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Losses and Potential Gains of a Would-be “Maghrebi Union”

Anouar Boukhars

RECOMMENDATIONS

● **There is an urgent need for an AU-led international initiative to help de-escalate the rising tensions between Algeria and Morocco.** In the mid-1980s, it was

a Saudi diplomatic initiative that brought President Chadli Bendjedid of Algeria (1979-1992) and King Hassan II of Morocco (1961-1999) to the negotiating table. This was how they came up with the clever idea of not making the resolution of the Western Sahara dispute a prerequisite for regional integration.

● **The private sector has a role to play in enhancing regional integration.** In this regard, the 2007 initiative behind the creation of the Maghreb Union of Employers (UME) is a first step in moving the region toward better levels of intra-regional business cooperation. Identifying the synergies between all countries of the Maghreb and deepening their sector specialization and productivity in their base of manufacturing, services, and other industrial spaces is essential to increasing intra-regional trade and ameliorating the performance of national economies.

“The Arab Maghreb Union (AMU) is dead,” thundered King Mohammed VI at the twenty-eighth Annual Heads of State Summit of the African Union (AU). Its flame has faded, he added, because faith in a common interest has vanished. Unless the Maghreb follows the good example of neighboring African sub-regions, the king warned, the AMU will soon cease to exist. Stalwart integrationists fear that Morocco has abandoned the Maghrebi dream altogether. The depressing truth, however, is that the King’s lament on the demise of the AMU is simply a reflection of the mood of resignation increasingly palpable in the Maghreb. Everyone knows that the AMU is an empty shell, ensnared in decades of neighborly parochial animosities, petty jealousies, and perverse rivalries. The two countries consequential enough to anchor the Maghreb remain at each other throats. Morocco and Algeria see eye-to-eye on almost nothing, and their bickering and recrimination have only gotten worse.¹ Sadly, the demons of their discord seem to gradually possess their respective publics who intermittently hurl insults at each other in social media forums and during sports and entertainment events.²

The Costs of a ‘Would-be’ Maghreb Union Mired in “(Dis)Unity

The absence of regional integration has been costly to the Maghreb. The lack of trade complementarity, mirroring similarities in the structures of trade, and low export diversification have had major negative impacts on intra-Maghrebi trade, which in 2015 accounted for only 3.6 percent of

¹ Since the mid-seventies, Morocco and Algeria have remained trapped in a zero-sum world. Their acrimonious rivalry over regional dominance and bitter feud over the Western Sahara have blocked progress on many of the burning issues that bedevil the Maghreb and Sahel.

² Anouar Boukhars, “Maghreb: Dream of Unity, Reality of Divisions,” Al Jazeera Centre for Studies, June 3, 2018.

Anouar Boukhars is an Associate Professor of International Relations at McDaniel College in Westminster, Maryland and a nonresident scholar in the Middle East Program at the Carnegie Endowment for International Peace in Washington, DC. He is a member of the APN’s Advisory Board and can be reached at aboukhars@mcdaniel.edu.

the region's total trade and contributed a paltry 2.05 percent to the countries' combined gross domestic product (GDP).³ The case of Morocco and Tunisia is illustrative in this regard. Since the 2004 signing of the Agadir free trade regional agreement between Egypt, Jordan, Morocco, and Tunisia, the latter two countries have resorted to more tariff protection and other restrictive non-tariff measures against each other's goods than had, for example, Egypt and Jordan in their own bilateral commercial trade. This demonstrates how much their commercial policies are still shaped by competition rather than complementarity. To be fair, while economic relations between Morocco and Tunisia remain below potential, the extent of their trading has improved. When compared with the rest of the region, this gradual improvement in commerce and trade casts the Moroccan and Tunisian experience in favorable light.

Algeria, Mauritania, and Libya exhibit the least outward-looking stance to regional commerce. Algeria's trade with the rest of the region remains quite weak, with its exports and imports reaching only 25.5 percent and 11.6 percent of their potential. By contrast, Morocco has improved its export potential to all Maghreb countries except for Algeria where the Kingdom's exports reached a mere 4.05 percent of their potential in 2015. Algeria's exports to Morocco have not exceeded 13 percent of their potential. Morocco does not want to become dependent on Algerian hydrocarbons, sulfur, and ammonia, three products the Kingdom needs to turn its abundant phosphates into fertilizers.⁴ The pooling of the industrial assets of Morocco's huge phosphate mining company (OCP) and the Algerian state-owned oil company Sonatrach could make the Maghreb a formidable powerhouse of fertilizer production, powering modern agriculture throughout the African continent while attracting foreign investments and creating jobs desperately needed by the legions of unemployed educated youth in the region.

Unfortunately, the self-damaging and self-defeating rivalry between Algeria and Morocco has prevented the creation of a thriving partnership. There seems to be little to no limit to these disruptive absurdities. In the first two months of 2018, Algeria imported "some 8,036

"semi-assembled" vehