on the Specialised Ministerial Commissions.
- A Court of Justice, established in Nouakchott, comprising two judges from each member country with a mandate for six years was to mediate in disputes between member countries where the interpretation or application of the AMU Treaty is concerned. Unfortunately, this institution has not yet been established when the AMU reached an impasse.
- A Maghreb University was to have been established in Libya,
- A Trade and Investment Bank was to have been established, with its headquarters in Tunis.[409]

The institutional make-up of the AMU has been critisised on many grounds. It precluded dynamic decision-making and responses to problems since all bodies were subordinated to the Presidential Council, in which all decision-making power was concentrated. It did not correspond to the institutional needs of a regional grouping in the developing world and uncritically followed the EEC and Arab Cooperation

[408] The Tunisian government proposed a much more flexible structure for AMU, with no permanent commissions, but only ad hoc commissions to implement feasible projects.
[409] For more detail on the functioning of these institutions see See Mohammed Ben El Hassan Alaoui, *La Coopération entre l'Union Européenne et les pays du Maghreb*, Nathan, Paris, 1994, pp 130-159

Council models of organisation. This was on recommendation of Morocco and Algeria. Tunisia, however, wanted a more pragmatic and flexible structure. The provision that all decisions taken must have a unanimous vote from all five heads of state paralysed the organisation. The jurisdictional organ, a first for regional schemes in the Arab world, was neither credible nor efficient, in fact it never ruled on any disputes. Also, there was no provision for a transfer of competence between the legislative and executive branches of AMU[410].

Not only did these bodies and national functionaries have no history of working together, after the dismantling of the Permanent Maghreb Consultative Council in the early 1970s, but there was much competition among AMU bodies for pre-eminence and status. The Maghreb Consultative Council suffered as a result: in 1991 the Follow-up Committee ruled that this body should only be consulted as the Presidential Council sees fit, and that it would have no role in regional project and policy initiation or formulation. Finally, the AMU General Secretariat only started operating in 1992, which slowed down the regional cooperation process considerably.

3.3 AMU Summits

Only six heads of state summits have taken place after the signing of the Treaty of Marrakech treaty in 1989 and before the regional project reached an impasse in 1994. These summits had prepared a total of 41 resolutions and conventions, almost none of which had been implemented. The first summit of heads of state was held in Zeralda, Morocco in 1988. Five commissions were subsequently mandated to research and make recommendations on key issues that would affect the regional integration project.[411] The reason for appointing these commissions was that there was no consensus or clear proposals that could define the objectives and processes of regional integration. The Zeralda Summit, as was shown in the previous section, was but the outcome of series of regional meetings where national objectives and ambitions were preponderant. Some would argue that this pattern continued over the next six years,

[410] For a more detailed critique see PS Agate, 'Cooperation CEE-AMU' in *Le Maghreb, L'Europe et la France*, CNRS, Paris, 1992, pp 123-125

[411] See Paul Balta, *op.cit.*, pp 244-248.

and that a coherent regional strategy and objective never guided the regional project. [412] The principle of heads of state summit meetings, as the sole site of regional decision-making, was adopted at the Zeralda Summit. Figure three below gives an overview of AMU regional summits and presidencies.

Figure 3: AMU regional summits and presidencies

Summit	Date	Presidency	Period
Zéralda	October 1988	Morocco	July 1989-January 1990
Marrakech	February 1989	Tunisia	January 1990-July 1990
Tunis	February 1990	Algeria	July 1990-January 1991
Algiers	July 1990	Libya	January 1991-July 1991
Ras Lanouf	March 1991	Morocco	July 1991-January 1992
Casablanca	September 1991	Mauritania	January 1992-July 1992
Nouackchott	November 1992	Tunisia	July 1992-January 1993
Tunis	April 1994	Algeria	January 1993-July 1993
		Mauritania	July 1993-January 1994
		Morocco	January 1994-July 1994
		Tunisia	July 1994-January 1995
		Algeria	January 1995-July 1995
		Morocco	July 1995-January 1996

Sources: Fatallah Oualoulou, *Après Barcelone...le Maghreb est nécessaire*, Les Editions Toubkal, L'Harmattain, Casablance and Paris, 1996, pp 320-323 and *Jeune Afrique*, No 1640, June 1992, p 24

At the first summit of heads of state in Tunis, political differences did not prevent the meeting to reach consensus decisions about the structures of AMU and to release joint political statements about events external to AMU. Summit representatives decided to enlarge the Consultative Council to 20 representatives from each country and appoint four ministerial specialist commissions. It was also agreed that foreign affairs and defence ministers would henceforth partake in AMU Presidential Council meetings, and that the Council would mandate all other AMU permananent and ad

[412] See Habib Slim, *op.cit.*, p 59

hoc institutions. At this summit the possibility of cooperation with the Gulf Arab states and more specifically the Arab Cooperation Council, as well as the EEC, was explored.[413] Maghreb leaders were basing many of their decisions and concerns at this summit on the imminent signing of the Single European Act in 1993. In this regard, Morocco, in particular, was very optimistic that the southern Mediterranean states would increasingly become an increasingly important market for the European Union.[414] The Moroccan government assumed the first presidency of AMU. It was under its leadership that the structures of AMU were set up (see above). It was also under the Moroccan presidency that the trend developed to discuss only technical and not political issues affecting regional relations at AMU summits.

Participants at the second summit of heads of state in Algiers started laying the foundations for the establishment of a customs union in the Maghreb. The decision to establish a customs union was partly motivated by the desire to sign jointly future agreements with other regional groupings. The summit could not reach an agreement on the nationality of the AMU Secretary General or where to locate the headquarters of the General Secretariat. Once again, internal political problems, this time Islamic opposition in Algeria and Tunisia, were not discussed. Furthermore, Libya was not able to convince AMU member states to condemn the position of the US on the Lockerbie issue. Five agreements were signed at this summit, launching a common market for agricultural goods, instituting regional health controls and developing regional investment, taxation and overland passenger and goods transport rules. However, an agreement signed at the previous summit to establish a joint Maghreb airline and identity card have not yet been ratified by any of the member states.[415]

At the third summit of AMU in Ras Lanouf, a four-stage trade integration approach was adopted, as well as a series of resolutions on infrastructure development. The

[413] Algeria and Morocco had political differences because of the Western Sahara crisis. Mauritania and Morocco had differences because of the latter's support of Senegal. Algeria and Tunisia experienced political tensions because of Algeria's legalising of the Islamic Salvation Front, which the Tunisian regime believed was thwarting its own dealing with the Islamic movement. Tunisia and Libya had political tension because Khadaffi had net with Sheik El Gannouchi, head of the Ennahdah Islamist opposition movement in Tunisia. For more detail see Mohamed Ouenzerfi, 'Un jalon de fonctionalité', in *IEA*, No 197, February 1990, p 29

[414] See *Le Libéral*, No 24, February 1990, p 11

summit insisted that AMU was to be a step towards a united Arab world.[416] At this summit, resolutions on human resource development, infrastructure development, food security, economic security and financial cooperation were adopted. Morocco lobbied for the Consultative Council to be enlarged, but it was still not granted any legislative competence and it continued to be marginalised.[417] The Ras Lanouf summit also fin ''y agreed to the establishment of a permanent secretariat and the appointment of a secretary general for AMU.

By 1991, AMU member states have still not started harmonising their very diverse economic development policies and continued to disagree over the solution to the Western Sahara conflict. They differed on how to deal with Islamist opposition in the Maghreb polity, as well as the sanctions imposed against Libya as a result of the Lockerbie affair. They also could not reach agreement on the outcome of the recent Mauritanian elections. Despite these political differences, all agreed, at least at the rhetorical level, on the benefits of regional economic integration, namely the creation of economies of scale, better productivity, and increasing competitiveness. The Union of Maghreb Banks was established at this summit, with more than 70 banking institutions throughout the region joining this body. The five AMU member states would hold equal shares in this Bank.[418] This summit also spent much time reflecting on joint future financial institutions in the AMU, considering amongst other a proposal for the establishment of a Maghreb Trade and Investement Bank, which would lend capital to non-Maghreb states and invest mainly in agricultural development.[419]

This Summit furthermore agreed to schedule the establishment of a free trade area by 1992 and a customs union by 1995. A provisional trade and customs agreement was adopted, subject to specific conditions such as including anti-dumping measures.

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[415] Africa Research Bulletin, No 10037, 15 August, 1990,p 98

[416] See Rachid Driss, ' L'Union du Maghreb Arabe après le troisième Sommet', *Etudes Internationales*, Vol 41(4), 1991, pp 170-171

[417] *Le Libéral*, No 24, February 1990, p 11

[418] *Marchées Tropicaux*, 12 July, 1991, p 1790

[419] The Summit also recommended that reciprocal credit lines between the banks be made available in convertible dinars. For more detail see A Jawahiri, 'Se hater lentement', in *L'Economiste Maghrebin*, No 55, June 1992, p 5

Summit participants agreed on the necessity of introducing safeguard measures and compensatory mechanisms in all trade-related agreements, as well as competition regulation to avoid dumping, as a result of excessive export subsidies. By the time of the summit, Tunisia was the only AMU member that has ratified all agreements on the exemption of products of Maghreb origin from customs duties, taxes and non-tariff barriers such as import licences and quotas. Agreements that other member states have failed to ratify included those pertaining to the harmonisation of customs regulations and policies to establish a common external tariff and the sharing of customs receipts.[420]

Participants at this Summit also agreed to unify economic policies and development plans and to prioritise food self-sufficiency, integrated production, joint energy projects, joint transport and communications programmes, and humann resource development coordination within a regional framework.[421] New sources of financing for intra-regional trade were to be made available, trade information was to be systematically shared and a transport and telecommunications network created. Heads of state also agreed to harmonise transport development and to lift all obstacles that have so far prevented the development of a transport network in the region. Another recommendation was to establish a Maghreb Payment Union, although at the time of the Summit, some members have still not paid their shares due for the Maghreb Bank for Investment and External Trade.[422]

All heads of state were present at the fourth summit Casablanca in September 1991. Major decisions at this summit included the location of AMU structures[423], adopting decision-making by unanimity, and establishing a calendar for the 5+4 meetings with the four southern Mediterranean European countries (France, Spain, Portugal, and

[420] See Hassan Ben Abderrazak, 'L'Union du Maghreb Arabe – L'année decisive', *IEA*, No 243, April 1994, pp 6-7
[421] See Hassan Abouyyoub, 'Trade policies and economic integration among the Arab Maghreb Union countries' Said El Naggar (ed), *Foreign policy and intra-trade policies of the Arab countries*, IMF, Washington DC, 1992, pp 138-139
[422] See Rhomari, *op.cit.*, p 689
[423] The secretariat was to be seated in Rabat, the Consultative Council in Algiers, the Court of Justice in Nouakchott, Mauritania, Maghreb Bank for External Trade in Tunis, and the Maghreb University and Science Academy in Tripoli

Greece), and Malta.[424] Tunisia, however, was dissatisfied with the decision to locate the AMU Secretariat in Morocco and voiced the concern that the chosen structure would not necessarily lead to the effective functioning of the AMU. In response, the Summit appointed a Tunisian, Mohammed Amamou, as secretary general of AMU as from October 1991 for a mandate of three years. His appointment has been renewed twice since that date.

At the fourth session of the Maghreb transport ministers in May 1991, they decided to create a Maghreb air company, speedtrain, route network, a Maghreb metereological centre and signed a multilateral agreement on maritime transport. They also agreed to investigate how border procedures can be facilitated and legislation unified to promote more efficient transport of people, goods and merchandise in the region.[425] At the meeting of foreign ministers in July 1991, they raised concern about the threat of increasing trade protectionism and stronger trade negotiating leverage, posed by powerful regional groupiongs. For this reason, the meeting fully supported the 4+5 dialogue initiative with the European Mediterranean countries, which partners hoped would solve security problems such as cross border drug smuggling. AMU ministers also hoped that this dialogue would secure its continued privileged cooperation with the EEC.[426]

Hassan II and Khadaffi only sent representatives to the fifth summit in Nouakchott in November 1992. There were already signs of an impending 'impasse' in the regional project at this summit. Libya seemed more interested in a union with Egypt and Morocco with the EEC. Libya also did not attend the summit due to a UN embargo on air travel of its leaders.[427] Also, after the third AMU summit at Ras Lanouf, Khadaffi had hoped to prolong the Libyan presidency for six months, which was not granted.[428] Algeria had the most representatives at this summit, mostly to prove that

[424] See *Enjeux*, No 33, October 1991,p 12
[425] See *Marchées Tropicaux*, 24 May, 1991, p 1009
[426] *Marchées Tropicaux*, 26 july, 1991, p 1908. The 4+5 dialogue refers to a European-initiated forum and process for institutionalised political dialogue between the four Maghreb countries bordering the Mediterranean, Tunisia, Morocco, Algeria and Libya, and the five European countries bordering the Mediterranean: Portugal, Spain, Greece, France and Italy.
[427] See Francois Soudan,*op.cit.* p 8
[428] See François Soudan, 'Le Maghreb à trois' in *Jeune Afrique*, No 1663, November 1992, pp 6-10

the internal Algerian situation was 'under control' and to secure a leadership role in the region.[429]

Participants at this summit strongly condemned religious fundamentalism in the region and called for efforts of all Maghreb governments to contain these currents. The summit concentrated on three main themes: how to concretise the Maghreb project, the implementation of conventions and agreements, and AMU's relations with other groupings, especially the EEC. The Algerian president called for the realisation of joint projects and the revitalisation of intra-regional trade, the identification of priority projects, and increased cooperation with northern Mediterranean countries[430]. Political declarations adopted at this summit included opposition to the UN embargo against Libya, a declaration against terrorism in AMU and a call for the lifting of sanctions against Iraq. However, no mention was made of the referendum in the Western Sahara.[431]

The Presidential Council called for an increase in financial resources to the AMU Secretariat to enable it to facilitate the implementation of the 15 conventions that have already been signed, and to be a more dynamic driving force in the implementation of regional integration projects. Only Tunisia has ratified the protocol for a free trade area agreement. The secretariat was also to issue a regional identity card to allow the free circulation of goods and people within all Maghreb countries. This summit examined joint AMU preparation for the 5+5 Summit with the southern Mediterranean countries of the EEC and Malta, and resolved that the main obstacles thus far to effective economic integration in the Maghreb were a lack of security and technical capacity.[432]

Of the 16 agreements that have been concluded until this summit, Tunisia has ratified all, Algeria and Libya 14, Mauritania 8 and Morocco none. The Tunisian leader, Ben Ali, has been the only leader to have attended all summits up to date, and ratified all

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[429] Ibid.
[430] *Marcheés Tropicaux*, 27 November, 1992, p 3128
[431] See *Marchées Tropicaux*, 27 November 1992, p 3128
[432] See *Marchées Tropicaux*, 20 November 1992, No 2454, p 3071

conventions. More seriously, none of the agreements have been implemented. Reasons for this vary and will be explored in more detail in the next chapter. Suffice to mention that economically, none of the Maghreb countries seemed ready for trade liberalisation. Politically, Libya was still facing international sanctions. Algeria was preoccupied with the Islamist uprising and Morocco and Algeria still had major differences regarding the progress and conduct of the Western Saharan referendum. There was still no freedom of movement between borders and people moving between Morocco and Mauritania even required visas.[433] Many commentators started questioning whether a Maghreb union exists at all outside of heads of state summitry.

At the sixth and last summit of AMU in Tunis in 1994 five conventions, respectively on investment, trade in agriculture, free intra-regional ground transport of goods and people, phyto-sanitary protection and an agreement against the double imposition of tariffs in the region were signed. It took place at a time when intra-Magreb trade had declined from 1990 levels and the problems around a referendum in the Western Sahara; international sanctions against Libya; and the low-level civil war in Algeria, amongst others, were continuing to prevent the implementation of regional projects. The general lack of democratic consolidation in Maghreb countries has also been cited as one of the main reasons for the slow progress in regional integration five years after regional leaders have committed themselves promote regional political and economic cooperation. The only concrete progress at the time of the summit has been the adoption of a common regional customs policy, as well as intra-regional investment flow guarantees.[434] This followed a first conference of Maghreb entrepreneurs that took place in November 1993, with the purpose of examining whether the Maghreb countries could become the next 'dragons' of the developing world. The conference examined themes such as export-oriented industrialisation, training and market access to Northern markets.[435]

At this summit, 11 agreements were signed to promote various aspects of economic,

[433] François Soudan, 'Le Maghreb à trois' in *Jeune Afrique*, No 1663, November 1992, pp 6-10
[434] See *L'Opinion*, 30 April, 1994, p 1
[435] See Moncef Maghroug, 'Les entrepreneurs maghrébins en conclave' in *IEA*, No 236, September 1993

cultural and trade cooperation in the Maghreb. A declaration to establish an AMU free trade area was also adopted. Summit participants decided to pursue the European-initiated EuroMed dialogue at the Barcelona conference in 1995, which were to take place between the twelve EU member states and 12 'southern' Mediterranean states. Maghreb heads of state were particularly interested in concluding Euro-Maghreb cooperation charter that would guarantee better working conditions for Maghreb migrant workers in Europe.[436] As a result of sentiments expressed at the summit, Mohammed Amamou, secretary general of AMU, appealed to the international community to lift the unfair coercive measures imposed against Libya.[437]

At a meeting of Maghreb foreign ministers in November 1994, at which the idea of a southern Mediterranean grouping was launched, Egypt applied for membership of the AMU, as it was experiencing growing isolation in the Arab world. Egypt's potential contribution to AMU, however, was questionable. It suffered from a state-run inefficient economy wrought with social inequality, politics of exclusion, democratic deficit, high levels of indebtedness, food dependency and low levels of human development.[438] Egypt could clearly benefit from a regional developmentalist project, as well as the Maghreb political alliance, but had little to offer the Maghreb, except adding its voice to negotiations for fair aid and trade packages with the European Union.

A September 1994 attack on tourists in Marrakesh led the Moroccan government to re-introduce visa requirement for Algerian citizens, which the Algerian government followed up with visa requirements for Moroccan citizens. This led to the gradual souring of relations between the two countries. A final break in their relations, and a subsequent freeze on all activities and institutions of AMU, came in December 1995 after Algeria criticised Morocco's conduct in the Western Sahara in front of the UN Security Council (see chapter four). Three years later, the regional project still lumbers in an impasse, with all political momentum for regional cooperation stalled.

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[436] For a detailed account of the 11 agreements that were signed, see *La Presse*, 5 April 1994, p 5
[437] *Jana News Agency*, 2 April, 1994
[438] For further detail on Egypt's request to become a member of AMU, see 'Maghreb-sur-Nil', *Jeune Afrique*, November 1994, No 1768, p 17

CONCLUSION

At the turn of the decade, there was great optimism that developmentalist regionalism would go a long way to solve the crisis of underdevelopment in the Maghreb region. Analysts, politicians and observers argued that the region possessed sufficient technical knowledge and potential complementarities to cooperate fruitfully in the economic domain and benefit from economies of scale in joint production ventures. If human resource development were to take place on a regional scale, the ensuing development of human capital would have enhanced production and created a large internal market, which in turn would have led to economies of scale to fuel internationally competitive production.[439] This was possible partly because AMU member states shared similar lifestyle and consumption patterns. However, a decade after the first high-level political commitments towards regional integration were made in 1988, the Maghreb still lacked the basic financial institutions and transport infrastructure to facilitate trade integration.

While there has been a slight increase in the intra-regional volume of trade; joint enterprise development, development of border areas; and improvements in regional infrastructure; heterogenous economic structures, ideological diversity, dependency on external powers and the absence of complementarity, served to undermine the regional integration process.[440] To overcome these problems, a new spatial vision had to be cultivated, based on a regional analysis of underdevelopment. This would have necessitated a regional development strategy that went beyond simply 'catching up'

[439] See Mohsen Toumi, *op.cit.*, pp 176-187
[440] This was despite the convergence in their economic policies

with the developed world. Also without resolving regional conflict over the Western Saharan referendum, common interests would be insufficient to drive the regional project.[441]

Commentators already spoke of 'disillusionment' with AMU in 1992, comparing the body to the toothless and inefficient OAU and Arab League. Heads of state summits were increasingly characterised by absences of leaders, postponements, and reprisals.[442] Hamdouni characterises regionalism as the development of a regional system, comprising a group of states linked by a common structure, institutional solidarity, autonomous supranational organs, institutional coherence and an autonomous decision-making process. This system develops in three phases: cooperation, coordination and integration. Based on this definition, neither did any regional system exist in the Maghreb between 1958 and 1988, nor has the AMU progressed beyond the mere cooperation phase.[443] The collapse of common structures, and the lack of autonomous supranational organs and decision-making processes has left little hope for the development of a regional system, although this is not unique to the Arab Maghreb Union. But, it has precluded AMU from negotiating future trade and development assistance packages with the EU from a stronger joint position.

Habib Slim described the 1988 Zeralda Summit, which has preceded the signing of the Treaty of Marrakech, as nothing more than an accidental convergence of a series of tactical manoeuvres in the Maghreb region. It was therefore not the result of a regional strategic choice, expressed by clear political will that would translate into long-term imperatives and perspectives for the development of a political and economic grouping.[444] This, together with the non-fulfilment of three minimum conditions for regional integration – democratic political regimes, a minimum communal vision and a regional institutional structure – begin to explain why AMU

[441] See Abdelwahab Bekhechi, 'Le Maghreb: passé et perspectives: un point de vue Algérien', in *Al Mayadine*, No 6, 1990, pp 23-32
[442] See Francois Soudan, 'Pourquoi L'AMU n'existe pas?' in *Jeune Afrique*, No 1640, June 1992, pp 18-21
[443] See Hamdouni, 'Les tentatives d'integration des pays du Maghreb face à l'elargissement de la CEE' in *Etudes Internationales*, Vol 23(2), June 1992, p ?
[444] See Habib Slim, 'L'évolution du Grand Maghreb entre le CPCM et la naissance de l'AMU', *Etudes Internationales*, No 4, 1991, pp 56-62

has become nothing more than an empty shell despite the imperative for developmental regionalism in light of changing global, regional and national environments. The next chapter will assess the Maghreb regional integration project since the creation of AMU, and try to explain its failure in the light of factors internal and external to the region.

[illegible]

[illegible]

Introduction

[illegible]

Politicians and [illegible] of political will to support [illegible] region.[17] [illegible]

[illegible]

its territory in 1995, in a near-repetition of a similar incident in 1985, only served to underline the continuing immobility of labour in the region. Algeria's criticism of Morocco for blocking the Western Saharan referendum in 1995 before the UN Security Council, led to Morocco's unilateral call for a cessation of all AMU activities, a stalemate which still continues, despite efforts of other AMU members to revitalise the regional project.[449]

AMU has not only come to a standstill on a political, institutional and societal level; very little progress has also been made in fostering economic cooperation and integration in the region. By 1998, the gradual tariff and non-tariff barrier elimination schedule, agreed to in principle in 1991, has not been finalised and no implementation time frame was in place.[450] No regional industrialisation strategy has been seriously considered and most industrial cooperation agreements were being negotiated at a bilateral level or outside of the AMU framework.

The previous chapter explored why Maghreb political elites attempted to set up an institution similar to the European Economic Community, despite the absence of the necessary economic and political preconditions for regional integration. This chapter will examine the nature of the political, economic and institutional obstacles that continue to block developmental regionalism in the Maghreb. At a technical problem-solving level, this chapter will argue that the authors of AMU should have employed different instruments and approaches to realise regional integration. For example, the policy elites of the Southern African Development Coordination Conference (now the SADC) have decided at its creation in 1980 to follow a sectoral project coordination approach. They believed this to be a more appropriate approach to the specific historical, economic and political situation of the region than the EEC model of trade integration.

Similarly therefore, AMU political leaders could have followed a different more

[449] These observations are based on interviews, listed in the bibliography, and countless casual discussions the author had with non-academics between 1994 and 1998.

flexible institutional model and focused more on regional industrialisation than the elimination of trade barriers between member states (an approach which was only rectified at the fifth AMU Summit in 1992). Without altering the structure of regional production and trade to create the complementarities and industrial base necessary for trade to take place, a regional free trade area would neither exponentially increase regional trade, nor would it lead to economic development. In this sense, classical theory of regional integration hardly suffices to explain the failures of regionalism in the Maghreb.

At a more critical level, however, it could be argued that since the mid-1980s the intensified movement of global capital has forced Maghreb states to 'become a transmission belt from the global to the national economy, adjusting national economic practices and policies to the perceived exigencies of the global economy'.[451] Coupled with this, the same ruling elite has continued its decades-old monopolisation of political, economic, financial and security resources, silencing any serious opposition, particularly the Islamist movement, to its increasingly unpopular rule during the 1980s and 1990s. While this monopolisation has been assisted by popular support for nationalist movements during and after independence, increasing popular disaffection with the elite during the 1980s and 1990s has further reinforced the suspicion of elites vis-à-vis their populations. The democratisation of the political process has thus remained a façade for the real power structures in Maghreb societies.[452]

In this context, Maghreb political elites have become more accountable to the directors of international financial institutions and multinational corporations, than to the people they were governing, thus preserving and consolidating their historical networks of accumulation through their monopolisation of economic relations with

[450] By June 1994, before the imminent stalemate in AMU , the customs bureaux and departments of trade and industry were still finalising the negative product lists, which detailed only those products that were to be exempt from the tariff reduction schedule.
[451] See Robert Cox, 'Critical political economy', in Bjorn Hettne (ed), *International Political Economy: understanding the global disorder*, Fernwood Publishing, Zed Books, Cape Town and New Jersey, 1995, p 25
[452] See Beatrice Hibou and Luis Martinez, 'Le partneriat euro-maghrébin: un mariage blanc?, *Les Etudes du CERI*, No 47, November 1998, p 18

the outside world. This new Maghrebi 'transnational managerial class' was less committed to national economic development priorities than was, for example, the East Asian 'developmental' elite, who had pursued a transformative, structural reform-oriented development agenda', albeit in an authoritarian way, through state-assisted capitalism in the 1970s and 1980s.[453] More important for the elite was their adherence to macro-economic policy reforms designed by the World Bank and the IMF, and anchoring these reforms through regional free trade area agreements with the European Union, thereby legitimising Maghreb regimes in the eyes of the international donor and financial community.[454] This interpretation is supported by regulation theory, according to which both growth and stagnation in peripheral regions such as the Maghreb are the result of 'general patterns of development that are intricately linked to the international economy and that promote the breakdown of local insitutional arrangements necessary for sustained development'.[455]

This chapter will examine the economic and political opportunities and obstacles to developmental regionalism in the Maghreb at both a problem-solving and a critical theoretical level. This will show that existing regional integration theory, both of the dependencia and the neo-classical school is insufficient for understanding the context and failure of regional cooperation in AMU.

1. Economic obstacles

In classical regional integration theory, the lifting of tariff and non-tariff barriers to the movement of goods, labour and capital in a region would create trade between these countries in complementary goods and services, and in those goods and services where they have a comparative advantag.[456] Trade integration theorists argue that a regional market would enhance under-utilised production capacity, thus leading to

[453] One of the major component of a development state, according to Adrian Leftwich, is a determined developmental elite, quoted in *Democracy and Development: theory and practice*, Cambridge, Polity Press, 1996
[454] The concept of policy-anchoring will be explained in chapter seven
[455] See Dirk vandeWalle (ed), *North Africa: Development and Reform in a changing global economy*, McMillan, London, 1996, p xiii
[456] See chapter one for an explanation of Jacob Viner's customs union theory and the theory of comparative advantage of David Ricardo.

more efficient production and general welfare gains. This static gain, however, is often not relevant for regional groups comprising developing countries, since it is predicated on their ability to trade with one another in complementary surplus products and on sufficient demanc absorb these products. This, in turn, presupposes existing trade, sufficient growth and low income differentials between the countries.

Not only do Maghreb countries compete for export markets for their similar export products; intra-regional trade in the Maghreb has never exceeded 5 per cent of total trade, even after the conclusion of the Marrakesh Treaty in 1989. Maghreb economies are characterised by narrow internal markets, few capital-intensive industries, high levels of tariff and non-tariff protection (even after economic reforms and tariff reductions), excessive dependence on trade with Europe, insufficient agricultural production, insufficient supply of goods for the export market, and a lack of export diversification.[457] Furthermore, their income and economic growth patterns differ significantly, as is shown in table one. Structurally, therefore, the preconditions for regional economic integration in the Maghreb have been absent.

Table 1: Income and growth in Maghreb countries

	Algeria	Libya	Mauritania	Morocco	Tunisia
GDP/capita 1992 (US$000)	1515	N/A		1042	1772
GNP/capita 1995 (US$000)	1600	N/A	.460	1110	1820
GNP/capita 1997 (US$000)	1490	N/A	.404	1250	2090
Real GDP 1997 (US$bn)	68.485		1.263	25.385	15.367
Average GDP growth 1990-1996	-0.2%		3.5%	1.7%	4.4%
Average GNP growth 1990-1997	0.4%		2.2%	2.2%	5.0%

[457] See Hassan Abouyoub, 'Trade policies and economic integration among AMU countries', in *Foreign Policy and Intra-trade policies of the Arab countries,* IMF, Washington DC, 1992, p 36.

Sources: *African Development Indicators*, 1997 and 1998/99, World Bank, Washington DC and *L'Economiste Maghrebin*, No 95, 1993/4, p 18

Smaller developing states with limited industrial bases stand more to benefit from the dynamic gains of regional integration. These include the creation of internal and external economies of scale, the development of local industries, more efficient production through the sharing of technology, skills and other resources, the diversification of exports, and joint negotiating power vis-à-vis external economies.

To exploit these potential benefits, however, regional groupings need to embark on a process of policy harmonisation, production integration (to create complementarities and comparative advantage), and economic infrastructural development especially in the transport, energy and telecommunications sectors. However, AMU governments have done very little in this regard. This explains why, despite increasing economic covergence, some progress in energy and industrial cooperation, and a booming informal intra-regional trade, the Maghreb economies remain fragmented and are far from realising a single regional economic space.

1.1 Economic convergence

Chapters two and three explained in detail the divergent economic strategies followed by the five Maghreb countries since independence until the mid-1980s. All Maghreb governments endorsed some form of planned economy, which, according to the dominant development theory at the time, would eradicate inequalities and improve the quality of life of their citizens. However, Morocco and Tunisia attempted to diversify their productive base, while Algeria, Libya and Mauritania remained mono-exporters of petroleum products and fish and iron respectively. The intensity of state intervention varied from some form of public control over prices in Morocco to nationalisation of all major economic sources in Algeria in the late 1960s, and in Libya after 1969. But across the region, the state was involved in much of the designing, financing and implementation of economic development programmes.

The economic crisis which befell Maghreb countries at the beginning of the 1980s, was not only caused by falling commodity prices that lead to an unsustainable debt spiral (see chapter three), but also by structural failures of Maghreb economies, partly due to the development strategies they have pursued since independence. In Algeria, for example, import suppression, which formed part of the Algerian regime's import-substitution industrialisation strategy, slowed down industrialisation, since it was difficult to diversity manufactured products without intermediary goods imports.[458] According to an Algerian government report, released in 1992, real per capita income in Algeria dropped by 22 per cent between 1984 and 1991. The export sector, apart from the petroleum sector, has remained non-existent and production capacity untilisation has never exceeded 57 per cent, due to the difficulty of importing supplies and spare parts.[459]

Both the Algerian and Libyan economies were (and still are) characterised by unequal sectoral development. The petroleum sector attracts almost all foreign direct investment, and only in capital-intensive industries. These enclaves are not linked to the local economy through upstream or downstream activities.[460] Generally, other structural failures in the Maghreb economies include overspending of the public sector, underproductivity of state-owned public enterprises, centralised credit distribution, which has led to the high cost of credit, highly inadequate fiscal systems and constraining labour legislation, especially in the public sector, leading to bureaucratic redundancy.[461]

The realisation that their inability to pay for imports and service their debts to international creditors has its origin not only in external circumstances, but also in their internally dysfunctional economic systems, partly led Maghreb policy elites to negotiate stabilisation and economic structural adjustment agreements with the International Monetary Fund (IMF) and the World Bank since the beginning of the

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[458] See *L'Opinion*, 12 Janury 1994, pp 11-12
[459] See *African Markets*, Volume 1(9), April 1992, p 9
[460] See Michiel Bekker and Jan Paul Aarts, 'Dilemmas of Development and Democratisation in the Arab World', *International Journal of Political Economy*, Volume 23(1), 1993, p 92
[461] For m re detail see Bichara Khader, 'L'ajustment structural au Maghreb: une synthese', in *Alternatives Sud*, Volume 2, 1995, pp 6-7

1980s. Morocco negotiated its first structural adjustment agreement in 1983 (between 1983 and 1993 it has signed nine agreements), Tunisia in 1986, Algeria in 1991 (although it has already started economic policy reforms in 1989), and Mauritania negotiated a Programme for Economic and Financial Adjustment, the first of many structural adjustment agreements, in 1985. These reform programmes had two pillars: stabilisation of balance of payments disequilibrium in the first instance, and once this has been achieved, structural adjustment of the economy.

The stabilisation programme, managed by the IMF, aimed to correct their fiscal and balance of payment deficits to enable countries to continue servicing their debts, through demand-side monetary and budgetary policy measures. Structural adjustment programmes, implemented in five-year phases with the technical assistance of the World Bank, aimed to establish macro-economic balance through supply-side reforms. Whatever the form of structural adjustment programme adopted by the four Maghreb countries (excluding Libya), their objectives were similar, namely to re-establish financial stability and liberalise the economy. This has led to increasing macro-economic convergence among the three countries by the mid-1990s.

All four Maghreb countries had to mobilise national savings, reduce state expenditure (i.e subsidies), reduce their current balance of payments accounts, rationalise investment expenditure (i.e infrastructure), exercise strict monetary discipline, reduce exchange rate controls and import and export restrictions, privatise state-owned enterprises (SOEs), develop export industries, and put in place financial and legal measures to attract foreign direct investment and capital. They also had to liberalise prices, move towards currency convertibility and rationalise the public sector.

In Algeria price reforms were already under way by 1994, and efforts have been made to privatise the tourism and textile industries.[462] In Morocco, there has been a reduction of minimum customs duties (it became a member of the General Agreement on Tariffs and Trade (GATT) in 1987), lifting of price controls, privatisation, and devaluation of the dirham. Banks were allowed to compete and both the fiscal system

[462] Nicolas Beau, 'Les sept plaies de l'économie algérienne', *Enjeux*, December 1994, p 7.

and public enterprises were reformed. In Tunisia, banking decisions were decentralised, the exchange rate liberalised, and the price and fiscal system reformed. The government also liberalised interest rates, created a money market, and started rationalising the public sector and privatising SOEs.[463] Tunisia became a member of the Gatt in 1990. In Mauritania, in addition to the usual features of a structural adjustment package, the 1985 programme placed emphasis on the development of sectoral strategies with priority accorded to investment in productive sectors such as irrigated agriculture.

As part of the strategy to reduce import restrictions and attract foreign direct investment under their economic reform programmes, all Maghreb countries have unilaterally lowered their tariffs. This was also the result of their tariff reduction commitments under the GATT, the legal treaty of the World Trade Organisation (WTO), which all Maghreb countries except for Libya have joined since its formation in 1995. Although Libya still has a strict licencing regime for all imports, after the air embargo imposed by the UN in 1992, the private sector was allowed to start importing certain products.[464] Between 1984 and 1996, average tariffs have been reduced to a maximum of 35 per cent in Morocco, 43 per cent in Tunisia and 60 per cent on food products and 15 per cent on intermediary products and equipment in Algeria.[465] In Libya, import taxes vary between 5 and 30 per cent, with essential consumer goods such as pharmaceuticals and food products exempted from import duties, while luxury goods are taxed between 70 and 200 per cent.[466] In Mauritania, which has a complex system of import and export taxing, average customs duties do not exceed 40 per cent.[467]

As a result of increasing economic convergence between at least the three core Maghreb countries, all Maghreb governments were able to sign a convention in 1992 that would allow their central banks to facilitate payments between the banks of

[463] See 'Le Maghreb a l'heure des reformes', *Enjeux*, No 33, October 1991, p 13
[464] Fatallah Oualoulou, *Après Barcelone...le Maghreb est* nécessaire, Les Editions Toubkal, L'Harmattan, Casablanca and Paris, 1996, p 79
[465] Oualoulou, *op.cit.*, p 21
[466] Oualoulou, *op.cit.*, p 88
[467] Oualoulou, *op.cit.*, p 89

different countries in the absence of convertible currencies.[468] A Union of Maghreb Banks was created in 1992, which grouped together more than 70 banking and financial institutions in the core Maghreb countries. Its functions were to create a regional banking institution that would promote intra-Maghreb trade by providing export insurance, training Maghreb banking functionaries, exchanging information on Maghreb banking practices, and harmonising banking documentation and procedures.

At the time of its creation there were no branches of Maghreb banks in other Maghreb countries and credit links have just been established between Algerian and Moroccan banks in convertible dinar.[469] While this is a form of functional cooperation that could spill over into other sectors of Maghreb economies, the Union was reluctant to go ahead with many of its activities in the absence of political sanction from regional leaders, who had to create a favourable framework for this kind of cooperation.[470] This illustrated that although economic covergence was a necessary condition for regional economic integration, this could not be done without policy and legal harmonisation at a regional level.

Another recent example of functional cooperation as a result of increasing convergence between the trade policies of especially Morocco and Tunisia (partly brought about by their conclusion of separate free trade area agreements with the EU) has been the establishment of a Moroccan-Tunisian Business Council in 1998. Its aims are to inform business operators of business opportunities in other Maghreb countries and to promote trade relations between Tunisia and Morocco. It also aims to assist in the implementation of the trade and investment protocols between the two countries, particurly to ensure that a free trade area is completed between the two countries before the full application of their respective free trade area (FTA) agreements with the Euopean Union (EU) in 10 to 12 years. The Association also

[468] The Tunisian, Moroccan and Algerian currencies became convertible in 1993, and their monetary and financial systems also showed increasing convergence. Oualoulou, *op.cit.*, p 138
[469] Interview with A Jawahiri, President of the Union of Maghreb Banks', *L'Economiste Maghrebin*, No 55/3, June 1992, pp 16-17
[470] Ibid.

hopes that Libyan and Algerian enterprises would join at a later stage in what its president views as the first step to an integrated Maghreb market.[471]

However, in all Maghreb countries, the private sector in the 1990s remained connected to political power through informal familial, regional, or factional solidarity networks. The wave of privatisation in the 1990s, therefore, has not led to a strong, structured and autonomous private sector in Maghreb countries. In Morocco, the only Maghreb country with large private groups, these are all linked to political power. In Tunisia, large-scale private economic activity does not exists and in Libya, all private enterprise, only allowed since 1988, has either originated from the public sector or has been linked to the informal sector.[472] In Algeria, the privatisation of SOEs in the hydrocarbons sector has benefited mostly Western multinational corporations, or the Algerian technocratic elite, which explains the symbiotic relationship between the local bourgeoisie and state institutions. The Algerian state has thus remained the predominant economic agent.[473] Despite the commitment of respective governments since 1988 to economic reform, the industrial sector still only performed at 25 to 30 per cent of its capacity by 1994, a bureacratic spirit still plagued administrative structures, and very little has been done to diversify the government's source of income since 1986. By the mid-1990s, hydrocarbons still accounted for 96 per cent of Algeria's exports.[474] Algeria's debt problem remained endemic throughout the early 1990s, but the military government only agreed in 1994 to an IMF debt-rescheduling package. These financial and economic imbalances created an obstacle to the opening of the Algerian market to Moroccan and Tunisian exporters.

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[471] See Interview with M Abderrahim Hajjouji, the president of the General Federation of Moroccan Enterprises, in *Realités*, No 659, 23-29 July 1998.
[472] See Beatrice Hibou and Luis Martinez, *op.cit.*, pp 28-29
[473] See Michiel Bekker and Paul Aarts, 'Dilemmas of Development and Democratisation in the Arab World', *International Journal of Political Economy*, Volume 23(1), 1993, p 92.
[474] See Nicolas Beau, *op.cit.*

1.2 Energy co-operation

The only existing complementarity in the Maghreb region is in the energy sector.[475] Comparative advantage exists between two 'blocs' of countries: Algeria and Libya, which produces oil and gas for energy, and Tunisia, Morocco and Mauritania to a lesser extent, which produces food and light industrial products. However, despite these potential complementarities Morocco, which has almost no domestic energy resources, procures most of its energy from Saudi Arabia, which has replaced Iraq as its the leading supplier. Its other two sources of petroleum imports are Libya and the United Arab Emirates – it buys no energy from Algeria.[476]

Despite their lack of trade in energy products, AMU member countries have embarked on a series of joint projects in the energy sector. In 1987, Tunisia, Algeria and Libya signed a protocol for the transport of Algerian gas to an industrial complex in western Libya. This TransMaghreb gas pipeline has a capacity of 3.5 billion cubic metres of gas a year and was completed in 1992. It is managed by the Maghreb Company for the Transport of Natural Gas and has had significant political and economic spillover effects for Maghreb cooperation. The Tunisian government, for example, has negotiated with the Libyan government to use 5.25 per cent of the Libyan gas transported through its territory, instead of asking transit fees for the pipeline from Libya. Not only has the pipeline led to the creation of employment generating upstream and downstream industries both in Algeria and Libya and increasing capacity utilisation (and therefore increasing economic effeciency in both countries), but is has also created a climate for political dialogue between these countries.[477]

Algeria and Libya have created a Joint Petroleum Exploration and Prodcution Company, which discovered a petroleum well in Grara, Algeria in December 1994.[478] Their energy cooperation has also led to joint enterprises in the building construction,

[475] For more detail, see Malika Hattab Christman, 'Les relations commerciales Maghreb-EEC: enjeux et perspectives', in *Revue Marocaine de Finances Publiques et d'Economie*, No 7, 1991, p 54
[476] See African Markets, Volume 1(3), 1991, p 24
[477] See Tarek Mekada, 'Projet du gazoduc maghrébin', *L'Annuaire Economique du Maghreb*, 1991/2, Centre d'Etudes Internationales du Maghreb, Tunis, 1992
[478] *Le Matin*, 11 December 1994, p 3

geophysical, vehicle production, diesel engine production, aliminium and petrochemical and fertiliser industries. Libya and Tunisia have also undertook joint exploration of petroleum deposits in two border zones, and jointly constructed an oil pipeline between the Zawia (Libya) region and the Zarziz (Tunisia) region to deliver petroleum products to Tunisia.[479]

During the visit of Algerian President Chadli Benjedid to King Hassan in 1989, following many years of no contact, an agreement was signed to construct a gas pipeline from Algeria through Morocco, to serve Spain initially, but France and Germany by the year 2000. Its initial capacity was 2.5 billion cubic metres a year, which is expected to increase to between 9 and 10 billion cubic metres of gas a year by 2000.[480] The gas pipeline, a joint venture between the Algerian national energy company, Sonatrach, and the Spanish national energy company, Salpiem, is managed by the TransMediterranean Pipeline Company, situated in Rabat, and funded by the European Investment Bank (40 per cent) and the World Bank. It also supplies gas to Algerian villages and up to one billion cubic metres of gas to Morocco. The Moroccan and Algerian sections of the pipeline were constructed by separate companies at a cost of US$1bn and 700m respectively.[481] The pipeline started operating at the end of 1995 with an initial capacity of 7 million cubic metres a year.

This pipeline offered a significant importunity to break down the wall of mistrust between Morocco and Algeria.[482] Other joint energy projects have also assisted in opening avenues for dialogue between Maghreb countries. According to the neo-functional theory of integration (see chapter one), this kind of technical cooperation is likely to spill over in other areas of cooperation, for example joint ventures around these gas transport systems, and eventually pave the way for institutional and political cooperation. This is however an 'organic' process, which has taken several decades in

[479] Hattab Christman, *op.cit.*p 54

[480] Morocco imports 7 per cent of its electricity from Algeria after an agreement in 1988 to connect their electricity grids. Tunisia also entered an agreement with Algeria to connect their electricity grids in the same year. See 'Six milliard de metres cubiques de gaz transiteront par le Maroc', in *L'Economiste Maghrebin*, No 60 August 1996, p 21

[481] See Republique Tunisienne, Ministere de la Cooperation Internationale et de l'investissement Exterieur, U1/S.A/JF/le 26.11.94, mimeo

[482] *L'Economiste Maghrebine*, No 6, August 1992, p 25

Europe, whose example has informed the theory of functional cooperation, to take full effect.

In 1973, a Maghreb Electricity Committee was established beteen Algeria, Morocco and Tunisia. Mauritania and Libya joined in 1988. The activities of this Committee are to connect electrical networks in the region, coordinate training, exchange technological expertise, harmonise electricity policies vis-à-vis international organisations, sponsor studies to promote electrical manufacturing by Maghreb companies, and promote industrial integration in the area of electrical energy.[483] In 1991, the Moroccan National Electricity Office and the Algerian Sonelgaz signed an agreement which would allow their respective energy grids to be linked and for Morocco to procure 7 per cent of its electricity from Algeria. Each country was responsible for the financing and construction of electricity lines on its own territory.[484] Libya and Tunisia have also connected their electricity networks since the 1990s. This kind of electicity cooperation and sharing has had many cost-saving and efficiency benefits for the parties involved, but has not yet been fully extended to a regional level.[485]

1.3 Informal trade

Informal trade among Maghreb countries, although difficult to measure, has always been much more dynamic than formal trade, indicating that a certain layer of consumers know the trade practices and products of businesses in other Maghreb countries very well.[486] People living in border regions such as western Algeria and eastern Morocco, often marginalised by national development policies, have benefitted from informal trade activities.[487] Those who inhabit border zones often share cultural and familial ties that were broken by state-created borders. Informal

[483] *Maghreb Selection*, No 799, October 1994, p 9
[484] Tarek Mekada, *op.cit.*
[485] Algeria and Tunisian electricity networks have been connected since 1952, those of Algeria and Morocco since 1988, and Tunisia and Libya since 1991. For more detail on the benefits of electrical connection, see Maghreb Selection, *op.cit*, and Republique Tunisienne, Ministere de la Cooperation International et de L'Investissement Exterieur, S.T.EG/DEP, ?5/11/1994, mimeo
[486] For a detailed account of the products traded on the informal Maghreb market, See Oualoulou, *op.cit.*, pp 125-126

trade has contributed to solidarity between communities across national borders, thus playing an important role in regional conscientisation. In all Mahghreb countries, a significant percentage of the labour force that has not been absorbed into the formal economy is making a living through informal trading activities.

Informal trade in the Maghreb stems from several sources. Products from Ceuta and Melila, the Spanish protectorates on the Mediterranean coast of Morocco, enter Morocco at a value of about one sixth the price of official imports. These are mostly Spanish consumer goods and Asian electronic goods, household apparatus and furniture. In 1992, it was estimated that the value of informal trade in Tunisia was between 10 and 20 per cent of its formal trade. Trade was mostly food, shoes and clothing from Asia and Europe that entered the Tunisian market through Libya, especially after the fall of the Libyan dinar in 1991.

The escalation of taxes on luxury goods traded between the Maghreb countries has also fuelled informal trade, especially in precious metals. Maghreb emigrés in Europe often return with European consumer goods, either for personal consumption, or for distribution in their home country. Continued state subsidising of basic consumer goods such as food products and petrol in Libya and Algeria has led tc a vigorous informal trade in these goods with Moroccans, Tunisians and Mauritanians. Mauritanian women traders, for example, import goods in bulk from diverse origins without going through the official channels – these goods are then re-exported to African countries further south. European countries have been used as a transit for informal Maghreb trade, particularly between Algerians and Moroccans to circumvent the closing of the borders between Algeria and Morocco due to political conflict (the border was closed for six years between 1975 and 1981 and again since 1994).

For many years products transiting through Libya have flooded the Tunisian market. Even Tunisian-manufactured goods were cheaper in Tunisia when imported from Libya due to the generous import subsidies granted by the Libyan government and the more favourable exchange rate of the Tunisia dinar on the unofficial currency market.

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[487] See Oualoul .u, *op.cit*, p 122

This has led to a boom in trade and other economic activities in border towns.[488] However, the reimposition of border controls after the 1992 international embargo against Libya has curtailed this activity.[489]

This high level of economic activity among Maghreb countries indicates that some form of functional economic integration is already in existence, especially in border communities. However, AMU institutions have not sufficiently explored ways in which to formalise these, or create joint enterprises in select border zones, to exploit the high capital and labour mobility in these areas.

Although increasing economic convergence, energy co-operation and the high level of informal economic activity in the Maghreb did indicate some level of regional economic activity, and although functional cooperation in the energy sector may spill-over into co-operation into other sectors, and eventually into the political sphere, these are insufficient prerequisites for regional economic integration. What is necessary in addition, are trade and production integration, policy harmonisation and the extenstion of bilateral trade and cooperation agreements into regional agreements, as well as the development of a transport and communications infrastructure that would enable joint production and intra-regional trade to take place.

1.4 Production integration

Before the signing of the Marrakesh Treaty, Maghreb markets and production structures were non-diversified, non-specialised and dependent on fluctuations in the world prices of commodities.[490] In classical theory, a customs union would have optimal results only in cases where economies are potentially complementary and where these complementarities are exploited. To do so, a regional division of labour (or industrial specialisation), coupled with juridical and institutional reforms are necessary.

[488] For more detail see Moncef Gouja, 'A L'heure de l'embargo', in *IEA*, No 230, February 1993, pp 12-13
[489] Ibid.

Maghreb countries still tend to produce consumer goods for export markets and specialise in the least competitive niches, namely textiles, cloting, fertilisers, chemicals and plastics.[491] They compete with one another to supply European markets with phosphates, textiles, citrus products, wine, olive oil and vegetables (Tunisia and Morocco), and oil, gas and refined petroleum and petroleum products (Libya and Algeria); and they compete for investment from European firms and tourists.[492] In addition, all Maghreb countries import similar products from Europe (production equipment and consumer and food products).[493] World Bank-devised structural adjustment programmes, while leading to reduced import and export controls in all Maghreb countries, have not encouraged regional trade and industrial specialisation. Rather, they have encouraged a continuation of traditional exports to the European and other industrial country markets, thus perpetuating the Maghreb countries' unequal integration into the world economy.

For all the above reasons, intra-regional trade in the Maghreb has never exceeded 5 per cent of total trade. By contrast, in 1958 intra-EEC trade registered around 36 per cent and in 1989, 60 per cent while in 1991 intra-regional trade in the Association of Southeast Asian Nations (Asean) registered 19.1 per cent of total trade and in the Economic Community of West African States (Ecowas), 10.6 per cent.[494] Eighty per cent of Maghreb trade has remained with industrial countries and its dominant trading parter remained the European Economic Community (EEC), which absorbed about 73 per cent of its total exports and provided 65 per cent of all Maghreb imports by the

[490] Jaques Bourrinet, 'L'environment economique international de l'integration maghrebine; partenariat europeen et relations interarabes', in *Annuaire de l'Afrique du Nord*, Volume 24, 1985, pp 332-333
[491] The Tunisian textile industry, for example, experienced a crisis during the 1990s due to competition from eastern European imports on European markets.
[492] See Keith Sutton and Ahmed Agrout, 'Regional economic union in the Maghreb', *The Journal of Modern African Studies*, Vomume 28(1), 1990, p 126
[493] See See Abdelmadjid Bouzidi, 'Industries et politiques industrielles au Maghreb', in A Bouzidi, (ed), *Panoramas des économies Maghrébines*, CENEAP, Paris, 1991, p 67
[494] High demand staple products in the Maghreb include mineral fuels, lubricants, and other non-edible primary products. Of the 45 per cent manufactured goods, chemicals, machines and transport materials represent 8.5 per cent share, while textiles, construction material, iron and steel represent the rest. For more detail see Khamais Krimi, 'Vers une relance des echanges commerciaux intermagrebins', in *L'Economiste Maghrebin*, No 91, November 1993.

early 1990s.[495] Although formal intra-regional trade rose by 84 per cent from 1989 (intra-Maghreb trade then constituted less than 2 per cent of total trade) to 1993 (when intra-Maghreb trade constituted 3.9 per cent of total trade), it remained unequal and demand fluctuated from one year to another.[496] Typically, intra-Maghreb trade has been concentrated around Morocco, Tunisia and Libya, with Morocco and Tunisia the principal providers and Libya the principal client.[497] This was partly because Morocco and Tunisia have started diversifying their export base since the mid-1980s to manufactures and light foodstuffs, which are the primary import demands of Libya.[498]

At the beginning of the 1990s, about 90 per cent of Algeria's Maghreb exports were destined for Libya and Tunisia, who provided more than 90 per cent of its imports from the Maghreb. Most of Morocco's exports were destined for Libya and Tunisia, with limited trade with Algeria since 1988. About half of Tunisia's Maghreb trade took place with Algeria.[499] According to a study commissioned by the Islamic Centre for Trade and Development, primary products account for more than 50 per cent of intra-Maghreb trade, food products for 10 per cent and manufactured products 45 per cent.[500] While energy and primary products have remained the predominant trading products (Mauritania procures all its petroleum products from Algeria), there has been an increase in trading in manufactured goods such as vehicles.[501]

[495] See Mohammed Gontara, 'Comment échanger plus', in *IEA*, No 238, November 1993, pp 9-10.
[496] Ait Amara and Ben Hammouda, 'L'Union du Maghreb Arabe: éspace d'échange ou éspace de production', in *Revue Tunisienne d'Economie*, No 3-4, 1993, pp 32-53
[497] Morocco and Tunisia provided 70 per cent of total intra-regional exports, whereas Libya absorbed 43 per cent of total intra-regional imports in 1991. See Khemais Krimi, *op.cit.*
[498] 68 per cent of Libya's import demand is manufactured goods, and 15 per cent foodstuffs.
[499] See Eddine Allali, 'Le Commerce Maghrebin, état actuel et potenticl d'expansion', *Annuaire Economique du Maghreb*, 1991/2, pp 18-21
[500] See Eddine Allali, 'Le commerce inter-maghrébin: état actuel et potentiel d'expansion', in *Le commerce inter-maghrébin: pour une dynamisation des échanges*, Centre Islamique pour le Développement du Commerce, Casasblance, 1990, p 38
[501] Tunisia has been supplying small trucks to Algeria, and so on

Table 2: Trade characteristics of Maghreb countries (1993) (% of total)

	Morocco	Mauritania	Libya	Algeria	Tunisia
Structural deficit/surplus	Deficit	Surplus[4]	Surplus[3]	Surplus	Deficit
Equipment goods imports	27.5%		2	29%	25.3%
Food imports	14.5%	23%		26%	6.7%
Semi-finished goods and primary imports	22.7%	40%		23.5%	29.4%
Energy imports	14.5%	13%[5]		Nil	7.3%
Consumer goods imports	10.8%			12.7%	31.3%
Energy exports	2.6%		95%	95%	11.4%
Finished consumer exports	28.7%			0.5%	67.8%
Semi-finished exports	24.3%[1]			3%	9.4%[1]
Food product exports	26.3%	56% (fish)		1%	11.4%
Raw material exports		50% (iron)			
Main export destination	France	Japan, Italy	Italy	France	France
AMU imports	2.4%	Algeria		1%	2.5%
AMU exports	7%			0.65%	7.6%
EU imports	54%				60%
EU exports	62.4%				75%

Notes:

1 Mostly phosphate derivatives

2 Libyan imports have continued to augment in the 1990s due to almost no productive activity outside of the petroleum sector, and stands at US$9.6bn in 1994

3 Until the 1992 UN embargo

4 The Mauritanian National Statistical Office figures were of a surplus, but that of the World Bank Development Report of 1994, it was a deficit.

5 Its energy products come mostly from Algeria

Source: Fatallah Oualoulou, *Après Barcelone...le Maghreb est nécessaire*, Les Edition Toukbal, L'Harmattan, Paris and Casablanca, 1996, pp 102-112

Without a complementary regional industrialisation programme, and by implication integrated regional production in certain industries, especially non-traditional export industries such as vehicle manufacturing, Maghreb countries would never be able to overcome their structural deficiencies and dependency on European markets. To create complementarities, a regional intra-industry division of labour, or industrial specialisation, would be necessary, especially to create upstream and downstream industries.[502] In Asean, for example, the surge in intra-regional trade was partly due to its regional Industrial Complementation Programme, which encouraged the production of complementary products in certain industrial sectors such as components for the automotive industry.

A study by the Islamic Chamber of Commerce has identified the following potentially complementary products and sectors in Maghreb economies: transport equipment and machines, agriculture (cereal, milk and milk-products, oleaginous products), chemicals and textiles.[503] There are potential complementarities between Tunisia and Morocco, on the one hand, as food producers and manufacturers of consumer and light industrial goods[504] and Algeria and Libya on the other, as energy (oil and gas) suppliers, specialising in petrochemical and iron and steel industries. Morocco and Libya produce a surplus of food and vegetables, while Algeria and Mauritania have a deficit in these products. Algeria remains one of the world's largest importers of agricultural and food (especially hard wheat) products - food imports constituted a quarter of total imports in 1992[505]. There is thus a demand for Tunisian olive oil and Moroccan vegetables on Libyan and Algeria markets, which could assist the former to diversify away from increasingly restrictive European markets.[506] Potential complementarity also exists between the industrial systems of Morocco and Tunisia, geared for the production of consumer goods, and those of Libya and Algeria, which were more specialised in intermediary and petrochemical production. Yet, there has been no attempt to create a favourable trading and procurement framework to exploit these complementarities through intra-industry investment and joint ventures.

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[502] There has been no shortage of ideas or lack of proposals for a regional industrial strategy in AMU. Ninety per cent of the industrial projects proposed in 1989 dated from unimplemented proposals developed by functionaires of the Permanent Maghreb Consultative Committee between 1964 and 1971. See Mohsed Toumi, 'Un Maghreb pour les Maghrebins', *IEA*, No 187, 1989, p 14.
[503] See Mohamed Kharoubi, *op.cit.*, p 21
[504] Tunisian and Moroccan export manufactured products include machinery equipment, transport material, pharmaceutical and chemical products, and agricultural and food products.
[505] See *African Markets*, Volume 1(9), 1992, p 9

To implement the 1991 Trade and Tariff Convention, a follow-up committee comprising members of each country was set up to prepare lists of products that were to be exempted from customs duties. These were expanded after the fifth AMU Summit in Nouackchott.[507] In a positive development at this summit, trade ministers accepted that an emphasis on trade liberalisation alone is insufficient. They therefore agreed to pay more attention to creating the conditions for trade to take place, including multilateral, instead of bilateral trade negotiations, financing trade development, generalising trade insurance, facilitating commercial information in the region, and prioritisng transport and telecommunications infrastructure (see chapter three).[508]

To this end, the Council of Ministers responsible for regional industrial cooperation in the Specialised Ministerial Commission for Economy and Finance, launched a structure to create uniform industrial norms and develop joint industrial projects for the telecommunications and industrial sector in 1995. In this regard, the Algerian government recommended the establishment of three joint ventures in the railway-manufacturing sector. The Council also launched an independent structure to facilitate joint industrial cooperation in electrical and household-electrical industries. Joint Maghreb studies have been conducted for an iron furnace industry as well as the establishment of a production facility for iron manganese in Mauritania. Two joint Maghreb projects in the textile and leather industry were implemented in 1995. A project to harmonise the nomenclature in the utensils industry has also been implemented.[509]

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506 See Oualoulou, *op.cit.*, p 225

507 These products included lead, iron, copper, marble, fertiliser, cotton, wool, paper plaster, essential oils, medicine, pesticides, chlorine, ammoniac, mercury, construction material, wagons, medical products, glass, machines, pumps and electric motors.

508 See Krimi, *op.cit.*

509 See 'AMU: cloture des travaux du conseil des ministres de l'industrie', *Al Bayane*, 9 December 1994. The implementation of these projects was the responsibility of the Economic and Finance Commission, under which four ministerial councils were: trade, industry, energy and mines, and finances. The Council of Ministers of Industry met for the last time in 1994 before the call for a freeze in all AMU institutions and activities by Morocco in 1995. This has stopped the implementation of the above projects and studies.

Only when industrial policies are co-ordinated at a regional level, to mobilise material, human and financial resources at a regional scale, would Maghreb countries muster sufficient internal and external economies of scale to increase production capacity, and integrate production. At the same time, this form of developmental regionalism could assist economically weak member states like Mauritania to productive and export capacity, as well as infrastructure and human capital. There are various ways in which they could cooperate in this regard. They could jointly import equipment goods at more favourable prices. They could exchange trading information and experiences, develop joint industrial projects, and promote complementary and interdependent industries. The final (industrial equipment) or intermediary (automotive parts) products of such industries could then be traded on the Maghreb market, which in turn could lead to the development of upstream and downstream industries through subcontracting, as well as a horizontal transfer of technology. Without such as strategy, the lowering of tariffs would have no effects on trade patterns, especially between countries such as Tunisia and Morocco.[510] This would naturally necessitate product diversification at a national level, since the existing production bases of the Maghreb countries are too narrow and non-diversified.[511]

Apart from those mentioned above, there were a number of possible joint industrial projects that could have formed part of a regional industrialisation strategy. For example, Tunisia has developed a successful water mobilisation strategy to boost the exports of its citrus and garden vegetables, which Morocco and even Algeria could benefit from. In this regard the Maghreb Commission for Citrus and Garden Vegetables (not part of the AMU structure), have attempted to give financial assistance for research in new technology and taken on negotiations for rescheduling of agricultural debts in Maghreb countries.[512] Even before 1989, a number of projects

[510] Mohammed Kharoubi, 'L'integration par le marché', in *Perspectives et Etapes de la construction du Maghreb*, 1989, p 165
[511] See Lehadiri Abderassoul,, 'Les défis et les éxperiences d'integrations africains', *Economie et Socialisme*, No 11, 1992, pp 7-24
[512] See La Presse, 5 July 1995

have been proposed for multilateral joint production, notably diesel motors, compressor manufacturing and glass.[513]

Libya, for example, has studied the possibility of establishing joint ventures in vehicle manufacturing, banking and energy (hence the joint exploration of the Gabes with Tunisia) with other Maghreb countries, and especially how to concentrate diffent production phases of the same product in different countries.[514] Studies have shown that the industries that show the most potential for joint industrial ventures, production integration, intra-industry trade, and joint investment are the petroleum and chemical industries, the agro-processing food industry and small and medium enterprises. Their selection were based on the fact that they all drew on the comparative resources in each Maghreb country, they were employment-creating and had the potential to restore the balance of payments in Tunisia, Morocco and Mauritania. However, this would require and enlargement and specialising of the industrial bases in all Maghreb countries.[515]

During the post-independence years, Maghreb governments hardly invested in research and development of new technologies. All intermediary goods were imported and technology was acquired through foreign direct investment, joint ventures, or non-equity foreign pariticipation in Maghreb industries.[516] In addition, due to their disarticulated and externally oriented economies, Maghreb countries showed limited technological progress and capacity to absorb investment. In the technology industry, there was no regional inter-sectoral integration or subcontracting. All links were with suppliers, subcontractors and productive and financial capital institutions from industrial countries, especially in Europe. Regional economic rigidities and industrial compartementalisation, vertical integration of Maghreb industries with their European or American counterparts, subcontracing only to their

[513] Mohammed Oudris Benouali, La coopération industrielle maghréine', *L'Annuaire Economique du Maghreb*, 1991/2, CETIMA, Tunis, 1992, p 31
[514] See *Africa Research Bulletin*, Volume 26(1), 1989, p 9422
[515] Ibid.
[516] See Abdelkader Djeflat, 'La technologie dans l'integration maghrébine', *Perspectives et Etapes de la Construction du Maghreb*, Cahiers de CERES, Paris, 1989, p 23.

mother companies, credit re-imbursement and restrictive clauses of transfer contracts exacerbated the difficulties of creating a regional industrial and technological base.

Unlike the Andean Pact member states, Maghreb countries pursued atomised and individual technological acquisition practices. Not only did this result in a duplication of technological training, but there was no regional mechanism that could distribute information on technology norms, sources and suppliers, which has, amongst others, made it easier for European companies to tranfer their environmentally unsustainable technology to Maghreb countries. Based on the experience of the Andean Pact countries, Abdelkader Djeflat has suggested the following measures to integrate technology in the Maghreb: integrate national science and technology policies; acquire technological decision-making capacity at a regional level; coordinate technology acquisition policies when dealing with international suppliers; plan the diffusion of technology at a regional level; harmonise scientific and regional training; and create a science and technology database for the region.[517] This clearly illustrates that regional production integration needs to be accompanied by policy harmonisation at a regional level.

Only in 1995 at the Tunis Summit did trade ministers realise that for members to agree to lower trade barriers and engage in joint ventures in a region of such unequal development as the Maghreb, a mechanism would be necessary to compensate members for potential industrial polarisation and loss of employment and government revenue that might result from a customs union.[518] Although intra-regional trade constitutes a very small part of the total trade of Maghreb countries, the removal of tariffs would still have impacted on government revenue. In rentier economies such as Algeria and Libya, revenue from customs duties do not comprise a large percentage of government income (respectively 8.7 per cent and less than one per cent on average in the 1990s). But Tunisia, Morocco and Mauritania would be more affected by trade

[517] Abdelkader Djeflat, *op.cit.*, p 363

[518] This is despite the fact that the 1991 Convention on Tariffs and Trade already included a provision to reimburse governments for their loss of customs revenue as a result of introducing free trade

liberalisation. Customs duties comprise respectively 65 per cent, 43 per cent and 53 per cent of government revenue in these countries.[519]

1.5 Lack of policy harmonisation

Despite the emphasis placed on policy harmonisation as a necessary precondition for regional integration in the report of the Commission which investigated trade and economic integration in the Maghreb before the signing of the Marrakesh Treaty, none of the Maghreb governments has ever consulted one another on their privatisation, trade liberalisation, monetary devaluation, agricultural or industrial investment policies.[520]

Because there was very little discussion at a political level on the structure of the regional agreement before the signing of the Marrakesh Treaty in 1989, the Treaty does not outline the detail of a regional integration strategy. Neither does it take cognisance of the conditions necessary for regional integration, such as national policy convergence. Thus no regional implementation framework has been devised for the harmonisation of the banking sector and national financial and fiscal systems.[521] This explained why the AMU's initial strategy, recommending intra-regional trade liberalisation did not work, since the trade and financial policies of the five Maghreb countries were too divergent.

At the signing of the Marrakesh Treaty, the Maghreb countries were all practising different trade policies: Morocco (the only Maghreb country which had signed the GATT at the time) and Tunisia followed liberal trade policies, while in Algeria and Libya, the government has maintained a monopoly over trade. In Algeria, for example, the economic activity of SOEs constituted 90 per cent of GDP – thus virtually all exports were controlled by the state. Other disparities in their trade

[519] See Oualoulou, *op.cit.*, p 22
[520] See Abdelmadjid Bouzidi, 'L'integration economique Maghrebine: réalites et perspectives', in *Panorama des Economies Maghrbines Contemporaines*, CENEAP, Paris, 1991, p 45.
[521] In April 1992, the five Maghreb central banks implemented an agreement to facilitate inter-bank payments in AMU. For more detail see 'L'AMU vu par le FMI: les considerations et les constraints economiques, in *Al Bayane*, 4 December 1994,

policies included levels of domestic industry protection and quantitative import restrictions; tariff structures and taxes on production; exchange rate policies; participation of the private sector in production and trade; health and safety standards; investment incentives and pricing of non-tradable factors of production.[522]

To facilitate intra-regional trade AMU institutions should have developed common external trade rules, common positions on international trade issues, and uniform payment timeframes. To facilitate financial transactions and ensure regional currency stability, some economists have also suggested the creation of a Maghreb currency (dinar), which could act as a mode of payment, an accounting unit and a reserve value.[523] In addition, harmonised financial facilities, regional and harmonised investment guarantees, harmonised investment codes, and the simplification and harmonisation of investment formalities would have facilitated investment and capital flows in the region.[524] Other obstacles to trade flows included the lack of export supply credit facilities in Maghreb countries, market saturation for certain products, and the lack of consumer knowledge of products of neighbouring countries. An additional problem, which partly stems from the Maghreb countries' dependence on Europe for consumer goods, is that local Maghreb consumers prefer European consumer imports above locally produced consumer goods.[525]

On the supply-side, Maghreb countries all follow different packaging and production methods and are implementing different labour legislation. Maghreb business operators know neither of one another, nor the business legislation of neighbouring countries. Before 1998, no regional information network existed for Maghreb businesses.[526] Intra-regional trade has been further inhibited by onerous conditions for

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[522] See Hassan Abouyoub, *op.cit,*, p 34.
[523] This currency would be a basked composed of fixed quantities of each Maghreb currency, its weight depending on the GNP and volume of trade of each country with other Maghreb countries. For more detail see 'Jamel Taieb, 'Systeme monetaire: pour la creation du dinar Maghrebin', *Annuaire Economique du Maghreb*, 1991/2, p 29
[524] Rhomari, *op.cit.*, pp 696-700
[525] See Mehdi Remili, 'Europe-Maghreb, nouveaux défis: libre-éxchange et cooperation déncetralisee en Mediterrannee', paper delivered at a conference on *The Mediterranean, new centre of development - free trade zones and North-South partnership'*, Sidi Bou Said (Tunisia), 5-7 October 1995, p 17
[526] See Maryem Aouam, 'L'intégration Maghrebine à la lumière du traité de Marrakesh', in *Al Mayadine*, 1990, p 65

entry of private and commercial vehicles into Maghreb countries. For example, trucks transporting merchandise from one country to another have to get permission from the relevant authorities in the country of destination.[527]

At no point have the Maghreb countries taken a common trade position vis-à-vis the European Union. Tunisia, Algeria and Morocco, for example, have negotiated separately for renewal of their association agreements with the EU, whereas a common approach would have assisted them in product-by-product negotiations for preferential entry on the EU market, as well as in negotiating for better condition for Maghreb workers in the EU.[528] Joint debt management vis-à-vis their EU creditors would also have raised the bargaining status of indebted Maghreb countries.[529] Algeria's high debt service ratio has not only impeded financial and macro-economic stability, but has also reduced its potential as an alternative export market to Europe for Moroccan and Tunisian agricultural and light industrial products, due to the very low purchasing power of public and private consumers. This was also true for Morocco and Mauritania, albeit to a much lesser extent.[530] Table three gives an overview of the external debt of AMU member states.

Table 3: External debt of Maghreb countries 1995

	Algeria	Morocco	Tunisia	Mauritania
Total external debt (US$bn)	32.6	22.2	9.9	2.5
Debt service ratio	39	32	17	21
Debt as percentage of GNP	83	71	57	243

Source: United Nations Development Programme, *Human Development Report 1998*

AMU economies share other important structural features, which could have been addressed by policy coordination at a regional level. By 1994, Algeria, Morocco and Tunisia were importing large percentages their populations' food needs. Between 1970 and 1992, Algeria's food dependency has quadrupled and it was importing 80

[527] See 'Convention relative au transport routier des personnes et des biens, et au transit entre les pays de l'Union du Maghreb Arabe', AMU Secretriat, signed by heads of state 23 July 1993, mimeo.
[528] See interview with Mohamed Sequat, *Le Liberal*, February 1990, p 16
[529] Rhomari, *op.cit.*, p 696-700

per cent of all food needs. Tunisia was importing 60 per cent, Mauritania 30 per cent and Morocco, a traditional agricultural export country, was importing 20 per cent of all food consumed. The food crisis has been caused by a series of factors, explained in chapter three.[531] This, coupled with high unemployment, dire poverty, exacerbated by the impact of structural adjustment programmes on health, education and the consumer spending power of the poor in all Maghreb countries[532], as well as high debt burdents, presented Maghreb governments with more than a common purpose. In 1992, 20 per cent of Algerians, 17 per cent of Tunisians and 30 per cent of Moroccans lived below the minimum poverty threshold and an average of 20 per cent of the Maghrebi population was unemployed.[533] The human development index of Mauritania was 0.31, of Tunisia 0.744, of Morocco 0.557 and of Algeria 0.746 in 1995. This was below the average human development index of the Arab states (0.747), with only Libya ranking as a high human development country with an index of 0.806 in 1995.[534]

At a regional level, AMU governments have signed important conventions and adopted agreements that would have allowed them to address the above developmental problems. For example, in 1990, the AMU Presidential Council signed the Convention on Trade in Agricultural Products, which aims to promote the agricultural potential of the Union, food security in the Maghreb, and a common agricultural market in the Maghreb. It exempts from customs duties agricultural products originating in Maghreb countries, and commits Maghreb governments to protect regional agricultural production against subsidised agricultural imports from third countries, as well as world market fluctuations, and also to harmonise agricultural pricing policies.[535]

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[530] See Oualoulou, *op.cit.*, p 221

[531] These include subsidies for staples such as oil, cereal, milk, and sugar, which have led to lower agricultural production. By 1994, Tunisia and Morocco have phased out all food subsidies, and Algeria was only subsidising semolina and bread.

[532] For a detailed account of the impact of structural adjustment programmes on Maghreb societies see Bichara Kader (ed) *Ajustement structurel au Maghreb*, L'Harmattan and Centre Tricontinental Louvain-la-Neuve, Paris, 1995

[533] See 'Un Maghrebin sur cinq sous le seuil de pauvreta', *in IEA*, No 242, March 1994, p 42 and Samir Gharbi, 'Demain peut-etre', in *Jeune Afrique*, No 1640, June 1992

[534] See United Nations Development Programme, *Human Development Report 1998*, Oxford University Press, New York, Oxford, 1998

[535] See Oualoulou, *op.cit.*, p 148

At the July 1990 Summit, Maghreb ministers outlined a broad regional development strategy that provided guidelines to member governments on the framework for the development of the region, which integrated the social dimension of development. According to the resolution adopted by the Presidential Council, the basis of such a framework would be the realisation of food security in the Maghreb, human resource development, the promotion of intra-regional trade, and the elaboration of common policies in all sectors. But apart from identifying four stages through which the above is to be achieved, and outlining detailed actions towards completing these stages, the resolution makes no mention of how to achieve jointly the common social development goals based on common developmental and structural problems in all five Maghreb countries.

Maghreb governments have failed to negotiate jointly with creditor institutions such as the World Bank for regional social development programmes. Such programmes could have assisted the process of developmental regionalism through joint training and capacity-building programmes for human resource development, and the harmonisation of education, health and agricultural policies. To address unemployment, governments could have agreed to regulate and facilitate the movement of surplus labour from Morocco, Tunisia, Algeria and Mauritania to Libya, which has a labour shortage. The Ministerial Commission charged with overseeing food security cooperation has also made no progress in the regional purchasing, stocking and distribution of foodstuffs such as hard wheat to address the food security crisis at a regional level through economies of scale.[536]

Despite the economic convergence brought about by World Bank-devised structural adjustment programmes, these did not reinforce regional economic integration objectives, although both convergence and economic reform are important instruments in the strategy to organise and focus economic policy for the mobilisation and allocation of resources. For this to happen, closer economic coordination and harmonisation at a regional level would be necessary, but also joint action to improve

[536] See 'Un Maghrebin sur cinq sous le seuil de pauvrete', in *IEA*, No 242, March 1994

the efficiency of national structural adjustment programmes. Although they have started to harmonise their respective policies on sustainable development[537], there has been very little policy harmonisation in other areas. And although Maghreb countries have started to improve the regional power infrastructure, which in turn has accelerated the productivity of domestic industries, regional transport and communications infrastructure has remained insufficient. The coordination of fiscal and monetary policies adopted as part of their structural adjustment programmes also needed to be more closely coordinated, especially with the movement towards greater currency convertibility. Coordination and consultation on these matters have been shown to reduce uncertainties and increase mutual confidence among the countries of a regional grouping.[538]

1.6 Bilateralism versus multilateralism

Since the disintegration in 1970 of the Permanent Maghreb Consultative Committee, a bilateral trade and economic cooperation pattern has predominated in the Maghreb. Today, many Maghreb academics are still debating whether regional integration should evolve from bilateral agreements that are extended to all in a regional grouping, or from multilateral agreements. Due to the standstill imposed on all AMU activities in 1995, intra-Magreb trade today is still regulated by a myriad of bilateral trade and tariff conventions. A 1994 evaluation report by the IMF cited these bilateral trade agreements as an obstacle to deeper regional integration in the Maghreb.[539]

After 1975, Algeria and Morocco broke off all trade relations, and in the 1980s, Algeria traded with Tunisia only, making Tunisia the axis of Maghreb, a position it still holds today. Already in 1973, Algeria and Tunisia had signed a Trade and Tariff Convention (it was only implemented in 1981), excempting all trade from customs

[537] See 'Charte Magrebine relative à la protection de l'énvironment et au développement durable', Union du Maghreb Arabe, Secretariat General, Rabat, signed in Nouakchott, 11 November 1992, mimeo
[538] See EMA Onitiri, 'Regional integration: political and economic issues', in Ademola Oyejide et al (eds), *Regional Integration and Trade Liberalisation in sub-Saharan Africa*, McMillan and St Martins Press, London and New York, 1997, p 412-414
[539] See 'L'AMU vu par le FMI: les considerations politiques et les constraints economiques', in *Al Bayane*, 4 December 1994.

duties and quotas, promoting the creation of joint projects between the two countries and providing for direct trade quotations between their two currencies.[540] In 1981 Algeria and Tunisia created an Arab Maghreb Institute for Financial Development, which organised exchanges between the two countries and offered joint training in the banking and insurance sectors. In the same year they also created the Arab Maghreb Cooperation Bank to promote and finance joint industrial and commercial projects and activities.[541] In 1989 they embarked on a joint project to develop a river basin in a border zone between Algerian and Tunisia by providing assistance to agricultural SMEs in Algeria, which provided fodder to Tunisia.[542] It was funded by the Islamic Development Bank and the International Fund for Agricultural Development. Economic operators in the two countries also ran joint diesel and cement enterprises and exploring joint manufacturing of plastics, textiles and transformers.[543] Similarly, Tunisian and Moroccan economic operators have also entered into joint ventures in the machine utensils sector.

On the trade front, the Tunsian government has concluded bilateral Economic and Technical Cooperation and Preferential Trade Agreements with Morocco, Libya and Mauritania, exempting their mutual imports from customs duties.[544] These bilateral agreements may lead to some form of regional trade, since their rules of origin stipulate that imports exempted from customs duties must be at least of 40 per cent *Maghreb* origin, thus allowing for cumulation of production in the region. However, some countries have tried to circumvent these provisions, thus creating further impediments to regionalising bilateral trade agreements.[545]

Since 1994, partly in response to the institutional stagnation of AMU and partly a result of its increased export orientation, Tunisia has started to develop more bilateral economic cooperation and trade ties with other Maghreb countries. In 1994, for

[540] See 'La coopération Maghrebine à travers les échanges commerciaux', in *Actes du Colloques, Perspectives et Etapes de la Construction du Maghreb'*, 1989, p 205
[541] 'Les structures economiques et financières de L'UMA', *Annuaire Economique du Maghreb*, 1991/2, p 28
[542] *Africa Research Bulletin*, Volume 26(1), 1989, p 9459
[543] See Mohamed Oudris Benouali, 'La cooperation industrielle Maghrebine', *Annuaire Economique du Maghreb*, 1991/2, p 67.
[544] Moncef Mahgroug, 'Par dela de l'AMU', in *Jeune Afrique*, No 1878, January 1997.

example, Tunisia signed a bilateral investment agreement with Morocco to encourage foreing direct investment between the two countries, offer 'national' treatment to companies after their establishment, and to promote free transfer of funds and adherence to compensation standards.[546] In 1998, Tunisia signed free trade area agreements with Morocco and Egypt[547], partly in response to the requirements of the Barcelona Agreement that all southern Mediterranean member countries need to negotiate free trade areas amongst themselves (see chapter five).

In January 1995, Morocco and Algeria established three sectoral working groups to promote bilateral cooperation between the two countries. They were charged to point out any obstacles to cooperation in the areas of consular affairs, economic cooperation, basic infrastructure and development of border zones; and hAMUn resources and propose way of revitalising cooperation. This initiative tried to revilatise relations between the two countries 'in a spirit of constructive brotherhood', as their sectoral bilateral commissions have hardly met, and certain bilateral conventions have not been ratified, or bilateral projects implemented since 1993. They also have also started collaborating in nuclear research.[548]

The existing bilateral trade and tariff agreements between Algeria and Morocco, Algeria and Tunisia, Morocco and Tunisia, Morocco and Libya and Tunisia and Libya all allow for the exemption from customs duties on imports. They are however only partial and do not allow for the maximization of intra-regional trade through the multilateral elimination of customs duties. They are not uniform, and do not compensate countries for loss in customs revenue. They also do not have uniform feguarding clauses to protect sectors that are threatened by imports, or when a balance of payment deficit occurs, and they not promote the elimination of non-tariff barriers.[549] For example, despite their bilateral agreement, Moroccan merchants still

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[545] Ibid. Algeria accused Tunisia of circumventing the rules of origin.
[546] UNCTAD, *Trade and Investment Report*, Oxford University Press, Oxford, 1996.
[547] The free trade area with Morocco is likely to be implemented by 2005, *Business Africa*, Economist Intelligence Unit, January 1-15, 1999, p 9
[548] See *Le Matin*, 8 December 1994
[549] Some countries (Libya and Tunisia and Morocco) insist on lists of sensitive products that cannot be exempted from customs duties without the government's authorisation. This positive list approach goes against their trade liberalisation policies (in the case of Morocco and Tunisia).

need import certificates to import goods and services from Tunisia, whereas they do not need these to import goods and services from Spain.[550] For these reasons such agreements are insufficient basis from which to develop regional trade, policy harmonisation, or production integration.[551] Bilateral agreements have also led to contradictory terms of trade between the different Maghreb countries and promoted divergent local content requirements for rules of origin and import licencing practices.

The 1991 Convention on Tariffs and Trade aimed to rectify these shortcomings by including provisions on safeguarding measures, a compensation mechanism to reimburse governments for loss of customs revenue, uniform rules of origin, and measures to ensure fair competion practices.[552] Its provision on safeguarding measures stipulated that if an economic sector, balance of payments or fiscal income of a country is negatively effected by duty-free imports from another Maghreb country, they could re-establish customs duties while the compensation mechanism would reimburse them for their losses. On competition practices, the Convention stipulates that no dumping or export subsidies will be allowed and that a compensation tax of 17.5 per cent is to be levied on imported products that have benefited from fiscal or customs advantages, where the importing country manufactures similar products.

Later regional agreements have stipulated that non-tariff barriers would be progressively eliminated; foreign trade policies harmonised; a common customs nomenclature established; customs policies harmonised; and a common external tariff implemented. Apart from the establishment of a common customs nomenclature, none of the other provisions for an integrated market and regional trade facilitation have been fully implemented, and Maghreb countries have reverted to bilateral trade and economic cooperation. In this regard, the Algerian Minister of Foreign and Maghreb Affairs has captured past and current opinions, saying that 'bilateral

[550] Mohamed Gontara, 'Maghreb: comment echanger plus?' *IEA*, No 238, November 1993
[551] For a more detailed account of why a multilateral approach would be more favourable than a bilateral one, see Khemais Krimi in *L'Economiste Maghrebin*, No 91, November 1993, pp 21-23.
[552] Convention Commerciale et Tarifaire entre les pays de l'Union du Maghreb Arabe', signed at Ras Lanouf, 11 March 1991, AMU Secretariat, mimeo.

cooperation is the cornerstone of the construction of [a single] Maghreb'.[553] However, critics of this position have cast doubt the commitment of Maghreb governments to a) extend their bilateral agreements to the entire region and b) create a truly intra-regional free trade regime. Their concerns have been based particularly on the continued regular abuse of the preliminary authorisation clause in the bilateral free trade agreements, where a government can unilaterally decide to withdraw authorisation for the free import of a particular product from a partner Maghreb country, without any prior consultation producers or the government of the affected country. This has often been cited as one of the greatest obstacles to achieving an intra-regional free trade regime in the Maghreb.[554]

1.7 Non-implementation of regional agreements

Notwithstanding the conclusion, signing and in some cases the ratification of various regional agreements that were to facilitate intra-regional trade and regional industrialisation, none of these have been implemented. By 1994, Tunisia has ratified all 15 conventions signed by AMU heads of state, but Morocco has not ratified a single one. Not only did this lead to various practical difficulties, but also put the economic integration process at risk.[555] The agreements that were to facilitate economic integration were the Resolution on the Principles and Rules to Establish a Maghreb Customs Union, Convention on Trade and Tariffs, Convention on Trade in Agricultural Products, Convention on the Creation of a Maghreb Bank for External Trade, and the Convention on Intra-Maghreb Ground Transport.[556]

The resolution to establish a customs union was adopted in Algiers in July 1990. It outlined the steps that would lead to the implementation of a customs union. These included the consolidation of those traded goods exempted from customs duties; elaboration of common external trade policies (common nomenclature and customs

[553] See *Le Matin*, 6 January 1995
[554] For more details on how this clause has been abused, see Oualoulou, *op.cit.*, p 223
[555] Moroccan exports could enter Tunisia duty free, for example, but not vice versa. Tunisia had also established lower mail and telecommunications rates to other Maghreb countries, and Maghreb visitors were excempted from travel taxes in Tunisia, but not vice versa. See Francois Soudan, *op.cit*, p 7
[556] See Mohamed Gontara, 'Maghreb: comment exchanger plus/' in *IEA*, No 238, November 1993

rules and procedures); establishment of a common external tariff by 1995, establishment of national treatment of Maghreb economic operators, and definition of the conditions for implementing safeguard measures. To provide a juridical framework within which to implement these steps, the AMU Presidential Council signed the Convention on Trade and Tariffs in 1991 (see annex two).

This Convention has not been implemented because of non-ratification by member states, but also because of delays in negotiating the application protocols. These were related to rules of origin, safeguard measures, compensation taxes, and the list of products (about 60) to be excluded from customs duty elimination.[557] Of these, the protocol dealing with rules of origin and that dealing with safeguard measures were adopted in 1995, and the one dealing with compensatory taxes was signed in 1994. However, Maghreb governments could not agree on the protocol dealing with product lists before the political dispute erupted between Algeria and Morocco in December 1995, which led to a standstill in all activities of AMU until today. In early 1995, the Tunisian government suggested that countries negotiate a free trade area based on a positive list (thus only listing those products that are to be exempted from customs duties) in the belief that some Maghreb industries still need protection to develop. Algeria and Morocco, however, wanted to maintain the approach whereby countries submit negative lists of products to be exempted from the agreement, or on which tariffs are to be gradually reduced.

As a result of the region's colonial heritage, transport systems in the Maghreb have always been directed towards the coastal areas, to link the interior with export markets in Europe, but not horizontally. Coupled with past political conflicts, especially between Morocco and Algeria, this has led to weak and the cases of Mauritania and Libya, non-existent intra-regional transport linkages. To redirect this hub-and-spoke model of infrastructural development, the Ministerial Council on Transport and Telecommunications cooperation proposed the establishment of a joint Maghreb air company, a Maghreb railway network, which would link the main axes of the

[557] See Note: Union du Maghreb Arabe, Republique Tunisienne, Ministere de l'Economie Nationale, DCEC, SD2/KC/LH, 1993, mimeo

Maghreb countries, and Maghreb union of airports, in 1990. They also signed a multilateral agreement on maritime transport. Their priorities were to harmonise and facilitate border procedures (passengers could take up to seven hoursr between the Algerian and Moroccan borders at Oudja) and create uniform travel legislation.[558]

However, work on a Maghreb Autoroute, which is to · ık Algiers, Rabat, Nouackhott, Benghazi and Tunis, to which political leaders committed themselves as a priority in 1989, only began in 1994.[559] This was pa . . e to the time it took to raise the funding to conduct feasibility studies and construct the route, which was aggravated by a slack bureaucracy both nationally and regionally. Under these conditions, the first phase was only completed at the end of 1995. Similarly, the project to build roads between the different Maghreb countries was dependent on funding from Maghreb transport budgets, which was not released immediately. Since Mauritania had no existing road network, the Maghreb mi agreed that the Secretariat will try to raise funding for its construction, which · us its delay.[560] Mauritania still has no road connection to other Maghreb countries, while Libya has no railroad connection. The TransMaghreb train, which was supposed to start operating between Tunisia and Cassablance via Algiers in 1990, was only launched in 1995.

Because of the UN air embargo against Libya, air linkages were non-existent between Libya and other Maghreb countries and ministers have not been able to make progress on forming a Maghreb union of airports. In similar vein, border controls have remained as strict as ever, notwithstanding the announcement by Maghreb leaders that common passports, identity documents, and driving licenses would be issued soon after the signing of the Treaty of Marrakesh. Only in 1994 did the Ministerial Council on Post and Telecommunications start to seriously implement the project of linking the Maghreb countries with fibre optic cables, after a debate of three years.[561] These delays were due not only to the cost of intra-Maghreb transport linkages and the failure to raise money to develop these, but also to the continuing political instability

[558] See *Marchées Tropicaux*, 24 May, 1991, p 1284
[559] See Samir Gharbi, 'Demain peut-etre, in ... *Afrique* No 1640, June 1992
[560] See *Al Bayane*, 13 December 1994
[561] See *Le Matin*, 9 December 1994

in Algeria and the uncertain potential of increased intra-regional trade, which would have justified the cost.

The creation of a Maghreb Investment and External Trade Bank was approved at the Ras Lanouf Summit in 1991 by the heads of state. It was to finance joint projects in agriculture and industry and encourage capital flows in the Maghreb. Its capital base was to be $500m, with equal subscription by all Maghreb countries.[562] However, the Bank was never established because countries started defaulting on their quotas.[563]

2. Political obstacles

2.1 Regional decision-making

Although there has been some disagreement on the juridical status of the Arab Maghreb Union – whether it is a confederation or association of states – legal scholars agree that it is an intergovernmental, rather than a supranational body.[564] As such, each state maintains full sovereignty and independence in all decisions, which has complicated and often slowed down joint decision-making at a regional level. Joint negotiations with other groupings such as the EU have also been jeopardized because AMU has no international or supranational juridical personality.

Decision-making power is concentrated in the AMU Presidential Council, which considers decisions brought to it by the Council of Foreign Ministers, informed by recommendations of the specialised ministerial commissions and the Follow-up Committee. Its functions, according to Article 4 of the AMU Treaty, are to realise the objectives of the organisation, coordinate and orient its economic policies and control the activities of all other AMU bodies. Functionaries are therefore left without any decision-making power and other AMU bodies only play a consultative, preparatory,

[562] See *Marchées Tropicaux*, 12 July 1991, p 1790
[563] François Soudan, *op.cit.*, p 7
[564] See Rafaa Ben Achour, 'La nature juridique de l'AMU' in *Etudes Internationales*, No 4, 1991, p 38.

or executing role.[565] This trend has been most evident in the gradual marginalisation of the Maghreb Consultative Council.

This is partly a reflection of the fact that the AMU was a project borne from political elites in the Maghreb region. There has been no consultation with or involvement from business, labour, or other movements in civil society in the setting up or subsequent deliberations of the body.[566] The main considerations of this elite was to consolidate and create a single Maghreb market in response to the perceived threat of closing European export markets following the unification of Europe in 1992, and re-legitimise their regimes.[567] Mohsen Toumi has observed that without a more democratic culture and the introduction of social projects at a regional level, which necessitates the involvement of civil society movements, the AMU will not achieve developmental regionalism. Its non-concern with formations and structures outside a formal governmental level has also resulted in a lack of information by the media and other interst groups on the organistion and functions of AMU.[568] 'Nationalistic egoism' and a 'lack of pragmatism and initiative' are some of the reasons why the AMU project has not been broadened to civil society, and why, in turn, it has not been able to act as a vehicle for developmental regionalism.[569] The benefits of a regional free trade regime and joint regional production could never be achieved without the engagement of social foces such as labour, business, and even local communities, participating in the regional cooperation process. This, in turn, had to be spurred on by instituting popular participation in regional decision-making institutions. This was never even considered when Maghreb leaders started discussing regionalism in the 1980s. This was not surprising, however, given the lack of popular participation in the domestic decision-making of Maghreb states.

[565] See Messaoud Mentri, 'Les perspectives de l'AMU à la lumière d'autres expériences d'intégration régional en Afrique' in *Al Mayadine*, No 6, 1990, p 35
[566] See Bouraoui Malouah, 'L'AMU et la conjonture internationale', *Etudes Internationales*, No 41(4), 1991, pp 189-191 for further elaboration.
[567] See interview with Claude Cheysson, European Commissioner charged with Mediterranean countries in *L'Economiste Maghrebin*, No 60, August 1992, p 22 He confirmed the fears of Maghreb leaders that European unification would lead to a decline in European resources for partnerships with associate states, due to the costs of unification, and an increasing 'inward-looking' orientation of European governments and producers.
[568] Francois Soudan, 'Pourquoi L'UMA n'éxiste pas?', *Jeune Afrique*, No 1640, p 18
[569] See Mohsen Toumi, 'Des développements égo-centres au développement solidaire' in Kadmani-Darwish (ed), *Maghreb: les annees de transition*, Les Editions du Maghreb, 1991, pp 169-187

Regionalism from the 'bottom-up' is also a process that can happen without state intervention. The social landscape in the Maghreb is very conducive to such social integration. Not only do familial communities live across national borders, but the shared Arab-Berber culture provides a common ethnic-cultural link, and Islam a common religious and political ideology to mobilise social forces and communities across borders to participate in the regional project.[570] As long as proposals for regional industrial projects remain only in the realm of AMU functionaries, no harmonised regional industrial strategy could emerge. To formulate and implement such a strategy, one would need participation from business groupings, private enterprises and social interests in civil society.[571]

Between 1989 and 1993 AMU had no Secretariat due to a lack of funding and disagreements on the role of the Secretariat and where it should be located. The lack of a central administrative structure impaired the ability of the AMU to engage in regional dialogues with other groupings such as the EU, coordinate trade promotion activities, attract foreign direct investment into the region, or improve the efficiency of joint regional enterprises. Once it was established, the Secretariat had to coordinate decisions and activities between the decision-making and implementation structures of AMU, and fundraise for regional projects and feasibility studies. However, its budget and governing statutes have never been transparent. Similarly, the Follow-up Committee, which had to coordinate the work of the various specialised commissions always held its meetings in camera.[572] By 1995 the Secretariat started experiencing increasing financial constraints, since some member governments had failed to pay their dues for three years, and it had to operate with only 15 full-time functionaries.[573] After the freezing of AMU activities in 1995, the Secretariat ceased its work, and AMU was henceforth represented at international forums such as the 1995 Barcelone

[570] For further detail on these linkages see Paul Balta, 'La dynamique des rélations intermaghrébines', in B Kadmani Darwish and M Dubarry, *Maghreb: les années de transition*, Masson, Paris, 1990, pp 223-225

[571] For more detail see Mohsen Toumi, 'Un Maghreb pour les Maghrebins', *IEA*, No 187, 1989, p 14. Governments in the Southern African Development Community, for example, are constructing spatial development initiatives, which are joint transport infrastructure projects, in partnership with the private sector.

[572] See Samir Gharbi, 'Demain peut-être', *Jeune Afrique*, no 1640, June 1992, p 22

Conference only by the AMU Secretary General, Mohamed Amamou.

Before 1992, AMU did not receive any outside aid or financial assistance from its traditional donors. The lack of financial resources severely curtailed the organisation's ability to fund feasibility studies for regional projects or construct regional infrastructural projects. This is in contrast with the generous funding granted to groupings such as the Southern African Development Community (SADC), although the latter had become too donor-reliant. This lack of funding was especially serious in view of the Presidential Council decision adopted at the Marrakesh Summit in December 1991 that no joint industrial or trade project can be implemented without a preliminary study. But in 1992, all Maghreb member states, except for Tunisia, rejected a proposal of the Follow-up Committee that these studies be realised and financed by the AMU member states themselves. The weakness of the Secretariat prevented it from sufficiently fundraising for these studies, thus impeding the implementation of joint ventures and projects.

The system of decision-making by unanimous vote has also severely curtailed the functioning ability of AMU institutions. Although this system is used to facilitate compromise between different views, it more often serves to obscure resolutions, making them difficult to interpret, and it can also immobilise decisions, since any member state can use its veto to block a decision. This has blocked the realisation of many potential regional projects.[574] Another major blow to the regional institutional framework was the phasing out by all AMU governments of the post of Minister of Maghreb Affairs in their bureaucracies after 1992. In Libya, Maghreb affairs became part of the government structure dealing with Arab affairs, and in Morocco and Algeria, it became part of their departments of foreign affairs. This showed a declining commitment to prioritise AMU affairs, but also reflected political tensions in the region, especially between Morocco and Algeria over the Western Sahara, and with Libya over the US sanctions imposed against the Libyan government in the aftermath of the Lockerbie affair.

[573] See Moncef Mahroug, 'A quand la rélance?' in *Jeune Afrique*, No 187, March 1997, pp 26-27
[574] See Messaoud Mentri, *op.cit.*, p 35

Finally, AMU institutions have not developed innovative structures to suit the priorities and context of the region like other groupings, such as the Southern African Development Community, have done.[575] On the one hand it has borrowed from the institutional architectures of various Arab organisations, which has allowed Maghreb leaders to transpose their domestic concentration of power and personality cult to an intergovernmental level.[576] This manifested in the regular in fighting among AMU bodies for status and clout. On the other hand, the region's political leaders and their advisors inappropriately modelled the objectives and approach of the AMU on that of the EEC (as most regional groupings in the developing world have done). This only served to underline the fact that the EEC has become a 'living laboratory' for regional integration theory and practise, encouraging its emulation by countries in the developing world.[577] According to Bourenane

> the idea of indiscriminately copying institutions found in Europe and elsewhere is not only a delusion, but also an obstacle to building a regional community [among developing countries]. The institutional choices made by the European Union resulted from specific historical circumstances based on high growth rates, low income differentials among the various countries, considerable local managerial and technological capability, high levels of economic trade, government structures with a high degree of legitimacy, a strong desire to end generations of war and conflict, and access to massive external support through the Marshall Plan.[578]

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575 See Mohamed Chatou, 'The present and future of the AMU', in George Joffe (ed), *North Africa: nation, state and region*, Routledge Press, New York, 1993, p 280. The Southern African Development Community has decided that each member country will be in charge of an area of sectoral cooperation. Although it has been inefficient in some ways, and there is now a movement to restructure its operation, this has allowed all countries (especially small landlocked countries) to share equally in the activities of the organisation, and discouraged dominant behaviour by the larger countries.

576 Although the Maghreb Consultative Council was based, in addition to the "Maijles-al-Umma' of the Union of Arab Republics in 1970, it also emulated some elements of the European parliament. For more detail see PS Agate, *Le Maghreb, L'Europe et la France*, CNRS Editions, Paris, 1992, p 123

577 See Jospeh Frankel, '*Contemporary International Relations Theory and the Behaviour of States*, OUP, London, 1973, p 48

2.2 Sanctions against Libya

In November 1991, a British court indicted two Libyan citizens for bombing a US airline, which killed 270 people over Lockerbie Scotland in December 1988. In January 1992, the Security Council unanimously adopted Resolution 731 of March 1991, which condemned this bombing, as well as that of a UTA plane over Niger in September 1989, and called for sanctions against Libya in response. An air and arms embargo went into effect against Libya in April 1992, in accordance with United Nations Security Council Resolution 748, imposed under Chapter VII of the Security Council Charter. This resolution, tabled by the US, France and the UK, sought to punish the Libyan government for refusing to cooperate with international investigations into the bombings of the above airlines. These countries claimed to have proof that the Libyan secret service was involved in both bombings. Since the adoption of Resolution 731, the Libyan government has been in dispute with the UK and the US on the issue of where the two suspects were to stand trial and has interpreted these countries' objections to a trial in a neutral country as unfair.[579]

Resolution 748 forbade all external flights by Libyan airlines and banned foreign airline companies from flying to or over Libya. It also provided for an embargo on all aircraft components and on maintenance by foreign countries of Libyan commercial planes. The 1992 embargo also covered all supplies of military equipment to Libya, including technical assistance. Resolution 749 requested UN member states to 'significantly reduce' Libyan diplomatic representation abroad, and restrict the movementof Libyan diplomats who are allowed to remain in their countries. Furthermore, the US treasury department froze the assets of 46 multinationals controlled by Libya in the banking, investment, oil and trading sectors in the United

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[578] See Naceur Bourenane, 'Theoretical and Strategic Approaches', *Regional Integration and Cooperation in West Africa*, Africa World Press, New Jersey, 1997, p 58-59

[579] See Omar Mustafa Muntasser, Secretary of the General People's Committee for Foreign liaison and international cooperation, *Statement of the Permanent Mission of the Libyan Arab Jamahiriya to the United Nations,* New York, 1 October 1996, pp 4-11. Thanks to the mediation efforts of the office of South African President Nelson Mandela, Libya has agreed to hand over the two suspects to a Netherlands court to stand trial under Scottish law in April 1999, *Sunday Independent,* 21 March 1991, p 1

States.[580]

Libya's partners in the AMU have been forced to uphold the UN-imposed sanctions, although Morocco abstained from voting on Resolution 748. In response, the Libyan government has been highly critical of its AMU partner governments for succumbing to the UN embargo, despite their regular demands that the UN sanctions against Libya be lifted, and threatened to leave the organisation as a result.[581] Colonel Khadaffi refused to take up the chair of the AMU after 1995, causing a leadership crisis in the organisation. In addition, he could not participate in the 1992 Nouackchott Summit because of the air embargo against Libya, which prohibited Libyan aircraft from landing in Mauritania. However, Libya has never left the organisation, since AMU still provided it with some solidarity in the face of increasing international isolation. Despite the Libyan government's ardent support of security cooperation in the Mediterranean zone, the '5+5' or 'group or ten' economic and security dialogue between the European Mediterranean states and the AMU, which preceded the EuroMed Agreement, came to a virtual standstill after the UN embargo in 1992, although Tunsia, who took over the AMU presidency in 1992, could have technically continued the dialogue.[582]

Despite the stipulation in the AMU Charter that aggression against one member is aggression against all, no institutional procedure has been set up to effectively deal with the implications of the UN embargo against Libya. The UN embargo has reigned in the free movement of people and goods in the region. For example, Libya introduced passport requirements for all Maghreb visitors after the introduction of UN sanctions in April 1992, thus delaying the implementaton of a common Maghreb passport. The embargo on the maintenance by foreign countries of Libyan commercial planes was an economic blow to Morocco, which has been responsible

[580] Ibid.
[581] See 'Un casse-tête qui s'appelle Lockerbie', *IEA*, No 241, February 1994, pp 12-13
[582] Mustafa Muntasser, *op.cit.*, pp 10-11. The 5+5 dialogue (between the five AMU members and France, Spain, Portugal, Italy and Malta) originated at a Ministerial Conference between the foreign ministers of these countries in Algiers in 1991. The main purpose of the dialogue was to have been the reduction of the development gap between the two shores of the Mediterranean, and joint security cooperation.

for maintaining the Libyan commercial fleet.[583] Since the coming into effect of the embargo against Libya, there has also been a remarkable decline in official flow of goods, people and capital between Libya and Tunisia. UN sanctions against Libya have therefore undermined the capacity of Libya to absorb the surplus labour in the Maghreb region due to restrictions imposed on the movement of people between Libya and other Maghreb countries. Moreover, due to the conflict between Libya and other Maghreb states as a result of the UN sanctions, its role as a potential preferential financier for regional infrastructural and industrial projects (i.e. joint ventures and preliminary studies) has been undermined. Prior to this, the Libyan government has been showing significant interest in the construction of a regional infrastructure to facilitate trade and production.[584]

2.3 Civil war in Algeria

The civil war in Algeria, unleashed by the cancellation of the second round of legislative elections in January 1992 has been a major cause of the decline in regional economic and political cooperation among Maghreb regimes.

The 1973 oil boom has enabled the Algerian government to placate Algerian society for 15 years by exchanging public services, paid for by oil rent, for political passivity. However, the fall in oil prices, coupled with the increasing need for imported goods have incapacitated the state, leading to increasing social upheaval and public protest.[585] This has led to major riots in Algiers in October 1988 (see chapter three), which pointed to a deepening rift between the military government and Algerian citizens, with the regime resorting to severe measures to restore order. Austerity policies and government mismanagement have led to severe social deprivation, causing frustration among the population. A weak private sector and a debt service ratio of 75 per cent had quelled any possibility of fast and timely employment

[583] See *African Markets*, Volume 1, no 10, p 16

[584] The Libyan government has constructed highways between several Tunisian towns and Tripoli to encourage the movement of goods and people. See Beatrice Hibou and Luis Martinez, *op.cit.*, p 7

[585] Michiel Bekker and Paul Aarts, 'Dilemmas of Development and Democratisation in the Arab World', in *International Journal of Political Economy*, Volume 23(1), 1993, pp 93 and 99. The import

creation[586]. At the same time, the schism within the Algerian regime was deepening, evidenced by rivalry between the reform-minded Chadli Benjedid and the party stalwarts in the National Liberation Front ruling party, resulting in cautious and incremental reform initiatives.[587]

In 1989, in response to internal pressures, the Algerian regime adopted a new constitution allowing relatively free political activity. The Islamic Salvation Front (FIS) won an overwhelming majority of local municipalities in the 1990 municipal elections. This was a reflection of the inroad Islamists have made since the mid-1980s in communities whose livelihoods have been affected by unemployment and a fa[illegible] subsidies of basic consumer goods, by providing them with the basic services that the state could no longer provide. By 1990, unemployment had reached 20 per cent, with the unemployed comprising mostly urban young males, who were especially susceptible to the Islamist movement's appeal. They would later be drawn into the cycle of violence, which has come to characterise the Algerian political landscape in the 1990s.[588]

In June 1991, Islamists protested in the streets against what they perceived to be unfair electoral laws, after winning the 1990 local elections. At the time, Algerian society was suffering from 227 per cent inflation, rapidly increasing unemployment, overcrowding, lack of public transport and drinking water, and the spiralling cost of food. Pervasive corruption, a collapsing public sector, a ruined education system, a budget depleted by debt service payments and food imports, and a demographic explosion exacerbated falling living standards, pointing to an impending crisis in the Algerian polity and society.[589]

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restrictions levied by the Algerian government have constrained both production and consumption, also leading to economic contraction.

[586] See Alfred Hamida, 'Taking responsibility' in *The Middle East*, April 1993, pp 17-18. By 1997, unemployment had reached an estimated 28 per cent. *Business Africa*, Economist Intelligence Unit, 1-15 January 1999, p 10

[587] Robert Mortimer, 'Algeria after the explosion', *Current History*, April 1990, p 161

[588] Business Africa, 1-15 January 1999, p 10

[589] Eduardo Serpa, The rise of Islamic fundamentalism and the future of North Africa', in *Africa Insight*, Volume 22(3), 1992, pp 186-196. Also see Abdlekader Taibouni, 'Reformes economiques et ajustement structurel en Algerie', *Ajustement Structurel au Maghreb*, Alternatives Sud, L'Harmattan and Centre Tricontinental Louvain la Neuve, 1995, for the social impact of structural adjustment programmes in Algeria.

The FIS won the first round of parliamentary elections in 1991, but the military intervened in January 1992 to cancel the second round. It ousted Chadli Ben Jedid and to prevent further grassroots radicalisation, arrested FIS leaders and imprisoned thousands of Islamists. It appointed a Provisional Council comprising military generals and imposed a state of emergency.[590] In March 1992 the Council banned the FIS under the pretext that the party was violating a constitutional principle that forbids the formation of political parties based on religion, race or regional identity. It also dissolved the Algerian parliament. A corrupt civilian and military elite continued to govern the country and was thought to be responsible for the death of President Boudhiaf, who threatened their interests, in 1992.[591]

These events precipitated an unprecedented period of violence in Algerian history, which took the shape of a low-intensity civil war. During the first few years, acts of violence were perpetrated by members of the Armed Islamic Group (GIA), a militant Islamist organisation with no links to the FIS, as well as the militant wing of the FIS, the Islamic Salvation Army. They targeted prominent public figures and especially local and foreign media workers. Their aim was presAMUbly to express their political sentiment against the suppression of the Islamic movement in Algeria by the government and its allies (which included the media and the West).

However, since 1996 a pattern of violence started evolving which defied explanation. Entire families and communities, especially those residing in the peri-urban areas around Algiers, were being murdered by armed groups of militants, who would escape the arm of the security forces. Many accused the Algerian security forces, under the direction of General Lamari, a 'hawk' or 'eradicateur' who has refused to negotiate with the Islamists, of both perpetrating these acts of violence and failing to protect communities against the bandits, in an effort to discredit the Islamists.[592] The GIA,

[590] Aarts, *op.cit*, p 339

[591] See Eduardo Serpa, 'The rise of Islamic fundamentalism and the future of North Africa', *Africa Insight*, Volume 22(3), 1992, pp 188.

[592] The Algerian security forces have extra-judicially executed individuals and groups, sometimes in their homes or in front of their families or killed people in detention. See Amnesty International,

operating in undisciplined groups of bandits, mostly comprising unemployed young men and Algerians who fought against Soviet troops in Afghanistan were also responsible for many of the deaths. Their targets included anyone thought to be opposed to Islam, including foreigners, but also families of security force members, the Islamic Salvation Front, other Islamist guerrillas, or the self-defense militias that the Algerian military has set up in a number or regions.[593] Disputes over land ownership has even been cited as reasons for the violence.[594] An estimated 80 000 people have been killed in Algeria since the start of the conflict.[595]

The military has continued to manipulate the political process to remain in power. Liamine Zeroual, a former general, was appointed presidential candidate by a 'national convention' shunned by all credible opposition parties in 1994 and was 'elected' president in 1995 in an exercise boycotted by all three popular fronts that had won the totality of legislative seats disputed in 1991. The FIS was still banned during the July 1997 legislative elections, while the anti-democratic constitutions and election law remained in place. The president's National Democratic Rally, amidst accusations by all the opposition parties of electoral fraud, won 155 out of 380 seats in the National Popular Assembly. These accusations hardly made any difference, since the president has been endowed with enormous constitutional powers. In the municipal and provinsional elections that same year, the RND captured 55 per cent of the vote, again amidst allegations of widespread electoral fraud.[596] Thus, depite the hopeful reform initiatives of the late 1980s, economic misery, political exclusion and social injustice remained prevalent in the polity and society.

'Algeria: programme of action to end human rights crisis: open letter to all governments from the Secretary of Amnesty International', 6 March 1998, mimeo

[593] For more detail see Louis Martinez, 'Oui, Algerie peut sortir du cauchemar: rapidement', *Le Nouveau Quotidien*, 17 December 1997. For more information on the nature of the Algerian war and the privatisation of security see Louis Martinez, 'L'armee/Islamistes: un coup infernal' in *Arabies*, September 1997 and Louis Martinez, 'Les protagonistes ont interet a poursuivre la guerre', *Sud Ouest*, 3 March 1997.

[594] See Barbara Smit, 'Algeria the Horror', in *The New York Review of Books*, Volume XLV, No 7, April 23, 1998. For more information on the origins and nature of the Algerian crisis, see Michael Willis, 'The Islamist Challenge in Algeria: a political history', New York University Press, 1998, and Martin Stone, 'The Agony of Algeria', Columbia University Press, 1998. Lahouari Addi, 'Algeria's Army, Algeria's Agony, *Foreign Affairs*, , July/August 1998

[595] See Amnesty International, *op.cit.*

[596] For a detailed account of the Algerian crisis, its origins and manifestation, see Hamou Amirouche, '*Algeria's Islamist Revolution: The People versus Democracy on* http://www.mepe.org/amirouch.htm

The violent political instability in Algeria has profoundly affected the functioning of AMU. Not only does Algeria boasts the largest economy and population in the region, but historically the relationship beteen Algeria and Morocco has formed the backbone of Maghreb cooperation. For example, it was the rapprochment between Algeria and Morocco, considered the two pivotal states in the Maghreb, that precipitated the Treaty of Marrakesh. The Algerian political situation has firstly affected the regularity of regional presidential council meetings. Without these, substantial economic, political and institutional decisions that affected the regional integration process could not be finalised, and by implication, implemented.[597] Due to the dissolution of the Algerian parliament in 1992, the *Choura* or Maghreb Consultative Council, which was supposed to develop into a Maghreb parliament seated in Algiers, has not met since 1992. The Islamist uprising in Algeria has also been a major cause of renewed tension between the Moroccan and Algerian governments. In August 1994 alleged Islamist terrorists attacked a tourist hotel in Marrakech, leading the Moroccan government to re-install visa requirements for Algerians to enter into Morocco. The Algerian government reciprocated not only by installing similar restrictions, but by closing altogether the borders between the two countries in September 1994, thus preventing the movement of goods and people.[598]

In a strange twist of irony, however, the Algerian conflict has led to increasing security cooperation among Maghreb governments, all of whom feared a similar opposition from Islamists at home, where they were all suppressing the Islamist movements (see section 2.4).

2.4 The democratic deficit

The pseudo-democratic or undemocratic regimes in all five of the Maghreb states have been a major impediment to developmental regionalism in the Maghreb. The single largest factor inhibiting the creation of a regional consciousness and bottom-up

[597] The follow-up Summit to the March 1991 Maghreb Presidential Summit in Ras Lanouf never took place because of the crisis in Algeria.
[598] *Le Liberal*, No 78, September 1994, p 9-11

regional cooperation, has been the fact that all the Maghreb heads of state, who were the central decision-makers in AMU, saw themselves as the 'exclusive guardians of state institutions'.[599] In this capacity, they inisted on determining the pace and content of the Arab Maghreb Union, which prevented for example the continuation of AMU activities after King Hassan called for the freeze in all AMU activities due to his government's dispute with Algeria. All the Maghreb leaders have created a cult status around their personae and position, creating the impression that a Maghreb union is depending on their personal interaction, personality, and histories of cooperation.

The failure of the Maghreb regimes to deliver social and economic justice to their citizens, particularly during the economic crisis of 1980s and the austerity programmes introduced by the IMF and World Bank, have given rise to increasing social and political discontent, leading to widespread protests and riots during the 1980s (see chapter three). Islam has remained the main source of cultural identity during the colonial period and when secular governments took power in post-colonial Maghreb states, Islamists withdrew to the mosques.[600] However, the dire economic and social conditions of the 1980s, and the failure of Maghreb regimes to deliver social and economic justice, drew them out of the mosques again and the Islamic movement became the mouthpiece for the marginalised in Maghreb societies during the 1980s and 1990s. Due to pressure from various sources, including the Islamist opposition, but also the international financial community, the form of the Maghreb state in the early 1990s was undergoing a radical change. Since the mid-1980s, and increasingly during the 1990s, the Islamic opposition in all Maghreb countries started posing a serious challenge to the the existing ruling regimes' political hold on power, but also to their mismanagement of the economy and society. Despite a relatively weak opposition in most Maghreb countries, by 1990 the state could no longer maintain its claim to representativity, and was seeking a new consensus with a younger generation.

This generation however, did not share the nationalist sentiments of the existing rulers

[599] See Said Hammoudi, 'Les tentatives d'integration', in *Etudes Internationales*, Vol 3(2), 1992, p 338
[600] See Robert Mortimer, 'Algeria: the clash between Islam, Democracy and the Military', *Current History*, January 1993, pp 37-41

and the liberation wars no longer 'haunted the collective memory of society', explaining their refusal to accept the half hearted reforms of ruling regimes.[601] Most states attempted to partly reconstitute themselves in an attempt to fuse authoritarianism with liberalism by handing down authority to lower levels of government, while at the same time recentralising all the state instruments of power. This process of localising decision-making often led to chaos, and political reform remained principally an elite occupation.[602] Despite these democratic waves that started 'rippling' across the region since the beginning of the 1990s, Maghreb ruling regimes have shown tenacity in their hold on power.

In Tunisia President Bourguiba has been appointed president for life in 1975 , designating himself the 'supreme fighter'. In 1987 he was deposed in a quiet coup d'état by General Ben Ali, who, although allowing more political and economic freedom, launched a campaign of oppression against the Islamic opposition causing international concern about his regime's violation of human rights. The Tunisian system displays many features of an authoritarian democracy, with some form of opposition politics allowed under the strict monitoring of the military-backed ruling regime. After the 'national pact', which was concluded in 1989, four political parties were legalised and the Destourain Socialist Party, which was the only ruling party for 30 years, changed its name to the Constitutional Democratic Rally. The Islamists boycotted the 1990 municipal elections after the En-Nahda party was banned under the pretext that it was a 'religious' party, forbidden by the constitution. Although the legal opposition has been allowed greater representation in parliament since 1992, the political system is designed to retain the majority seats in parliament for the ruling party. In the 1994 presidential election President Ben Ali stood unopposed for president, all his opponents in jail.[603] The Tunisian regime has been repeatedly accused of human rights violations by the international community, especially against the Islamist opposition.

[601] Jean Claude Santucci has identified this as one of the main reasons why the first attempt at regionalism in the Maghreb did not succeed. See Santucci, 'Le Grand Maghreb réactive: crise des états', in *Annuaire de l'Afrique du Nord*, 1983, p 408
[602] See Dirk Vandewalle, 'At the periphery: North Africa, the European Community and the end of the Cold War', in *The Maghreb Review*, Volume 17, (1-2), 1992, p 37
[603] See Lisa Anderson, 'North Africa: the limits of liberalisation', in *Current History*, 1993

In Morocco, King Hassan II has designated himself the 'Commander of the Faithful', and playing on his descent from the Prophet Mohammed has assumed a symbolic and almost unassailable position in the Moroccan polity and society. Despite a delegation of power to the parliament and the Prime Minister in 1992, he could still subordinate the judiciary and other constitutional institutions to his executive power. Still, he is generally viewed in a benevolent way and has managed to co-opt some sectors of the Islamic establishment, thus managing to contain the Islamic opposition forces to some extent.[604] Despite this, the Moroccan government has refused to legalise the Islamic opposition parties and has bestowed harsh treatment on the Islamic opposition, partly in fear of the Algerian scenario if the political terrain is opened up to Islamists.[605] As a result a growing Islamic opposition has been developing in Morocco.[606] Despite the introduction of multi-party politics in the beginning of the 1990s, the historical loyalty of the rural constituency to the existing state rulers, restrictive laws on the formation of political parties, state control of the media, and the watchdog role of the military has limited political space in Morocco.[607]

In Libya, General Muammar Khadaffi has been in power since the coup he lead in 1969. The Jamahariyya, or state of the masses, is based on notions of bottom-up direct participatory governance, borrowed from Arab nationalism and other ideologies. He has ruled for 30 years through a General People's Congress by repressing opposition and dictating all political, social and economic life in the country. As in Algeria, oil rent has enabled him to exchange political passivity from his subordinates for free entitlements, partly through elaborate subsidies of basic consumer goods. However, declining oil revenues have incapacitated the state's ability to provide many basic services to Libyans, resulting in increasing popular dissatisfaction with the Libyan regime. Coupled with their realisation that the General People's Congress serves only as a rubber stamp for government policies, this has led

[604] See Eduardo Serpa, 'The rise of Islamic fundamentalism and the future of North Africa', *Africa Insight*, Volume 22 (3), 1992, p 191
[605] See Mohammed el Achhabe, 'La Lame de fond a l'intérieur des pays de l'UMA', *Le Liberal*, No 43, January 1991, p 6
[606] Mohamed El Acchabe, *op.cit.*, pp 11-12
[607] See Michiel Bekker and Jan Aarts, *op.cit.*, p 103

to an upsurge of Islamist movements in urban centres.[608] Political prisoners in Libya have generally tended to be members of religious groups and in 1993, for example, Khadaffi incited his followers to kill Islamic militants.

In Algeria, in response to growing domestic opposition and external pressure, the Algerian regime revised the constitution in 1989. The new constitution provided for the separation of powers and guaranteed fundamental freedoms including the right to establish political 'associations', for the first time in Algeria's political history. The new constitution spawned 59 parties overnight, which spanned [illegible] ideological spectrum ranging from secular fanatics to religious extremists, and in 1990 the first municipal elections under the new constitution took place. The military-backed government cancelled the second round of legislative elections in 1992, after the first round has been won by the FIS, which also won the 1991 municipal elections. Under conditions of social and economic depravity and the lack of an autonomous middle class, democracy remains fragile, reversible and even unwanted. A low-level civil war has erupted since the banning of the FIS, the arrest of its supporters, and the dismantling of the Algerian parliament in 1992 (see previous section). The presidential and legislative elections that were held subsequent to the coup, in which the presidential candidate's party has won a majority of seats, have been scorned as undemocratic by most observers. Not only were they fraudulent, but they were based on an undemocratic constitution and electoral law, and also did not include the banned Islamic Salvation Front. Although prospects looked favourable for the institution of some form of democracy in Algeria at the beginning of the 1990s, political and social exclusion has remained as rife under the new cabal of military-backed rulers as under President Chadli Benjedid's nepotistic and voracious rule during the late 1970s and the early 1980s.[609]

In Mauritania, a group of army officers overthrew the Ould Daddah single-party regime, which had come to represent the interests of foreign capital in 1978. This

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[608] Lisa Anderson, 'Liberalism in North Africa', *Current History*, Volume 89, No 546, 1990, pp 145-148

coup, partly carried out to ensure Mauritania's withdrawal from the costly Saharan war, introduced six years of military rule. A 1984 coup d'état brought to power Colonel Sid'Ahmed Taya, who still rules the country. Inter-ethnic violence in the Senegal Valley and gross hAMUn rights violations have characterised his regime until 1992, when under internal and external pressure, presidential elections were held and he was elected president. He continued to control the domination of Mauritanian politics through his Social Democratic Republican Party (with parliament and the judiciary under control of the ruling clan) and also continued to oppress the Islamic opposition, arresting members of Islamist groups and banning political speeches in mosques.[610] State-sponsored violations against southern black Mauritanians have been rife under the new political dispensation.[611]

Beckechi makes a strong point that a unified Maghreb space can only be the outcome of democratic consolidation, respect for human rights by all states and the involvement of all sectors of civil society, especially the private sector and interest group associations.[612] Undemocratic leaders do not have the political vision necessary to drive developmental regionalism.[613] In all Maghreb countries, tribal and clan groups have been able to block reforms that could threaten their control of state patronage, and government policy has discouraged the expansion and differentiation of civil society. Class- and interest-based organisations are still weak and therefore unable to pose a serious challenge to the the ruling elite, although groups based on family, faith and ideological ties (such as the Islamists) have become more organised and thus able to contest ruling regimes.[614]

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[609] See Hamou Amirouche, 'Algeria's Islamist revolution: the people versus democracy, *Middle East Policy Journal,* Volume 4(4), 1998, for a detailed account of the economic mismanagement of the Chadli regime.

[610] See David Seddon, 'The political economy of Mauritania: an introduction', *Review of African Political Economy*, 1996, No 68, pp 197-214 for an in-depth overview of the political economy of Mauritania

[611] See Anthony G Pazzanita, 'The origins and evolution of Mauritania's Second Republic' in *Journal of Modern African Studies*, Volume 34(4), 1996, pp 575-596

[612] Interview with Sandro Cerato, EEC Head of Delegation to Tunisia, *IEA*, No 232, April 1993, pp 20-21

[613] See Abdelwahab Bekhechi, 'Le Maghreb: passé et perspectives', *Al Mayadine*, No 6, 1990, pp 23-32

For the developmental regionalism to succeed, a change in the form of state is necessary, without which there would be no popular support, political will or proper institutional framework to facilitate the complex processes of regional integration.[615] Currently however, pseudo-democratic or outright authoritarian regimes still dictate the pace of AMU activities and no institutional democratic culture exists at a regional level, reflecting the lack of democratic consolidation in Maghreb member states.[616] This leads to the conclusion that the Maghreb leaders have signed the Treaty of Marrakech mostly for politically opportunistic reasons and narrow nationalist objectives (see chapter three), and that the values of visionary leadership, political tolerance and solidarity, which allows governments to place regional interest above national interest, never informed the objectives they envisaged for the regional project.

What is interesting though, is that some form of functional integration outside the formal structures of AMU, such as the creation of a Union of Maghreb Banks and a Business Council, partly as a result of economic reform in all the Maghreb countries, has started taking shape since the mid-1990s. However, while these institutions can do much to foster dialogue and create a regional consciousness, a regional political framework is still needed to channel the regional grouping into a developmental framework, which includes notions of people-centred participatory democracy and development. The only regional cooperation currently taking place is between the security forces of Maghreb regimes in their common quest to repress the Islamist opposition. Since 1991, after the FIS victory of the first round of legislative elections in Algeria, the governments of Tunisia, Algeria, Morocco and Egypt have started cooperating to contain the Islamic opposition in their own countries.[617] In 1997, despite the dispute between the Moroccan and Algerian governments that has brought AMU to a standstill, the interior ministers of Algeria and Morocco continued to meet

[614] See Robert Mortimer, 'Algeria: the clash between Islam, democracy and the military', in *Current History*, January 1993, pp 37-41

[615] Many scholars have used different terms for the type of state necessary for encouraging development. These range from a transformational state (see Robert Cox in chapter one) to a developmental state.

[616] Interview with Mr Naami, Institute of African Studies, Mohammed V University, Rabat, Novemi 1995

[617] Eduardo Serpa, *op.cit.*, p 194.

to discuss anti-terrorists security coordination.[618] The Islamist 'threat' seems to have become a new basis for regionalism 'from above'.

2.5 Intra-regional political conflict

Relations between Maghreb regimes, since the establishment of the Maghreb Permanent Consultative Committee and continuing in the Arab Maghreb Union have been marked by mistrust of one another's political and leadership motives in the region, rival nationalist ambitions, and a divergence of motives for establishing a Maghreb regional grouping. These tensions have been exacerbated by the Western Saharan crisis, in 1990, by the Gulf war.

2.5.1 The Western Sahara crisis

The Western Sahara crisis has been the single largest political factor impeding increased regional cooperation in the Maghreb. Not only did the outbreak of the war between the Moroccan government and the Algerian-backed Polisario movement in the Western Sahara in 1975 stall the first wave of regionalism in the Maghreb , but in 1995, Algeria's criticism of the Moroccan government before the Security Council over its blocking of the the UN-managed referendum process again caused a freezing of relations between the two governments, bringing the whole regional project to a standstill. Algeria and Morocco has always been in dispute over who is to dominate the region. Throughout the 1980s, both states tried to form alliances with other Maghreb states to counter the other's position in the region. This somewhat resembled the relationship between France and Germany in Europe and has fuelled an indigenous 'cold war' in the Maghreb until 1989.

The rapprochement of Algeria and Morocco from the mid-1980s onwards represented an evolution from relations of confrontation (each wanted to establish a hegemonic position in the region), to alliance building. Both regimes hoped that such an alliance

[618] Abderhmane Hyane, 'Maroc-Algérie: prémices du dégel', *Jeune Afrique Economique*, no 233, 1997.

would enable them to maintain the political status quo at home in the face of domestic economic crises and political protest. This explained the *volte face* decision of the Moroccan government in 1988 to establish official relations with the Algerian government, despite the latter's continued principled support of the Polisario, although, due to declining oil revenues it could no longer support the Polisario financially.[619] In the opinion of the Moroccan government, the Polisario has always been an artificial creation staffed by Algerian mercenaries and funded by the Algerian government.[620] It is true that without the travel documents, funds and military supplies provided by Algeria, the Polisario might have remained a powerless refugee movement.[621]

Both parties resolved that the Western Saharan conflict should be kept out of the ambit of AMU (which in hindsight was a wrong approach - there should have been a conflict resolution mechanism established in AMU to resolve the dispute). The Moroccan government ensured that the AMU Treaty prohibited any further support of Polisario by either Algeria or Libya (see section 2.5.2). It also established the principle, at the 1988 Zeralda Summit, of bilateral, rather than multilateral discussion of political tensions between Maghreb member states. This was seen as a necessary measure to continue the activities of AMU, especially after a hard line military pro-Polisario faction of the FLN took over power in Algeria in 1990.[622] The inevitable result was that all summits remained of a technical nature, with no mention made of the Western Saharan crisis.[623] However, the issue of Western Saharan independence continued to divide the leadership as well as the societies of Morocco and Algeria. They were politicised to either support (Algeria), or oppose (Morocco) the independence of the Saharan territory. A reflection of this is the propaganda against Minurso in the official Moroccan media, which has continued to deride the referendum process in the Western Sahara as a 'farce'; fuel the belief that the Polisario is nothing but an Algerian creation; and blame the Polisario for obstructing

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[619] See Abdelkader Djeghloul, 'Sahara occidental: logiques plurielles d'un conflit et d'une négotiation entamée', B Kadmani Darwish and M Charouni Dubarry (eds), *Maghreb: les Années de Transition*, Masson, Paris, 1990, p 243
[620] See Johan Damis, 'Morocco and the Western Sahara', in *Current History*, April 1990, p 167
[621] Johan Damis, 'Morocco and the Western Sahara', *Current History*, April 1990, p 168
[622] *Le Liberal*, No 24, February 1990, pp 11-13

the referendum process.[624]

The protracted war between the Moroccan military and the Polisario, which was supported by the FLN government from 1975 to 1988, presented the international community with a renewed challenge at the end of the 1980s to resolve the conflict over the independence of the Western Saharan territory. The Organisation of African Unity (OAU) has already called for a referendum in the Western Sahara in 1979, and in 1981 the Moroccan government indicated for the first time its willingness to allow a referendum in the territory under international supervision.[625] By 1988, Morocco could no longer afford the huge budgetary cost (about 3 per cent of GDP between 1976 and 1986, mostly funded from Saudi Arabian overseas development assistance) of the Western Saharan war. Only the cost of maintaining the defensive wall in the northern triangle of the Western Saharan territory has amounted to about US$1bn a year, one third of the Moroccan government's total annual defence spending. Added to that was the US$430m a year spent on the campaign to win the 'hearts and minds' of the Sahrawi people in the Laayoune province.[626] It has been estimated that Morocco has spent more than US$4bn until 1995 to maintain its army in the Western Sahara, which is five times more than Algeria has spent on financing the Polisario.[627] This partly explains why the Moroccan government was ready to find a solution to the problem by the end of the 1980s.

In 1987, King Hassan ceased to insist on the traditional Moroccan position that Algeria, and not the Polisario, is the real party to the Western Saharan conflict. This was partly a result of the recommendation of a UN fact-finding mission to the Western Sahara in 1987 that a referendum be organised, and the agreement of the Polisario and the Moroccan government to the 'settlement proposals' recommended

[623] See *Marchées Tropicaux*, 27 November 1992, p 3128/9
[624] See the following newspaper articles, 'Mettre fin a la farce des separatistes et leurs soutiens', *Al Bayane*, 25/11/1994; 'Le polisario obstructionniste', *Le* Matin15 January 1998, 'Le "polisario" dresse des obstacles perilleux qui menacent l'operation referendaire', *Le Matin*, 11 January 1998;
[625] See 'United Nations Mission for the Referendum in the Western Sahara', in *The Blue Helmets, a Review of UN Peacekeeping*, United Nations, New York, 1996. Published on website http://www.un.org.80/Depts/DPKO/Missions/minurs_b.htm, p 2
[626] See John Damis, *op.cit.*, pp 165
[627] See Ignace Dalle, 'Le Maroc a fait des dépenses considérables au Sahara, '*Agence France Presse*, 4 November 1995, mimeo

by Perez de Cuéllar in 1988.[628] In January 1989, King Hassan received a high-level Polisario delegation in Rabat. This was his first public meeting ever with the Polisario leadership, although he still refused to negotiate directly with the leaders of the movement. After several meetings between the UN Secretary General and Moroccan and Polisario representatives in 1989, it was agreed that the referendum be limited to Sahrawis listed in the 1974 official Spanish census.

In April 1991, the UN Security Council approved Resolution 690, calling for the establishment of a 2700-strong UN Mission to the Western Sahara (Minsurso) to organise a referendum based on a voters list comprising the Western Saharan population listed in the 1974 Spanish census, as well as Sahrawi refugees. The UN-administered referendum was to have taken place in January 1992. By March 1999, however, many postponements and 12 Security Council resolutions later, no referendum has yet taken place to date.[629] The reasons for this are varied. They include the violation of the cease fire on several occasions by both Morocco and the Polisario[630], the continuous occupation by the Moroccan army of the Western Sahara[631], the misadministration of the referendum by Minurso[632], administrative difficulties of verifying eligible voters[633], and irreconcilable differences between the

[628] UN Resolution 658 of 1988 called for a settlement plan for the Western Sahara: a transitional period, during which the Security Council would have exclusive responsibility over all matters relating to the proposed referendum, should lead to a ceasefire. A United Nations Mission for the Western Saharan Referendum would verify the reduction of Moroccan troops and monitor their confinement to designated locations. It would also monitor the release of all Western Saharan political prisoners, exchange of prisoners of war, implement the repatriation programme, identify and register qualified voters, organised and ensure a fair and free referendum and count the votes. An Identification Commission was to be established to review and update the 1974 Spanish census registers, a Referendum Commission would manage the referendum and the UNHRC was to repatriate Western Saharan refugees. Minurso was established in 1991, and the Identification Commission in 1993.
[629] See BBC News, Sunday 6 December 1998, http://www.news.bbc.co.uk/
[630] Since 1991, for example, Morocco has breached the ceasefire 75 times, and Polisario only twice. See Zoubir and Pazzanita, *op.cit.*, p 620-621 for more information.
[631] The Moroccan military was not reduced to 65000 as requested.
[632] Minurso has been deployed without the formal acceptance of both parties to a peace agreement, which rendered it unable to develop beyond its ceasefire monitoring role and assume the 'second generation' activities authorised under its mandate. Its force structure and timetable were also inadequate for an operation of this kind. See Michael Bhatia, 'Statement regarding the issue of the Western Sahara before the Fourth Committee of the UN General Assembly, 9 October 1998, http://www.arso.org.BHATIA98.htm
[633] Tens of thousands of Moroccans arrived in the Western Sahara after the ceasefire and had their names inscribed on voter registration lists. Morocco insisted on including Moroccan citizens with historical ties to the Western Sahara (up to 100 000 according to them who allegedly fled from Spanish colonial rule to Morocco) on the voter registration lists. During the 1994 voter identification mission,

Moroccan government and the Polisario on the identification of eligible voters and the criteria for placing additional Sahrawis on the voter rolls. The failure to establish a mechanism to monitor the referendum process continuously and allow for the ground-level resolution of disagreements between Morocco and Polisario have also compounded the organisation of the referendum.[634]

From the beginning the Moroccan government has failed to comply with the UN-managed referendum process. Not only did it refuse to turn the administration of the occupied area over to the UN but initially it even refused the UN Identification Commission, journalists, the European parliament, the United Nations High Commission for Refugees (UNHCR) and the Red Cross entry into the Western Sahara.[635] It blocked the deployment of UN peacekeepers and refused UN-chartered supply ships permission to unload UN supplies at Moroccan harbours. The Moroccan military has been accused of harassing Minurso personnel; surveying the voter registration process; forcing Sahrawi political prisoners to declare loyalty to the Moroccan government before being released; forbidding the local Sahrawi population to make contact with Minurso staff or journalists; and maintaining a huge military contingent in the territory after the 1991 ceasefire, thus breaking one of the key provisions of the ceasefire.

Minurso, in return, has been accused of having a pro-Moroccan bias, particularly under the leadership of Boutros-Boutros Ghali who refused to condemn the Moroccan

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the Moroccan-controlled media denied Minurso permission to purchase media advertisements, Moroccan functionaries were taking voter applications from would-be voters and interfered in other ways with the functions of Minurso.

[634] The Moroccan government was trying to establish as broad eligibility as possible, in addition to the 70 000 Sahrawis identified by the Minurso Identification Commission. Minurso allowed Morocco to add for verification an additional 200 per cent of the population of the Spanish Sahara of 1974 (about 160 000 petitioners). Perez de Cuellar imposed residence criteria of at least six years to be eligible for voter registration, which was only accepted in 1993. Even after this date, the Moroccan military refused to post voter registration lists in Moroccan administered areas and disputes continued over voter registration criteria. Polisario claimed many irregularities, i.e. that the 1974 Spanish census documents had been stolen and that the Moroccan government was trying to manipulate Minurso. See DK Dryden, 'Address to the United Nationsl Fourth Committee', Former US Liaision Office to the Special Liasion Office of Minurso, 7 October 1996 (http://www.arso.org/Dryden-96.htm). Despite these differnces, by 1998, Minurso had identified about 170 000 eligible Sahrawis in Algeria, 30 000 in the Western Sahara and 50 000 in Morocco and Mauritania, based on the criteria agreed upon by the Polisario and the Moroccan government in 1997.

[635] See Stepehn Zunes, 'Western Sahara: peace derailed', *Current History*, 1996, p 34

violation of the ceasefire, and a corrupt administration.[636] Minurso has also experienced operational difficulties in identifying eligible voters due to the wide dispersion of tribal subgroups in the Western Sahara and in parts of Morocco. Polisario refused, for example, to participate in the identification of three tribal subgroups and Sahrawis that have not been resident in the Western Sahara for voter registration, since it has become increasingly suspicious of the inflation of 100 000 alleged Sahrawi citizens from Morocco, sponsored by the Moroccan government. [637] Minurso, however, never challenged this influx of 'voters' from Morocco.[638]

In 1995, the Moroccan government sentenced a Sahrawi to prison for participating in an anti-government protest in Laayoune, leading to the withdrawal of Polisario from the referendum process. The Moroccan government has until that point refused to negotiate directly with Polisario leaders, who in turn were willing to negotiate directly with the Mo~~ccan government.[639] Due to the fact that neither party wanted to make concessions on the issue of eligible voter criteria, the UN settlement plan was held up for two years until 1997. Both parties remained suspicious of the other, and believed the other to thwart the referedum process to suit their own interests.[640] During this time, the Moroccan government continued to occupy the Sahrawi littoral, the most

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[636] Ibid.. In a speech before the Conservative Political Action Conference, in February 1996 in Washington, Ambassador Frank Ruddy, who was a Minurso official, stated that 'the UN has sold out the 100 000 Saharans to keep favour with King Hassan II who ordered his old chum and fellow North African, Boutros Boutros Ghali, to provide a fig leaf to cover Morocco's naked aggression and occupation of Western Sahara.. See http://www.arso.org/Ruddy2.htm He compared the 'campaign of terror' Morocco ran against the Weste n Saharans to that of the Apartheid government in South Africa against blacks. Furthermore, DK Dryden, *op.cit.*, has stated that the 'The mission is not allowed to function independently, but as a creature of the Moroccans', citing Moroccan access to UN headquarters, the Moroccan flag flying next to the UN flag, tampered mail, searched rooms, and tapped telephones as evidence. In the view of Michael Bhatia, op.cit., the UN-monitored ceasefire has allowed the Moroccan authorities to consolidate their presentence and alter the democraphic character of the territory so that it may adhere to their conception of 'Moroccanness'.

[637] United Nations, *op.cit*, p 11

[638] See United Nations, *op.cit.*, p 13

[639] See Yahia H Zoubir and Anthony G Pazzanita, 'The United Nations' failure in resolving the Western Sahara conflict', *Middle East Journal*, Volume 49(4), 1995, p 627

[640] In an interview with M Mohamed Abdelaziz, President of the RASD in *Le Matin*, Algiers, 9 January 1996, he stated that while the Polisario has kept to the 1991 peace plan, Morocco has inflated the voters lists with its own candidates to ensure that the vote turns out in favour of a Moroccan Sahara. The Polisario also viewed the UN and Minurso to be biased and intent on maintaining the status quo, evidenced by its lack of authority vis-a-vis the Moroccan government's violation of the ceasefire agreement. While the Polisario is willing to negotiate directly, the Moroccan government has always refused. In 1995, HAMUn Rights Watch also published a 38-page *Report on Minurso*, which

important Sahrawi towns and the northern phosphate-rich zone of the Western Saharan territory.

In 1997 Moroccan government and the Polisario leadership agreed for the first time to talk to one another directly through the mediation of ex-US statesman James Baker in Houston. In these historic negotiations, both parties agreed to an increase of between 30 000 and 40 000 voters in addition to the 1974 Spanish census figures, which amounted to about 80 000, as well as partial autonomy for the Western Sahara.[641] The latter proposal was close to the plan proposed by the Moroccan government to turn the Western Sahara into a decentralised province of Morocco.[642] There are varied reasons why the Polisario leadership agreed to partial autonomy in a radical reversal of its earlier position of independence. The Polisario has been weakened since the 1991 ceasefire – several leaders have defected or committed suicide and thousands of Polisario members have left the refugee camps in southern Algeria for towns controlled by Morocco in the Western Sahara. Also, by 1997, only 30 states were still recognising the Western Sahara as an independent state as opposed to about 70 in the 1980s. Some observers also believe that many Polisario members are hesitant about the viability of an independent state and would give up the armed struggle under pressure from Algeria.[643]

Furthermore, it has become clear that the Moroccan government will never allow the Western Saharan territory to become independent, as proven by its many attempts to influence the outcome of the referendum. Reasons for insisting on its claim to the Western Saharan territory include the revenue potential of the phosphate deposits in

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documented blatant hAMUn rights violations and vote fraud by the Moroccan forces, without any intervention from Minurso

[641] Parties also agreed that the Moroccan armed forces could stay on in the Sahara during the transition period, to exhange prisoners of war, and that Minurso has all the authority to conduct and control the referendum process. See Francois Soudan, 'Ce qui c'est passé à Houston', in *Jeune Afrique*, No 1916, 24-30 September, 1997, p 14

[642] See Lucien Ahonto, 'Le Maroc et le Front Polisario sur le terrain des concessions', in *L'Autre Afrique*, 10-16 September 1997, p 28. Also see Hamid Barrada. 'La derniere bataille du Sahara', in *Jeune Afrique*, No 1916, 24-30 September 1997, pp 12-14 for the Moroccan interpretation of the Houston deal. Whatever the future status of the Western Sahara, Morocco will keep its 'southern' provinces of the Western Sahara.

[643] See Mohamed Chatou, 'The present and future of the Arab Maghreb Union', in George Joffé (ed) *North Africa: nation, state and region*, Routledge, London, 1993, p 32.

the northern part of the territory, as well as the geo-political risk of losing a large part of coastal territory considered to form part of Morocco's history, population and territory. The Western Saharan conflict has also served to legitimise the largely undemocratic rule of King Hassan and silence his opposition through his appeals to public national sentiment in the past, especially during the Green March of 1975 (see chapter two). This has led many observers to conclude, in view of the 1997 Houston agreements, that the most pragmatic avenue open to the Polisario instead of pursuing its quest for an 'impossible independence', would be to accept partial autonomy.[644]

The Houston agreement stipulated that Minurso had to identify an additional 117 000 potential voters, a task it had completed by September 1998. However, once again the Moroccan government insisted that an additional 65 000 Moroccan citizens, who belonged to Moroccan tribes classified under the Spanish census, be included for verification.[645] It continued to obstruct the work of Minurso by holing up its communications and other equipment by creating procedural and bureaucratic problems in customs clearance of the much-needed equipment, thus constraining Minurso's operational activities. In addition, the Moroccan administration has not taken any concrete measures to allow the UNHRC to carry out the necessary preparatory work for the repatriation of Sahrawi refugees and their immediate families.[646] Morocco also failed to sign a status-of-forces agreement in what can be viewed as a deliberate attempt to delay the referendum planned for December 1998, which in fact never took place.

In December 1995 the UN Secretary General, Boutros-Boutros Ghali, attempted to solve the deadlock between Morocco and the Polisario over voter identification. He made a proposal to the Security Council that voter identification need no more involve

[644] See Hamid Barrada, *op.cit.*, p 13
[645] These tribes were classified as H41 and H61 by the Spanish census, but both Morocco and Polisario had agreed in Houston that they would not directly or indirectly sponsor or present for identification anyone from tribal groupings H41, H61 and J51/52 other than persons included in the Spanish census of 1974 and their immediate family members.
[646] See Ahmed Boukari, Polisario representative 'Statement regarding the issue of the Western Sahara before the Fourth Committee of the UN General Assembly', 9 October 1998, http://www.arso.org/Boukhari98.htm

representatives from both parties.[647] This was a fundamental revision of the rules for voter identification established in the original 1991 Settlement Plan, agreed to by Morocco and the Polisario and would have effectively allowed Morocco to register the claims of up to 100 000 Moroccans to participate in the referendum. Conditions that allow the enfranchisement of such a large number of Moroccan citizens with no or questionable ties to the territory would inevitably lead to a referendum outcome acceptable to the Moroccan government.[648]

After lengthy discussions in December 1995, the Security Council adopted Resolution 1033, which did not accept the UN Secretary General's proposal. It only welcomed the proposal as a useful framework for future discussions. This was the result of concerted lobbying by Polisario, but also the very strong protests against this proposal by the Algerian government, who accused the Moroccan government in a submission to the UN Security Council, of wanting to influence unfairly the outcome of the referendum. The submission also criticised the UN Secretary General proposal as disproportionately favouring the Moroccan governments interests in the outcome of the referendum.

In response, the Moroccan government demanded at an AMU Follow-up Committee meeting in 1995 that Algeria, who was presiding over AMU at the time, suspend all the organisation's activities. In an open letter to the Algerian foreign minister, Abdellatif Filali, the Moroccan foreign minister, took exception to the Algerian government's intervention in the Security Council, 'which fundamentally changed the position of [neutral observer] that the Algerian government has [until now] seemed to take.[649] He maintained that Algeria has become an active party to the conflict, which was in contraction with its agreement in the Settlement Plan not to become involved

[647] Se: United Nations Security Council, 'The Situation concerning the Western Sahara: Report of the Secretary General', 24 November 1995, mimeo

[648] According to Martin Huges, 'United Nations: recent developments', *UK Western Saharan Campaign*, 8 February 1996, the secretary general's proposals would have compounded the flaws in the identification process, created new conditions where voter identification would take place purely on the oral evidence of a Moroccan-nominated tribal leader, which would represent a complete capitulation of the UN to Moroccan demands. http://www.arso.org.01-3-7.htm

[649] This letter was published in all the major Moroccan newspapers. See *L'Opinion*, 23 December 1995, p 5

in the conflict.[650]

In 1996 the Algerian government, who was still technically presiding over the AMU, proposed th · convention of a Maghreb Heads of State summit. It argued that it has not departed fundamentally from its neutral position as an observer the Western Saharan referendum in its letter to the UN Security Council. The Moroccan government, however, continued to insist on the standstill in all AMU activities for as long as, in its opinion, the Algerian government continued to support the Polisario position. The Moroccan regime has always suspected, since the Algerian government started supporting the Polisario in 1974, that Algeria's stated commitment to self-determination and third world solidarity, under the guise of which it justified its support for the Polisario, was a mere front for its real ambition of territorial expansion in the region.

Despite efforts by Libya and Tunisia to resolve the dispute between Algeria and Morocco at the end of 1996, and despite statements by the Tunisian, Algerian and Moroccan presidents in February 1997 that the Union should be revived, its institutions have ceased functioning.[651]

Due to its lack of dispute resolution mechanisms, and as a result of the centralisation of decision-making in the Presidential Council, which in turn is filled with leaders who see themselves as 'guardians of the state', the dispute between two members of the AMU has allowed the whole project to come to a standstill, instead of Morocco pulling out of the Union while official regional political and economic activities continue.

As a result of this dispute, there has been no progress since 1996 in implementing the various protocols that would allow for trade and production integration. However, activities outside of the official framework of AMU, such as joint technological and energy ventures, as well as the creation of various cross-border non-governmental

[650] See *L'Opinion*, 23 December 1995, *AL Bayane*, 23 December 1995,
[651] See Agence France Presse, 30 October 1996 and Weekly News, Western Sahara, 17-23 February 1997, http://www.arso.org/

associations for cooperation in functional areas such as education, development and business, have continued.

The decades-old conflict betw... Algeria and Morocco, the two 'poles' of the Maghreb, over the Western Sahara will only be resolved once this contested area, which has ties to Algeria, Morocco and Mauritania, becomes a 'space of solidarity and rapprochement'. A peripheral region such as the Maghreb should avoid further 'balkanisation' into even smaller autonomous parts. This would lead to even greater policy and economic fragmentation, which is the opposite of what the Arab Maghreb Union project has tried to achieve. While such an argument may support the claims of the Moroccan regime to respect the territory's historical territorial integrity, it is also true that the peoples of the Western Sahara are intricately connected to those of the three surrounding territories.[652] This realisation should spur on Maghreb regimes to jointly address the demands of the Polisario, instead of allowing these to polarise the region.

2.6.2 Different motivations for regional integration

It has already become clear at the first meeting of the political commission, appointed by the 1988 Zeralda Summit to investigate a regional integration approach for the Maghreb, that Maghreb countries had very different expectations, motivations, and commitment vis-à-vis regional ...egration.

At the turn of the decade, Algeria needed to rebuild its links with Morocco and secure a 'closed' market for its hydrocarbon exports.[653] The Algerian regime believed that the creation of an Arab Maghreb Union was premature, and that Mahgreb countries first needed to focus on sectoral cooperation and creating a common industrial base by developing complementary products to trade with one another. It did not support the idea of a political and economic union partly because, perhaps more than any other Maghreb government, the Algerian government has tenaciously defended its

[652] See Fatallah Oualoulou, *op.cit.*, pp 36-38
[653] For further details see *Africa Research Bulletin*, Volume 26(1), 1989, p 9196

sovereignty, which is a central element of its constitution. Tunisian representatives, to the contrary, promoted a Maghreb region without borders (that is, the free circulation of people, goods and services, based on the European model), to be accomplished through a pragmatic incremental approach, driven by a powerful executive secretariat which, of course, it hoped to host. For Morocco, an Arab Maghreb Union was a useful smokescreen behind which to rectify its relations with Algeria without 'losing face' by ensuring that the Maghreb Treaty precludes any continued support for the Polisario. Article 15 of the Maghreb Treaty stipulates that 'the member states commit themselves not to tolerate any activity or movement on their territory which could undermine the security or territorial integrity of a member state or its political system. In the same vein, they would not adhere to any alliance or military or political bloc that undermines the political independence or territorial unity of any other member state'.[654]

Moroccan representatives proposed that all authority reside in a council comprising heads of state, which would meet few times every year, and is to be assisted by a council of foreign ministers. Libyan representatives promoted a full political union in the Maghreb, which would be a stepping stone towards Arab political unity, a central pillar of Libyan foreign policy. Colonel Khadaffi even proposed that Chad, Niger, Mali and Sudan eventually join the Union.

The Commission therefore had to reach several compromises, which in fact have lessened the commitment of some Maghreb political leaders to the organisation. Maghreb states tried to reach a compromise with Libya on the issue of AMU membership, since it was viewed as in important partner to the Union, especially as an absorber of the surplus labour in Morocco and Tunisia. Securing Libya's membership to this grouping was also seen by the other governments as a way to 'tame' Libya's designs for unification with other Arab countries. The compromise was that Libya, as a member of AMU could no longer form exclusive coalitions with states threatening the security of its Maghreb partners, but that AMU in principle remained open to

[654] 'Traite de creation de l'Union du Maghreb Arabe', mimeo (see appendix)

membership of other Arab countries.[655] Algeria's insistence on a people-centred regional integration process was incorporated by creating a Consultative Assembly to advise the Presidential Council on regional resolutions, and make recommendations on matters relating to regional integration to the Council.

The General Secretariat, a structure proposed by Tunisia, had no permanent seat, independent budget, or independent functionaries for the first three years of AMU's existence. Algeria and Morocco especially saw such independence as threatening their own interests in managing the content and pace of the regional integration process. This kind of domination is exactly what Tunisia hoped to avoid by instituting such a structure. However, Tunisia did manage to convince the other parties to accept the idea of regular ministerial working committee meetings that would implement decisions taken at Summits and to explore new initiatives.[656]

The regional leaders also showed variable levels of commitment to the AMU. In 1998 Colonel Khadaffi declared that Arab nationalism was a 'reactionary ideology' in a *volte face* from his previous position. He has since been attempting to create a Libyan zone of influence in sub-Saharan Africa. This turnabout in Libyan foreign policy partly resulted from the many failed attempts at political union with Arab countries (including Tunisia and Egypt), as well as Khadaffi's perception that these countries have not sufficiently opposed the UN embargo against Libya.[657] The Libyan leader, for example, did not attend the fourth AMU Summit in Marrakesh in 1991 in revenge of King Hassan's visit to the US earlier that year, and in revenge of the latter's absence at the Ras Lanouf summit in March 1991.

By 1995, the traditionally fluid movement of labour between Tunisia and Libya has been severely curtailed, with only 10 per cent of Tunisian workers in Libya issued

[655] This was stipulated in Article 17 of the AMU Treaty. See Lisa Anderson, 'Liberalism in Northern Africa', in *Current History*, Volume 89(456), 1990, pp 145-148
[656] The Algerian government, especially, strongly insisted that members do not draw up a rigid time frame or structures for the process of regional integration.
[657] See Mehdi Ayari, 'Pourqui Khadaffi choisit l'Afrique', *Réalités*, No 669, 8-14 October 1998

with official contracts.[658] Despite their otherwise good relations, this has been a source of tension between the Tunisian and Libyan governments since the expulsion of thousands of Tunisian workers by the Libyan government in 1985, under the pretext of economic difficulties. Due to frequent droughts in the southern parts of Tunisia, access to the Libyan labour market is vital for the livelihood of workers in these areas. Although it is still a member of AMU, which offers it some solidarity in the face of its increasing international isolation, and its relations with Tunisia are still very close, Libya has remained an uncertain regional political partner.

Since 1992, the Moroccan government also seemed less committed to the Maghreb project. Not only has it not ratified any of the 18 regional conventions, but it has started spending more political and other resources on its bilateral negotiations with the European Union.[659] At the fifth Summit of AMU Heads of States in Nouachott in November 1992, both King Hassan and Colonel Muammar Khadaffi were absent. King Hassan feared for his security due to the public sentiment in favour of the Polisario in Mauritania, whereas the Libyan leader could not fly into Mauritania due to the UN air embargo against Libya. Algeria, at this occasion, had sent the largest delegation ever to an AMU Summit, which some commentators viewed as a clear indication of its desire to dominate the region through ensuring control over regional executive decisions.[660] Morocco and Algeria also reintroduced border controls after the 1994 terrorist attack in Marrakesh (see above), thus slowing down the mobility of people and goods across their borders.

Throughout the 1990s, Tunisia has remained the most committed to the regional integration process, since as a small trade dependent state, it had the most to gain by the political solidarity and regional market such a grouping had to offer. Not only has the Tunisian head of state attended all summit meetings and the Tunisian parliament ratified all 18 regional conventions, but the Tunisian government has also started to implement some joint agreements on postal services and tourism. Tunisia has also

[658] See Moncef Maghroug, 'Le spectre des expulsions', in *Jeune Afrique*, April 1995, No 1788, pp 18-21
[659] See *Marchées Tropicaux*, 27 November 1992, 'Le cinquieme sommet de l'AMU', p 3128/9
[660] Francois Soudan, *op.cit*, pp 6-10

developed the strongest bilateral relationships with each of the AMU member countries, and in this context has increased its cooperation initiatives with Mauritania in the framework of regional economic cooperation since 1996.[661] This is despite the fact that the Tunisian government expressed its unhappiness at the March 1991 AMU Heads of State Summit in Ras Lanouf, where general conflict erupted over the allocation of portfolios, about the fact that the AMU Secretariat was to be located in Rabat. It was only appeased by the appointment of a Tunisian as Secretary General of AMU.[662]

This lack of political will to implement regional decisions if they were seen to be threatening to 'national' interests has considerably slowed down the elimination of customs duties and the sanctioning of the free movement of peoples across borders. At no time during the process of structuring the functions and institutions of the AMU was there any evaluation of the experiences of the Permanent Maghreb Consultative Committee, the reasons for its failure, and its strengths. The country representatives who were tasked with the structuring of AMU institutions showed a general lack of confidence in other representatives as well as a lack of vision necessary to facilitate political cooperation on these matters.[663] This was in part a reflection of the fact that there were no provisions in any of the Maghreb constitutions to suggest that any limitation to state sovereignty would be accepted.

2.5.3 Divisions created by the Gulf War

The 1990/1 Gulf War has revived some of the traditional pre-1989 ideological divisions among Maghreb countries, which adopted very different positions on the Gulf crisis at a meeting in 1990.[664] Both the Algerian and Tunisian governments favoured an 'Arab' solution, pressing for mediation and compromise. They condemned the invasion of Kuwait, but refused to adhere to the embargo on food and

[661] Moncef Maghroug, 'A quand la rélance?', *Jeune Afrique*, No 1887, March 1997, pp 26-27
[662] Francois Soudan, 'Pourquoi L'UMA n'éxiste pas', *Jeune Afrique*, No 1640, June 1992, p 21
[663] For more detail, see Habib Slim, 'L'evolution du Grand Maghreb: entre le CPCM et la naissance de l'UMA' in *Etudes Internationales*, No 41 (4), 1991pp 58-60
[664] See PS Agate, *op.cit.*, p 124

medicinal supplies to Iraq.[665] The greatest divide was between Mauritania and Libya on the one side, who supported Iraq and Morocco on the other side, who supported the US position on Iraq.[666]

Morocco, the US's closest ally in the region, initially supported the US military response to Iraq's invasion of Kuwait, since both the US and conservative Gulf countries such as Saudi Arabia have assisted Morocco in funding the war against the Polisario. It sent 1500 troops to reinforce the allied invasion of Iraq.[667]

In Morocco, however, there were popular protests against the American invasion of Iraq, which lead to a general strike in 1990. In Algeria, Tunisia and Mauritania, there were also large demonstrations against the invasion of Iraq. This allowed the Islamist opposition an opportunity to demonstrate against regimes in the Maghreb, which they characterised as allies of the West, because of their 'moderate' responses to the US invasion of Iraq.[668] The 1979 Iranian revolution has fuelled this popular support for Saddam Hussein, seen as the true representative of Arab and Islamic interests by the Maghrebi Islamists.

The Gulf War negatively affected exports of Maghreb countries to the Middle East, as well as tourism and development finance flows. The United States rewarded Morocco for its support of the anti-Iraq coalition during the Gulf War with funds for debt-financing, while Tunisia, Algeria and Libya, all condemning the US invasion of Iraq, experienced a net decrease in US official development assistance.[669] Tunisia also lost official development assistance from Saudi Arabia due to its support of Iraq.[670] The Gulf War has also led to a fall in overseas development assistance from Saudi Arabia, as well as an impending World Bank loan to Mauritania because of its support of Iraq, while Saudi Arabia increased its subsidies to the Moroccan government.[671] After the

[665] See David Seddon, 'Responses to the Gulf crisis in the Maghreb', *Review of African Political Economy*, No 50, 1991, pp 70-74 for more detail.
[666] See Zakaya Daoud, 'Le Maghreb – déchiré par la nouvelle défaite arabe', *Monde Diplomatique*, April 1991, pp 15-16
[667] See Soudan, *op.cit.*
[668] See JA Paul, 'The emerging Maghreb: North Africa and the New World Order', in P Benis and M Mousbeck (eds), *Altered States: a reader in the new world order*, Olive Branch Press, 1993, pp 337
[669] See James A Paul, *op.cit.*, pp 332-340
[670] For more detail see Zakaya Daoud, 'L'économie du Maghreb en difficulté', *MD*, June 1991, pp
[671] Jonathan Farley, 'The Maghreb's Islamic Challenge', *The World Today*, Volume 47, Nos 8-9, 199

Gulf War and due to the sanctions placed on Iraq, Algeria, Morocco and Libya needed to find a new export market for the 53 per cent of their petroleum exports that Iraq had previously absorbed. UN sanctions against Iraq also affected Moroccan, Tunisian and Mauritania's exports to this market.[672]

Not only has the Gulf War led to loss of government revenue due to reduced exports and development assistance, but it has perpetuated the 'cold war' between those Maghreb leaders who were allied to the US during the bipolar era (Morocco), and those allied to US opponents such as Iraq in the Arab world (Mauritania, Algeria and Libya). The Gulf crisis also led to the postponement of a Presidential Summit after the March 1991 Summit in Ras Lanouf, at a time when the AMU could ill afford a slow-down in decision-making and institutionalisation of the organisation.[673]

Conclusion

On paper, the official structures of the Arab Maghreb Union have achieved some significant goals between its creation in February 1989 and its demise in December 1995. No less than 18 conventions as well as numerous declarations and agreements have been signed by the heads of state of the five Maghreb countries.[674] Many studies on regional trade and production have been prepared, and in 1992, Maghreb leaders even agreed to shift the regional integration emphasis from trade liberalisation to creating the conditions for production and trade integration. Due to the regular meeting of ministerial committees, some degree of policy harmonisation (for example a common tariff nomenclature and common sustainable development policies) has taken place, and studies of regional technical committees, and some implementation by working committees, have started creating the basis for regional integration. Regional cooperation has been most significant in the energy field, and increasing macro-economic covergence by the mid-1990s fulfilled on of the necessary

[672] See Mohammed El Achabe, 'La lame de fond à l'intérieur des pays de l'UMA', *Le Libéral*, No 34, January 1991
[673] Francois Soudan, ''Le Maghreb à trois', *Jeune Afrique*, No 1663, November 1992, pp 6-10
[674] See Fatallah Oualoulou, *op.cit.*, pp 320-323

preconditions for regional economic integration. In theory, therefore, AMU looked well on its way to successful regional integration.

Why then did commentators observe as early as 1992 that AMU does not exist? And why did the above achievements not provide a sufficiently solid basis for continuing integration and cooperation after Morocco asked for a suspension in all AMU activities? The reasons, which were examined in this chapter, are many and varied. They include a lack of sufficient policy harmonisation and coordination, especially in the industrial, agricultural, infrastructure and trade fields, a lack of regional development planning, especially in the face of social and economic hardship in all Maghreb countries, and very little progress in the implementation of regional programmes, beyond the commissioning of studies and the formalisation of treaties and institutions.

This leads to the conclusion that the Maghreb ruling elite, who remained the primary economic and political agents in their respective polities and economies, did not possess the necessary vision, solidarity and leadership to shift from a national to regional developmental framework. In fact, they were so preoccupied with economic reform, containing political opposition in their own countries, and safeguarding their increasingly illegitimate hold on power, that they missed the opportunity to consolidate a regional market with strong purchasing power and to join together in a stronger bargaining position vis-à-vis international financial institutions (to ensure that structural adjustment programmes support regional integration objectives); creditor groupings (to negotiate for substantial debt reduction); and the European Union (to negotiate continued favourable entry into European markets and flows of development finance). The economic reforms in many Maghreb countries, especially the privatisation of SOEs, only further strengthened the hold of the old military-bureaucratic elite on political and economic resources.

The political culture of pseudo-democracy, oppression of opposition, and capital accumulation only among a small group of elites, was transposed to a regional level. With all decision-making power vested in the Presidential Council, Maghreb leaders were able to continue reveling in their personality cults at a regional level, without taking responsibility for the development of their economies and societies. Against their expectations, however, AMU did not accord them greater legitimacy at home. The lack of transparency of AMU institutions, and especially the organisation's total exclusion of associations, interest groups, non-governmental organisations, labour unions and other civil society actors in the region, have earned it the reputation as a club of stagnant old leaders, who are not concerned the lives of the people they govern. This is despite the elaborate rhetoric at its creation that AMU would be a union for the people of the Maghreb. However, these leaders seem to have gathered together in 1989 not to pursue a common interest in developing the region socially and economically, but to stave off the threats of an integrating EU market and increasing domestic political opposition, and to satisfy their *realpolitik* aspirations, be it to contain perceived territorial threats from other Maghreb countries, or to enlarge their zone of influence in the region.

This is not a basis for developmental regionalism, which explains why the AMU started losing its dynamic even before Morocco's spectacular withdrawal from and freezing of all AMU activities in 1995. Not only does this indicate that the Moroccan regime, like the other AMU regimes, has used the organisation for its own political designs (to ensure that both Libya and Algeria cease their support for the Polisario), but also that visionary democratic leadership and strong states are preconditions for successful developmental regionalism.

The route of Maghreb regionalism has not brought regimes the legitimacy, credibility, and foreign direct investment they needed to remain in power. They therefore increasingly started to pursue alternative economic and political alliances, which were seen to be more productive, since the mid-1990s. By the end of the 1990s, Morocco and Tunisia have both signed free trade area agreements with the European Union (an agreement with Algeria is under way), Libya has joined the Common Market of Southern and Eastern Africa and Mauritania, as a least developed country, has recognised that it has more to gain from its membership of the Lomé Convention.

One could also conclude that 'the basis for success of the sub-regional integration project is the creation of ties between people from all social layers'.[675] This, together with the development of joint political institutions and economic policy harmonisation, could only come about as the result of the creation of a 'Maghreb' culture, which in turn necessitates a pro-active political will from member governments.[676] Although businesses and banks, and perhaps some layers of the Islamist movement, have started to interact and cooperate at a regional level, the large groundswell of associations of all kinds need to be exposed to and interact with their regional counterparts. This is partly a function of a government-facilitated legal framework, which allows the free movement of labour, capital and peoples in a region, but it is also an organic process that reflects the strength and nature of civil societies in national polities. In this regard, the lively interaction and economic cooperation between border communities bode well for a future regionalism that would surge from the 'bottom', which is the only sustainable form of regionalism.

Chapter seven will examine the new regionalism unfolding in the Maghreb in the form of the EuroMed Agreement, which seems to be overtaking the Maghreb project, and by implication developmental regionalism, on the policy agendas of Maghreb political elites. This is a significant development because it resembles a new pattern of regional integration throughout the world. Core industrial countries are drawing their peripheries back into their political and economic zone of influence through the conclusion of preferential trade agreements, which have dubious benefits for the peripheral partners to these agreements.

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[675] Moncef Maghroug, ''Maghreb: mode d'émploi', *IEA*, No 178, May 1988

[676] See Sadok Belaid, 'Commentaires sur la communication de M Abdelfattah Amor', in *Etudes Internationales*, Volume 4, 1991, p 26

CHAPTER FIVE

Europe and the Maghreb: towards open regionalism

Introduction

The Euro-Mediterranean agreement forms part of a new wave of regionalism currently prevalent in the world economic system. The forces driving this new regionalism are different from those that have given rise to the first wave of regionalism in the 1960s. The Arab Maghreb Union has already displayed some elements of the new regionalism, also characterised as 'open' regionalism (see chapter one). Its member states, for example, hoped that the regional grouping would facilitate their participation in the world economy, rather than using the regional grouping to withdraw from the world economy, as was the case with the Maghreb Permanent Consultative Committee in the 1960s. An additional feature of the new regionalism, introduced with the creation of the North American Free Trade Area in 1994, and further entrenched in the Asia-Pacific Economic Cooperation (APEC) grouping during the 1990s, is the tendency for core or semi-peripheral industrial countries to enter economic cooperation agreements with their peripheries.

These 'open' regional groupings between industrial and developing countries are usually contractual and involve requirements for economic restructuring and reform on the part of southern members. Such requirements include the promotion of a strong export orientation, market allocation of resources, the liberalisation of all goods, services and investment and most importantly, the institution of reciprocal trade liberalisation between the developed and developing member states to the regional grouping. Often, their rules and mechanisms have been driven by the interests of large multinational enterprises in relocating some export production functions to developing markets with cheaper factor inputs, such as labour, while benefiting from free access to industrial markets.

In the new international division of labour firms are able to produce by sourcing from multiple locations, based on the 'competitive' advantages different countries have to offer in terms of labour costs, technological sophistication, knowledge infrastructure of industries, and productivity.[677] In this scheme, traditional 'comparative' advantages such as mineral wealth and natural resources have become less important in determining the structure and direction of trade both between industrial countries and between them and developing countries. The increasing and accelerated flows of capital across borders, facilitated by developments in communications technology (often referred to as globalisation), has both brought about but also necessitated 'deeper' regional integration, for example, of national regulatory systems and policies, which would facilitate regional production systems. Developing countries have joined new North-South regional groupings, amongst others, in the hope that a) their economic reform policies will be seen to be credible by foreign governments and investors by 'locking in' these reforms through the regional agreement with their industrial partners and b) they will therefore attract more foreign direct investment.

Many scholars, particularly from the left, have criticised these new forms of regionalism, which they say amount to a 'recolonisation' of the South since they undermine sustainable self-determination among post-colonial states.[678] According to these critics, 'open' regionalism perpetuates unbridled corporate hegemony and thus the further exploitation of peripheral economies by the core countries, increasing the polarisation between North and South. The new interdependence between states, they argue, is just another mutation of the dominant capitalist system, a macro-historical force intent on locking peripheral societies into an unyielding spiral of exploitation and poverty. In the Mediterranean region, their argument would be supported by the fact

[677] See Robert Z Lawrence, 'Preferential trading arrangements: the traditional and the new', in Galal, Ahmed and Bernard Hoekman (eds), *Regional Partners in global markets: limits and possibilities of the EuroMed Agreements*, Centre for Economic Policy Research and the Egyptian Centre for Economic Studies, London and Cairo 1997, p 20

[678] See Samir Amin, 'Regionalisation in the Third World - in response to the challenge of polarising globalisation', 1998, mimeo and Belle (quoted in Don D Marshall, 'NAFTA and the new articulations in the Americas: seizing structural opportunities', *Third World Quarterly*, Volume 19(4), 1998, p 638.

that the 40 countries to be eventually incorporated into the EuroMediterranean Agreement have highly divergent levels of development.[679]

Not only do the southern Mediterreanean countries have a much lower average per capita income ($700) than the European countries ($18 000), but they are also burdened with high debt service ratios and stocks, as well as the social costs accruing from structural adjustment programmes.[680] In addition, the structure of trans-Mediterranean trade is highly assymetrical: very important for the southern partners, but marginal for the EU and trade between the non-EU Mediterranean countries is non-existent or weak.[681] In light of these disparities, a free trade agreement with the EU would only further polarise the two shores of the Mediterranean. Not only would it perpetuate the existing division of labour in the region (principally beneficiation in Europe and agricultural specialisation in the Mediterranean countries), but investment flows would continue to concentrate in the industrial markets.[682]

A more nuanced neo-structuralist argument, however, holds that developing countries are not hopelessly constrained by oppressive external structural conditions, but that processes of capital accumulation are often modified by perennial balance of power shifts between state and market. As such, the core-periphery structure is fluid and open to historical and human contingencies and states participate in the process of capitalism

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679 The non-EU Mediterranean countries can be divided into the following categories: those with a diversified industrial base (only Israel), those who are in the process of diversifying and industrialising (Turkey, Morocco and Tunisia), and those who are primarily exporters of primary products (Algeria and Egypt). For more detail see Jacques Ould Aoudia, 'Les enjeux économiques de la nouvelle politique méditerranéenne', *Monde Arabe Maghreb-Machrek,* No 153, July-September, 1996, p 28

680 For a synthesis of the effect of structural adjustment programmes in the Maghreb on employment, health, and education, see Bichara Khader, 'L'ajustement structurel au Maghreb: une synthese', *Alternatives Sud*, Volume 2(3), 1995, pp 5-26

681 Tunisia trades 5 per cent of its total trade with other southern Mediterranean countries, which is the highest figure for all of these countries.

682 The perpetuation of the current division of labour would mainly because of the lack of growth in Maghreb exports to Europe, both for structural reasons, as well as the restrictions imposed by the cooperation agreements negotiated between Europe and the Maghreb. See Fadel Majid Tounsi, *L'Opinion*, 9 December 1994, p 5. It is typical for investment to concentrate in the core countries in hub-and-spoke type free trade agreements such as the EuroMed Association Agreements

from their varying capacities and capabilities. [683] Policy-makers in the Maghreb, according to this theory, are therefore not ceding power or externalising key decision-making by joining the EuroMed Agreement, but they want to enhance their capability to affect production, finance, trade and migration policy outcomes. This Agreement presents them with a unique structural opportunity to expand and deepen their industrial-commercial base, through its 'transformative dialectic'. The challenge is for them to recognise and manipulate this opportunity.

In this context, the following chapter will examine the shift away from a South-South developmental regionalism in the Maghreb to a North-South open regionalism in the Mediterranean. It will examine this shift in the light of the Maghreb's historical experience of cooperation with Europe, but also in the light of the new international division of labour and the structural opportunities the EuroMediterranean Agreement potentially presents to policy elites. It will further examine whether the preconditions for states to seize such a structural opportunity - a subordinant capitalist class, institutional and bureaucratic competence, and the existence of an entrepreneurial culture - do in fact exist in the Maghreb, and whether the European Union is in fact committed to to the human, social and economic development of its southern 'partners'. Without this commitment and without a social structure conducive to developmental planning and strategising in the Maghreb, the new EuroMed Agreement will only serve to reproduce the existing social and economic polarisation between the two shores of the Mediterranean.

Firstly, the chapter will examine the structural differences between the Maghreb and the European Union, both in terms of growth and development, but also in terms of trade and financial and capital flows, particularly in view of their so-called 'interdependence'. Secondly, the chapter will examine the history and origins of the Euromed Agreement, its key principles and provisions, as well as the motivations of European and Maghreb governments respectively in signing this Agreement. Thirdly,

[683] Marshall, *op.cit.*, p 677

the chapter will evaluate the static and dynamic welfare effects of the proposed free trade area agreements, a central feature of the EuroMed Agreement, as they relate to Tunisia and Morocco, both of whom have signed such agreements with the European Union. This section will focus in particular on the conditions necessary to achieve the potential dynamic gains of these agreements, and the obstacles to the development of the Maghreb industrial fabric. The chapter will conclude by weighing up the potential costs and benefits of the EuroMed Agreement, especially in relation to the Arab Maghreb Union, to establish whether it does in fact present the Maghreb countries with a structural opportunity, or whether this new North-South regionalism will only serve to further marginalise the region.

1. Europe and the Maghreb: worlds apart

Almost four decades after independence, the Maghreb countries are still locked into a core-periphery relationship with Europe, which has been characterised as one of 'profound assymetrical interdependence'.[684] This assymetrical relationship has been most prevalent in the structure of trade and the nature and direction of financial flows between the two regions; as well as their their different income levels and economic size. During the 1970s, the Maghreb states imported most of their food (especially hard wheat and diary products) as well as intermediary goods from Europe, while they exported raw energy and final consumer products in the textile and leather industries to the European market. Trade with Europe has on average comprised more than 60 per cent of total Maghreb trade, while trade with the Maghreb has never exceeded more than 5 per cent of total European trade.[685]

Algeria and Libya, the two Maghreb countries that have a structural trade surplus with Europe, have mostly exported petroleum products and imported final consumer goods, food products and intermediary goods from Europe. Tunisia and Morocco, both

[684] See William Mark Habeeb, 'The Maghrebi states and the EEC', in *Polity and Society in Contemporary North Africa*, 1993, pp 204-220

registering a structural trade deficit with the EU, have since the late 1980s exported more diverse products to the EU, including final consumer products, energy products, food, finished equipment goods, raw materials and semi-finished products due to the increasing diversification of their industrial base. Mauritania, in turn, sources most of its consumer and intermediary manufactured products from the EU, while the principal clients for its fish exports are Japan and Russia.[686] Thus, while Algeria, Libya and Mauritania have maintained a core-periphery trade structure with the EU (mainly exporting raw non-beneficiated materials and importing finished or semi-finished manufactured consumer and equipment goods) during the 1990s, Morocco and Tunisia have evolved to a more balanced trade relationship with the EU. However, the EU remains a disproportionately large trading partner of all the Maghreb countries, which partly explains why intra-Maghreb trade has never exceeded 5 per cent.

If one examines the trade relationship among the Maghreb countries, it also becomes clear that Tunisia and Morocco (and Algeria to some extent) display charactersistics of semi-peripheral states, with significant capital accumulation existing alongside a strong foreign capital presence, and a core-like trade pattern with their peripheries. Historically, foreign trade between them and the core, i.e. the European Union, involved the exchange of raw materials for manufactures (see above). Intra-Maghreb trade has not displayed the exact characteristics of trade between semi-peripheries and peripheries, i.e. export of manufactured goods and services and import of commodities and labour between Morocco, Tunisia, Algeria, on the one hand, and Libya and Mauritania on the other.[687] However, Moroccan and Tunisian leaders have been shown to identify more with the 'core' countries of Europe, than with their own peripheries in the Maghreb in their desire, together with that of local owner-producers in these two

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[685] See *La Presse de Tunsie*, 25 November, 1994, p 5

[686] See Fatallah Oualoulou, *Apres Barcelone, le Maghreb est necessaire,* L'Harmattan and Les Editions Toukbal, Paris and Cassablanca, 1996, pp 162-167

[687] The exports of Morocco and Tunisia to their Maghreb partners are generally diversified, comprising industrial manufactures and intermediary goods, but also products such as leather and skins. Their imports from other Maghreb countries have been mostly steel and hydrocarbon products from Algeria and Tunisia, but also chemical products, and iron from Mauritania. See Fatallah Oualoulou, *op.cit.*, pp 113-121

countries, to ascend to the core. This explains in part why they have prioritised their trade relationship with Europe above that with other Maghreb countries.[688]

Table 1: Trade of Maghreb countries with the EU

	Exports/Imports (million ECU))	Exports/Imports (million ECU)	Exports/Imports (% of total)	Exports (% of total)
	1990	**1993**	**1993**	**1995**
Morocco	3051/3573	3393/4233	63/55	69.7
Algeria	6952/4958	6322/4131	70/59	67.7
Tunisia	2252/2971	2487/3629	79/71	79.9
Libya	7899/2655	6120/2740	N/A	N/A
Mauritania	239/221	220/239	N/A	N/A

Source: Fatallah Oualoulou, *Après Barcelone...le Maghreb est nécessaire*, Les Editions Toubkal, L'Harmattan, Casablance and Paris, 1996, pp 113-121

Income differences between the northern and southern shores of the Mediterranean further polarise the North from the South in the EuroMediterranean grouping. In 1995, the average income of European populations was US$18 000 a year, while that of Mediterranean countries was US$700 a year.[689] In 1995, the entire GNP of the Maghreb countries (minus Libya) was US$91.7bn, smaller than that of Portugal (US$97bn), and miniscule compared to the total EU GNP of US$7.980 trillion.[690] While all EU countries have a high human development index, in the Maghreb only Libya is classified (albeit at the bottom of the index) as a high human development country and Morocco, Tunisia and Algeria are classified as medium human

[688] For a full explanation of world systems theory, and the role and characteristics of semi-peripheral states in this theory, see Patrick J McGowan and Fred Ahwireng-Obeng, 'Partner of hegemon? South Africa in Africa Part Two', *Journal of Contemporary African Studies*, Volume 16(2), July 1998, pp 167-173

[689] See Jean Paul Pigasse, '15 + 12: donnant-donnant', in *Jeune Afrique*, No 1822, 7-13 December 1995, p 23

[690] See United Nations Development Programme, *Human Development Report 1998*, Oxford University Press, London and New York, 1998

development countries. Mauritania has been classified as a low human development country.

Another inequality between the Maghreb and Europe has been the difference in investment flows to these regions. The Maghreb region has attracted very little foreign direct investment or portfolio investment compared to other developing regions such as Latin America and East Asia, while Europe, as one of the triad regions, attracts x per cent of world investment. While the principal source of investment flows into the Maghreb has been from Europe (about 75 per cent every year in Morocco and Tunisia), European FDI in the Maghreb comprises only 0.45 per cent of total European FDI. Much of European FDI in the Maghreb follows a bilateral pattern, for example, 20 per cent of French FDI is concentrated in Morocco alone, although it is only the 26th client of Europe.[691]

Furthermore, Maghreb countries have remained dependent on the remittances from Magreb citizens working in Europe, as well as the European labour market. In Europe, out of an immigrant population of 2.7 per cent, 54 per cent are from the Mediterrannean countries, of which 41 per cent are Maghreb citizens. Of the Maghreb population in Europe, 43 per cent are Moroccan, 41.7 per cent Algerian and 15.3 per cent Tunisian. In the early 1990s, the European Community has legally employed more than 1 million Algerians, 950 000 Moroccans and 300 000 Tunisians, representing 8 to 10 per cent of the Maghreb's entire labour force. Due to economic contraction and even recession in Morocco and Algeria, the European labour market has been a vital absorber of workers, most who would otherwise have remained unemployed. Between 1971 and 1992, remittances have accounted for US$34bn in capital flows to Maghreb countries. In 1991, remittances accounted for 8 per cent of GDP in Morocco, and total remittance flows were larger than foreign direct investment flows.[692] This has led the Moroccan government to classify labour as a principal

[691] See A Aznab, 'Les limites de la coopération Euro-Maghrébine', *L'Opinion*, 22 November 1994
[692] See Jacques Ould Aoudia, *op.cit.*, p 30

'competitive' export of Morocco, especially since these workers have also assisted in the development and growth of European economies.[693] The remittances of Maghreb workers have generally played a major role in the economic, financial and social balance of Maghreb countries. It has assisted in reducing unemployment, but also created employment, and has served as a means to acquire professional training and facilitate technology transfer.

Due to the resource gap in Maghreb government budgets, largely as a result of their high debt service ratios and the fall in customs duties as a result of import liberalisation, non-debt creating development finance is an important means of human and economic development in the Maghreb. Despite its claim to the contrary and despite giving gradually more assistance in volume, especially in the framework of its new mediterranean policy, the European Union has always and still grants insufficient financial assistance to Maghreb countries. European development assistance has never exceeded 2 per cent of the total development assistance received by any Maghreb country and has remained around 1.5 per cent of the total development assistance received by Mauritania, Morocco, Algeria and Tunisia between 1971 and 1991. Since 1978, as part of the second generation of cooperation agreements concluded between the EEC and the Maghreb, four financial protocols have been negotiated separately with the core Maghreb countries.

The low level of European Community aid is partly a reflection of the fact that most overseas development assistance given by European countries is still accorded at a bilateral level (86 per cent in 1993), but also corresponds to a general decline in aid among the OECD countries since the 1980s, despite their numerous pledges before international gatherings to contribute 0.7 per cent of GDP to overseas development assistance.[694] The fact that the European Community has awarded about $6.5bn a year in Community funds to the eastern and central European countries since 1990 has

[693] See Oualoulou, *op.cit.*, p 175

confirmed the fears of Maghreb regimes that they are being marginalised in favour of these countries, and that the European Community has less commitment to the human and economic development of its 'southern' partners.[695]

Table 2: Value of financial protocols 1978-1996 (million ECU)

		Morocco	**Tunisia**	**Algeria**
I	**1978-1982**	130	114	95
II	**1982-1986**	199	151	139
III	**1986-1991**	324	239	224
IV	**1991-1996**	438	350	284

Source: Fatallah Oualoulou, op.cit., p 169

The 'interdependent' relationship between Europe and the Maghreb is partly based on Europe's need for both efficient and environmentally-friendly energy sources for future consumption. Algeria can provide the European Union with relatively cheap supplies of natural gas, an environmentally-friendly source of energy. Algeria is set to become Europe's 'privileged' energy partner by 2000, when it will be Europe's largest supplier of gas through the Maghreb-Europe gas pipeline via Spain, and the TransMediterranean gas pipeline via Italy.[696] The Magreb has also been earmarked as a potential source of other forms of renewable energy for Europe. These include solar, hydro(through sea water desalination), wind, and bio-energy.[697]

[694] See Mohamed Ben el Hassan Al Alaoui, 'La cooperation entre L'Union Europeenne et les pays du Maghreb', Nathan, Paris, 1994, p 55
[695] See Ibn Janjaoui, *Al Bayane*, 15 December 1994
[696] See A Sidi Ahmed, 'Les relations energetiques CEE-Magheb', in ML Damus (ed), *Mediterranee Occidentale: securite et cooperation*, Paris, La Documentation Française, 1992, p 42
[697] See JM Eguiagaray, 'Energy and the South: the view from Spain', European Directorate General XVII (Energy), 15 Sept 1997, http://158.167.38.79:8071/en/comm/dg17/26eguia.htm

2. History of cooperation between Europe and the Maghreb

The institutionalised relationship between Europe and independent Maghreb countries dates back to the 1960s. Three generations of cooperation agreements have been signed between the EEC and the three core Maghreb countries before Europe started harmonising its Mediterranean policy, subsuming the Maghreb within this framework, in the 1990s. The first generation of agreements, negotiated in 1969, were association agreements, which aimed to continue the trade flows between France and its ex-colonies. While they allowed for preferential access of Maghreb agricultural exports and free access of industrial exports to the European market (see chapter three), they had to conform to the norms and rules of the Common Agricultural Policy (CAP). This policy aimed to make Europe food self-sufficient through various support measures for European farmers including subsidies and protection of their market share in Europe. Maghreb agricultural exports to European markets were therefore limited by quotas, reference or entry prices, and seasonal limits for the free entry of products. During this time, the Maghreb countries were still an important supplier of especially citrus fruit and garden vegetables to Europe.

The second generation of agreements, the cooperation agreements of 1976 (see chapter three) already fell within a loosely defined Mediterranean policy framework in the European Economic Community. Cooperation agreements were therefore also negotiated with the southern European countries and eastern Arab countries such as Egypt and Israel. While they aimed to broaden the scope of cooperation to include cultural, social (Maghreb workers in Europe), financial and trade matters, these agreements essentially rested on two central pillars: trade, and financial and technical cooperation. During this time Mauritania, as a least developed member of the African, Caribbean and Pacific (ACP) group of countries, continued to receive more development finance, as well as better access for its exports to the European

Community market under the Lomé Convention, which came into force in 1975, than any of the three core Maghreb countries.[698]

The core Maghreb countries have always negotiated separately for their cooperation agreements with the European Community, although their trade regimes with the Community were more or less similar. These consisted of a preferential access regime for agricultural products and a free access regime for industrial products. Most agricultural products generally benefited from a tariff reduction of between 40 and 100 per cent on European markets. Products such as citrus, olive oil, wine and sardines benefited from between 30 and 80 per cent tariff reductions, but only certain times of the year or within certain quota limits. This was mainly because they were competing with southern European producers, and especially Greece, Spain and Portugal who joined the Community in 1981 and 1986 respectively.[699]

Industrial and primary products could enter the European Community without any quota or tariff restrictions, with the notable exception of 'sensitive' products such as Moroccan and Tunisian refined textile, petroleum, and cork exports to Europe. The Multifibre Agreement, signed in 1973, still regulates the international trade in textile products, although it was agreed in the 1994 Marrakesh Agreement of the General Agreement on Tariffs and Trade to phase out the restrictive measures allowed under this Agreement by 2005. While this Agreement was supposed to ensure preferential treatment to the textile exports of developing countries (often their most competitive product), it also gives (mostly industrial) importing countries the legal means to protect their own markets against textile exports from (mostly) developing countries. Although the European Community has given Maghreb textile imports quota preferences above textile imports from East Asian countries, it has often imposed voluntary export restriction measures on Moroccan and Tunisian textile producers

[698] For more detail on the development finance and trade preferences accorded to Mauritania see Oualoulou, *op.cit.*, pp 166-168, Mohammed Al Alaoui, *op.cit.*, pp 27-29
[699] See Mohammed Al Alaoui, *op.cit.*, pp 30-31

when it needed to protect its own market, thus severely stunting the growth of the textile industry in these two countries.

The EEC has also imposed other protectionist measures against Maghreb exports. The European Community's application of the rules of origin clause for industrial imports, for example, has been described as incomprehensible, non-harmonised and inconsistent.[700] It did not recognise the fact that industrial production was very weakly integrated in Maghreb countries, which necessitated that they import most inputs to final products. However, the rules of origin negotiated with each core Maghreb country did allow for cumulation among the core Maghreb countries and the EEC, that is, inputs from these countries did not count as 'third party' inputs. This measure could theoretically have enhanced intra-industry trade in the Maghreb region, but rather benefited European suppliers of intermediate goods to the Maghreb, further reproducing the existing division of labour (agricultural and raw material specialisation in the Maghreb, and industrial specialisation in Europe).

The European Community also regularly used the safeguard clauses and other 'anti-dumping' measures in the agreements to limit or cease preferential agricultural or industrial exports from the Maghreb countries for a certain period without prior consultation. In addition, the European Community, as part of its Common Agricultural Policy, still imposes entry or reference prices on Maghreb agricultural exports to the European market, to protect the agricultural exports of southern European countries, which compete with those from the Maghreb. Algeria and Libya, both exporting primarily hydrocarbon products to the European market, have hardly been concerned by these agreements, since the European Community has never had a common policy on hydrocarbon imports. No formal cooperation agreement has ever been concluded between the European Community and Libya.[701] The third generation of agreements, called the adaptation agreements, was negotiated in the mid-1980s, with

[700] Mohammed Al Alaoui, *op.cit.*, p 35

the main purpose of ensuring that Maghreb agricultural exports continued to receive preferential access, especially after Portugal, Spain and Greece joined the Community in the 1980s.

Despite these three generations of cooperation agreements, hopes of a breakthrough of Magreb products into the European markets, and of economic takeoff on the southern Mediterranean shore as a result, have been disappointed. Many scholars have blamed European policies towards the Maghreb for this, arguing that the EEC's trade and development approach towards the Maghreb has been both inconsistent and incoherent, fuelled by the sharply deteriorating economic climate in Europe during the second half of the 1970s and the early 1980s. One reason why the European Community never instituted proper trade and financial mechanisms, as well as policies to develop the economies and peoples of the region was mainly because it has never considered the Maghreb region more than a political 'corridor', or zone of European influence.[702] In view of its increasing self-sufficiency in those agricultural products produced by the Mediterranean countries since the early 1980s, Europe's agricultural concessions to the Maghreb were mostly a political instrument. This is despite a long history of discourse committing the European Community to the development of the Maghreb region.[703]

The aid it has given Maghreb countries was not only used primarily to pay interest on their external debts - therefore mainly benefiting European creditors - but was also highly insufficient for the development needs of these countries.[704] Agriculture, which has always been at the centre of cooperation between Europe and the Maghreb, still

[701] See Ali Bhaijoub, 'Morocco's argument to join the EEC', in George Joffe (ed), *North Africa: nation, state and region*, Routledge, London, 1993, p 237

[702] See A Azuab, *L'Opinion*, 24 November 1994

[703] The Moroccan press, in particular, expressed outrage and accused the European Union of 'deception' at the end of 1994 when it became clear that it will not only continue the same barriers as before to Moroccan agricultural exports in the new agricultural cooperation agreement. In addition it has even lowered some of the quotas and shortened the permitted periods of entry for some products such as tomatoes. See *Al Bayane*, 4 December 1994, *Liberation*, 14 January 1995, *Le Matin*, 30 November 1994, *Le Matin* 9 December 1994, *Al Bayane*, 15 December 1994

[704] See Margaret Blunden, 'EuroMediterranean Relations: the conditions for partnerships in the Maghreb', in *Bulletin of Francophone Africa*, Volume 5(10), Winter 1996/7, p 17

absorbs a large part of the labour force in especially Morocco and Tunisia, although its share in their total exports has declined dramatically since the 1970s for a variety of reasons. If the EU was genuinely interested in food security and development in the Maghreb region, it would have allowed more favourable access for key Maghreb agricultural exports to its markets, and supported the domestic agricultural reforms in Maghreb countries since the onset of structural adjustment programmes.

The agricultural industry in Morocco, for example, has been able to benefit even from the limited preferences for its agricultural exports. The volume, quality and logistical export management of agricultural exports have improved, especially since the modernisation of the industry under various structural reform programmes since 1983, to such an extent they have become more competitive than agricultural products from the southern European countries by 1988.[705] Instead of supporting this productive activity by allowing more favourable entry to agricultural exports, to increase the income necessary to modernise the agricultural industry, which could increase yields and in turn address to problem of food insecurity in the Maghreb, the EU in its offer for a new agricultural agreement with Morocco in December 1994, wanted to impose further restrictions on the entry of its competitive exports on EU markets.[706]

Despite the efficiency increases especially in the Moroccan agricultural sector, Maghreb agricultural exports to the European market have shown a drastic decline between 1970 and 1986. This has mainly been the result of the introduction of Europe's Common Agricultural Policy, the enlargement of Europe to southern Mediterranean countries, and the generalisation of association and cooperation agreements with countries in the Maschrek such as Israel and Egypt.[707] One of the

[705] See Omar Aloui, *L'Opinion*, 13 January 1995, p 3
[706] The EU, for example, reduced the quota for tomato exports from Morocco from an average of 150.00 tons to 130.00 tons, and reduced the time period during which tomatoes can be exported by one month. It also increased the entry ce for tomatoes to apply to export during the entire year, instead of only certain periods of the year as was the case previously. The entry price for nectarines also posed an obstacle to Maghreb exporters. For more detail on the restrictions see *Al Bayane*, 7 December 1994, p 2
[707] Ait Amara and Ben Hammouda, 'L'Union du Maghreb: espace de change ou espace de production', in *Revue Tunisienne d'Economie*, 1992, pp 32-53

goals of the Common Agricultural Policy was food self-sufficiency in Europe through increasing agricultural output. As a result, agricultural imports in Europe have diminished (from 27.7 per cent to 5.3 per cent between 1970 and 1986) and exports have increased (from 6.7 per cent to 12 per cent in the same time period). This has led to employment and capital losses for Maghreb countries.[708] The European Community's development policies therefore have been contradicted by its external trade policies and protectionist measures.

3. New Mediterranean policy

The idea of a harmonised Mediterranean policy has been under discussion in the European Council since 1972. In that year the Council declared that the EEC would start developing a more coherent and comprehensive Mediterranean policy, with the aim of creating a free trade zone in industrial goods, which would encompass the entire Community and the southern Mediterranean states.[709] This resulted in various cooperation agreements with Machrek countries, as well as the second-generation cooperation agreements with Morocco, Tunisia and Algeria in 1976. However, due to the EC's preoccupation with the 'second' enlargement of Europe in the early 1980s, it was only in 1989 that the European Commission re-affirmed its concern to strengthen ties with the countries of the Mediterranean.

This was partly the outcome of persistent lobbying by the French government. In 1983, French President Francois Mitterand first mooted the idea of an integrated Mediterranean space, precipitating France's position as the leading proponent in Europe of closer cooperation on political and economic issues with the Mediterranean,

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708 See Mustafa Qarouach, 'L'agriculture maghrébine face à l'Europe 1993', *Revue Marocaine de Droit et d'Economie dy Développement*, No 27, 1992, pp 35-40

709 The European Commission has proposed to eliminate tariffs on industrial goods by 1977 and that almost full reciprocity be implemented by the more developed members of the northern Mediterranean (Spain, Portugal, and Greece), extending the timetable for an FTA to 1985. However, the timetable for the Maghreb would be extended even further. See David Seddon, 'Unequal partnership: Europe, the Maghreb and the new regionalism', in Jean Grugel and Wil Hout (eds) *Regionalism across the North-South divide: state strategies and globalisation*, Routledge, London and New York, p137

but also specifically the Maghreb countries. To this end he first suggested the convention of a Western Mediterranean Conference between the four Mediterranean Maghreb countries, and France, Italy and Greece (which joined the European Community in 1982), to discuss their long-term security, political and economic relations. This idea gradually took root and after Spain and Portugal joined the EEC in 1986, France proposed a dialogue between the group of nine northern and southern Mediterranean countries, which was also called the '5+4' dialogue.

The emergence of a new Mediterranean policy in Europe has also been in part the result of power wrangling within the European Community, specifically between the southern European countries, led by France, and the northern European countries, led by the United Kingdom. France has always called for similar treatment of the Mediterranean countries to those of eastern and central Europe after the fall of the Berlin wall in 1989, partly because a Mediterranean subsystem would allow the southern European countries to counter the weight of a unified Germany.[710] It was under the presidency of France that the EU prepared for the 1995 Barcelona conference, where Europe's new Mediterranean policy was officially formulated in the EuroMediterranean (EuroMed) Agreement. The actual conference took place under the presidency of Spain. It was also thanks to French lobbying that the EuroMed financial assistance budget was increased to ECU5bn, although it was still far less than the Ecu 7 billion allocated to the eastern and central European countries for the same time period.[711]

The first Mediterranean forum took place in Marseilles in 1988, with the enthusiastic participation of Tunisia and Morocco. Algeria, although it did participate, was not eager to enter into close political participation with the southern European countries because of their support for Morocco in the Western Saharan war. After this forum, a European Security Cooperation Council meeting, where the AMU member states as

[710] 'L'Ouverture de l'Europe sur l'Est et la marginalisation du Maghreb', *Annales de Centre d'Etudes Strategiques*, No 4-5, 1990-1992, p 147

well as Israel, Turkey and Malta were present, discussed the French proposal for a Mediterranean Security and Cooperation Council, which would promote security and economic cooperation, and human rights and democratic development in the Mediterranean region. There were differences within the EEC, however, about the composition of the Council. France, supported by AMU members, wanted a Western Mediterrannean framework, while Spain, Italy and Greece wanted to include the entire Mediterranean basin in the proposed Council.[712]

The French government has always promoted AMU as a separate entity within the Mediterranean framework, with special development and financial cooperation needs.[713]

To this end it proposed in 1991 that the EEC establish an Economic Cooperation Fund for the Maghreb and the Middle East to finance technical assistance programmes, studies for regional education, training, health, agriculture and social service-related projects. In response, the European Commission finally announced a financial aid programme, which would provide US$5.8bn to eight Mediterranean countries, of which 50 per cent would be in the form of concessionary loans. Morocco was to receive US$543 million, making it the largest beneficiary of the programme. This became known as the 'fourth protocol' (see above), and amounted to an average rise of 36 per cent from previous financial protocols.[714]

The first meeting to discuss dialogue and cooperation between the EU and Mediterranean countries took place in 1990 in Rome. The 1988 French proposal for the institutionalisation of Mediterranean relations was formalised and a Mediterranean Security and Cooperation Council was established to deal with issues of drug trafficking, immigration and political destabilisation. The fact that this historic meeting did not discuss at all European protectionist trade practices in textile and

[711] See *Al Bayane*, 11 December 1994
[712] See 'L'Ouverture de l'Europe sur l'Est' et la marginalisation du Maghreb', in *Annales du Centre d'Etudes Strategiques*, No 4-5, 1990-1992, p 147
[713] See *Marchées Tropicaux*, 3 May 1991, p 1140

agricultural products, or its restrictive immigration policy, fuelled allegations such as that of Hassan Benabderrazik that Europe has never been interested in a coherent and consistent policy to develop the southern Mediterranean countries, but only in safeguarding its own security, which was intricately linked to political and economic developments in the Mediterranean.[715]

Despite the fact that the special needs of the Maghreb countries were henceforth to be subsumed under the entire southern Mediterranean bloc, the European Mediterranean countries and AMU member states did conclude a partnership for development, which was pursued at a group of ten conference in Algiers in 1991. Part of the reason why AMU member states have become subsumed under the broader Mediterranean policy framework of the European Community has been that in 1990, AMU itself had no regional position on the approach, principles and mechanisms of cooperation with the European Community and positions of member states ranged from maximal policy dialogue to minimal incremental interaction?[716] It was finally agreed in AMU that meetings between the group of ten would take place at the level of foreign ministers. Maghreb governments have always seen their cooperation with the southern European countries in the context of the 'Group of Ten', as an introduction to negotiations with the entire European Community in a Mediterranean framework. These 'Group of Ten' discussions were interrupted by the Gulf War of 1990/1 and eventually broke down in 1993 because of the 1992 UN embargo against Libya, of which France was one of the co-sponsors in the UN Security Council.[717]

Europe's new Mediterranean policy, officially formulated since the early 1990s, stemmed from a renewed realization of the strategic and economic importance of the southern Mediterranean countries, partly based on a new understanding of security,

[714] See Seddon, 1998, *op.cit.*, p 143
[715] See Hassan Benabderrazik, *L'Opinion*, 13 January 1995, p 3
[716] See Mohammed Al Alaoui, *op.cit.*, pp 176-177. It was finally decided that the AMU would institutionalise its relations with the EEC in the form of foreign ministers meetings between the Group of Ten
[717] See *Marchées Tropicaux*, No 2451, 1992, p 2863

which encompasses political, social, economic and human development. It was also a manifestation of a shift in the European Community's approach to developing countries away from development cooperation based on financial aid and trade concessions to partnerships based on reciprocal trade and a multidimensional approach to cooperation, including security, human rights and democracy in the partnership.[718]

According to the dominant school of thought in the European Commission, the industrial and agricultural export bases of Maghreb countries have not diversified sufficiently due to high domestic protection and lack of competition. This argument was underlined by the fact that East Asian producers have made much larger inroads than Maghreb producers in European markets since the 1970s without preferences. The only Maghreb exports that did increase during this period were non-agricultural raw primary commmodities such as phosphates and petroleum products. Trade preferences, moreover, have established a pattern whereby production structures and industrial and technological production were increasingly determined by external, as opposed to internal demand. In view of the fluctuation in European demand and growth rates, such a strategy did not bode well for a long-term sustainable economic development strategy in the Maghreb.[719]

Based on this economic reasoning, the European Commission re-affirmed its long-standing proposal that reciprocity be introduced in the trade agreements with the Maghreb countries. It has even taken this position with regard to the new trade cooperation agreement with the African, Caribbean and Pacific (ACP) countries after the expiry of the current Lomé Convention in 2000. This logic has not only been informed by a desire to 'capture' the markets of the Maghreb, Mediterranean and even the ACP countries, and the rapprochement in Europe towards the dominant neo-liberal

[718] See Mehdi Remli, 'Europe-Maghre: nouveau défis: libre-échange et coopération décentralisée en Méditerannée', paper delivered at the *First Mediterranean Forum for Co-development*, CETIMA, Sidi Bou Said, 5-7 October 1995, mimeo, p 6

[719] William Mark Habeeb, 'The Maghreb states and the European Community', William Zartman and WM Habeeb, (eds), *Polity and Society in Contemporary North Africa*, Westview Press, Boulder, 1993, p 220

development paradigm during the 1980s, but also by its dispute with the US in the World Trade Organisation. This dispute has been fuelled by the complaints of a large US multinational corporation exporting bananas from Central American countries to the EU market about Europe's preferential regime accorded to banana imports from eastern Caribbean countries under the terms of the Lomé Convention.[720] Not only has this opened disputes about the continuation of preferences accorded under the Lomé Convention, but also Europe's continuation of granting non-reciprocal preferential entry to goods and services from other third countries, without applying the most-favoured-nation principle.

In the context of this new policy orientation, in 1992 the European Commission proposed to negotiate a more contractual relationship with the Maghreb countries to follow the association agreements of 1986, and to replace unilateral assistance with partnership and reciprocity. This new approach would include political dialogue, economic, financial, technical and cultural cooperation, as well as the conclusion of free trade areas on a variable geometry basis.[721] In return, the EU would expect of Maghreb governments to convert to market economies; conclude bilateral free trade areas with the EU within a specific a transition period; control demographic growth in their countries; and embark on a political dialogue with the EU on democratic pluralism and respect for human rights.[722]

4. The Euro-Mediterranean Agreement

This new policy orientation culminated in the signing of the Euro-Mediterranean Agreement (after this the EuroMed Agreement) in Barcelona in 1995. This agreement

[720] See Russell Mokhiber and Robert Weissman, *Focus on the Corporation*, 2 April 1999, http://www.essential.org/monitor

[721] FTA Agreements were concluded with Tunisia in July 1995, with Morocco in January 1996, but will only be concluded with Algeria by 2005 or 2007. See interview with Sandro Cerato, Head of EEC delegation to Tunisia, *IEA*, No 232, April 1993, pp 20-22

[722] See Nicole Grimaud, 'L'UMA, quatre ans après: la négotiation d'un accord Euro-Maghrebin d'association avec le Maroc', *Etudes Internationales*, No 48, March 1993, pp 122-123

had three main objectives: the establishment of a common area of peace and stability; the creation of a shared zone of prosperity through the establishment of a Mediterranean free trade area by 2010, comprising 40 countries and 800 million inhabitants as well as a substantial increase in financial support to the Mediterranean countries; and finally the promotion of human development in the Mediterranean, which would include the promotion of understanding between different cultures in the Mediterranean, and organising exchanges between civil societies.[723] The new Mediterranean policy would proceeded along two axes: a vertical approach (negotiation of new association agreements with southern Mediterranean countries) and a horizontal approach (decentralised cooperation between civil societies of Europe and the southern Mediterranean countries).

The partnership is based on the principles of strengthened political dialogue, economic and financial cooperation and social, cultural and human cooperation and development. Regarding the first pillar of cooperation, Mediterranean countries agreed to establish a security pact that would create a safe Mediterranean space free from terrorism, organised crime, illegal immigration and drug trafficking. With regard to economic cooperation, in addition to proposing to voluntary negotiation of bilateral association agreements with Mediterranean countries, the EU has committed Ecu4.685 billion in Community budget funds and European Investment Bank loans, for the five years from 1995 to1999. This money would support economic transition, structural adjustment and socio-economic infrastructure in Mediterranean countries.[724]

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[723] Commission of the European Communities, 'Progress Report on the European-Mediterranean partnership and preparations for the second conference of foreign affairs ministers', *Communication from the Commission to the Council and the European parliament*, Brussels, 19 February 1997, p 1, mimeo. The participating countries in the EuroMed Agreement are Algeria, Denmark, Germany, Italy, Malta, Portugal, Tunisia, Austria, Egypt, Greece, Jordan, Morocco, Spain, Turkey, Belgium, Finland, Ireland, Lebanon, Netherlands, Sweden, United Kingdom, Cyprus, France, Israel, Luxembourg, Palestinian Authority, and Syria.

[724] See Judith Samuel, 'The Euro-Mediterranean partnership: the case of Tunisia', in *Journal of Francophone Africa*, Volume 5(10), p 27

The EuroMed Agreement also calls for the harmonisation of energy, industrial, telecommunications, and water policy among the 27 countries of the Mediterranean, a process which is currently under way.[725] Finally, as part of the economic cooperation package, the EU has resolved to assist in developing south-south economic cooperation and regional integration among the southern Mediterranean countries, which it views as one of the preconditions for increased competitivity and productivity, through the creation of joint enterprises and measures for industrial cooperation in these countries.[726]

According to the Agreement, the establishment of a free trade area by 2010 would be accomplished primarily through the negotiation of EuroMed Association Agreements between the EU and individual Mediterranean countries but also between southern Mediterranean countries themselves. These association agreements would take the form of free trade area agreements, based on the association agreements that Europe has negotiated with Poland and Hungary.[727] These free trade agreements would contain certain common elements although their provisions might vary from one partner to another. They are the creation of a free trade area compatible with WTO requirements; the completion of free trade over a transitional period which may last up to 12 years from the date of entry into force of the Agreement; gradual elimination of customs duties on EU exports of industrial products to the partner country; gradual liberalisation of trade in agricultural products through reciprocal preferential market access (the EU will maintain pre-existing preferences for Mediterranean exports while the latter will extend more limited preferences to EU agricultural exports - this situation is to be reviewed after 1 January 2000); protection of intellectual property rights; the gradual liberalisation of trade in services, the gradual liberalisation of public

[725] 'Harmonisation of policies: industry, telecommunications, energy, water', in *EuroMediterranean Parnership Information note no 3*,http://www.diplomacy.edu/euromed/minist/documents/infono3e.html
[726] At the Barcelona conference, a concrete plan of action with specific time frames and structures were also discussed. It established the following institutions . implement the Agreement: heads of state meetings every two years, a follow-up committee to implement programmes, and specialist working groups at the ministerial level. See Jean Paul Pigasse, *op.cit.*, p 15
[727] See Sandro Cerato, *op.cit.*, p 20

procurement arrangements; and the gradual harmonisation of competition, state assistance and monopoly legislation.[728]

The European Union did recognize (albeit only after the persistent insistence of Moroccan and Tunisian negotiators during their negotiations with the EU) that the reallocation of labour and capital, which would result from the conclusion of free trade areas, could lead to high social and developmental costs in Maghreb countries. It also recognised that free trade will only lead to an increase in welfare if accompanied by economic reforms, institutional infrastructural reforms, productive investment in the labour-intensive export sector, and a large influx of non-volatile and non-debt creating foreign capital. It therefore allocated a financial package, the MEDA fund of Ecu4.685 billion, accompaning the free trade area agreements, to support the modernisation and economic restructuring of countries which are opening up to the industrial imports from the EU, particularly by developing their private sector; prepare their less developed partners for open market economies; and promote decentralised regional cooperation among non-governmental actors such as the media, universities, businessses. Resources are also intended to support policy measures to alleviate the short-term costs of economic adjustment, continuing energy cooperation, in particular to provide the Maghreb with electricity, and addresssing the low levels of education and the lack of proper working conditions, health infrastructure and social protection in Maghreb countries.[729] Examples of bilateral projects funded by the MEDA include rural development (Morocco), technical assistance for reform of the financial sector (Tunisia), privatisation operations (Tunisia, Morocco, Egypt), social fund for employment creation (Egypt), creation of joint ventures (Tunisia), financing of micro-enterprises (Morocco).[730] European Investment Bank loans have been granted to

[728] "Free trade area', *EuroMediterranean Partnership Information Note No 23*, European Commission, Unit IB/A/I, April 1998, mimeo

[729] See Oualoulou, *op.cit.* pp 192-197

[730] See Oualoulou, *op.cit.*, p 209

Morocco for water resource management and Algeria for pollution reduction and modernisation of air traffic control systems at airports.[731]

Already in 1991, as part of its new mediterranean policy, the European Union has allocated ECU2030m to a special fund promoting 'horizontal' cooperation between non-governmental actors in the Mediterranean and the EU, in addition to the country-oriented financial protocols for Algeria, Morocco and Tunisia. This regional cooperation budget aimed to support multilateral and sub-regional cooperation in the Mediterranean region, prioritising amongst others technical cooperation programmes between European and Maghreb local authorities on urban issues, between media professionals, institutions and organisations, as well as a programme fostering the development of small and medium enterprises in the Mediterranean. The latter focuses on creating partnerships between enterprises, and providing support for the growth and development of existing and new companies in the Maghreb.[732] To build the industrial fabric of its developing partners, the EU programme for decentralised cooperation aimed to promote industrial cooperation to assist in the transfer of technology from European to Maghreb enterprises and to encourage them to subcontract and provide training to Maghreb enterprises.

In March 1998, the European Commission adopted a MEDA Regional Indicative Programme, which was to complement and reinforce the bilateral indicative programmes. Activities funded in the area of economic and financial cooperation include dialogue on the harmonisation of sectoral economic policies, and the fostering of cooperation between non-governmental entities such as chambers of commerce, economic institutes and trade promotion bodies in Mediterranean countries. Activities that have been undertaken include the creation of a European-Mediterranean network of independent economic institutes, conferences on increasing inward investment and developing capital markets, a programme to promote private sector investment in

[731] See 'The MEDA programme', *EuroMediterranean partnership, Information Note No 5*, European Commission, September 1997, http://www.euromed.net/information-notes/In5e.htm

infrastructure (telecommunications, autoroutes, and information infrastructure) in the southern Mediterranean countries, the financing studies on the development of competitive branches and industries for Maghreb countries, and a progamme to development the private sector in Mediterranean countries.[733] Other projects include energy, information technology, energy, and environmental cooperation, as well as statistical harmonisation.[734]

In this sense, and from a European and Maghreb policy elite perspective, the EuroMed agreement was a strategy to create an area of 'shared' prosperity in the Mediterranean, whereby participants set themselves the long-term objectives not only of concluding free trade areas, but also of

> pursuing policies based on the princples of the market economy; adjusting and modernising their economic and social structures, giving priority to the promotion and development of the private sector and the establishment of an appropriate institutional and regulatory framework for a market ecnomy, and mitigating the social consequences which may result from this adjustment by promoting programmes for the benefit of the neediest popula ons.[735]

[732] See European Commission, http://europa.eu.int/comm/dg08/publicat/odi/en/ch4.doc
[733] Traditional complementarities between trading partners such as productivity and geographical distance have become less important for trade than complementarity between the different branches of multilateral corporations, whose productive processes are dispersed over several countries. As such potential complentarities need to be identified and exploited. The funding for studies of this nature was never available in the Arab Maghreb Union (see chapter 4)
[734] See 'The MEDA regional programme', *EuroMediterranean partnership Information note no 26*, European Commission, April 1998, http://www.euromed.net/information-notes/In26e.htm

5. Why a European-Mediterranean Agreement?

5.1 European motivations

European policy-makers have gradually lost confidence in the traditional demand-side intervention approach of their development cooperation policy, that is the granting of tariff preferences and aid, which they believed h...e not been successful in promoting industrial and agricultural development and diversification in those countries benefiting from such preferences.[736] At the top of the pyramid of preferential access to the European market have been the ACP countries, and then the Maghreb countries. In contrast therefore to its historic aid relationship with the different countries of the region, the EU hoped to move towards a more global and holistic partnership that would allow it to harmonise its aid policies both globally, and specificially towards the Mediterranean region.

According to European policy makers, Maghreb economies would become more efficient if they open up their productive structure to competition.[737] To develop their industrial fabric, a large inflow of private domestic and foreign direct investment was needed. This would only come about once the Maghreb enhances its market potential, which could be achieved through a free trade area agreement with the European Union.[738] According to this development paradigm, which has also been termed the 'Washington Consensus' (see chapter four), the deregulation of Maghreb economies, dismantling of state control and ownership, the creation of a business culture and a secure framework for investment, as well as the promotion of inter-company links between Europe and the Maghreb would 'kick-start' rapid economic growth in the Maghreb. These measures would also expand Maghreb markets sufficiently to

[735] See 'Economic and financial partnership: creating an area of shared prosperity', *EuroMed Economic and Financial Partnership Information*, http://www.euromed.net/economic-chapter/einfo.htm
[736] See Driss Ben Ali, *L'Opinion*, 25 November 1994
[737] See Jean Paul Pigasse, 'L'appel du Sud', *Jeune Afrique*, No 1821, 30 November 1995, pp 15-17
[738] See Driss Ben Ali, *L'Opinion*, 25 November 1994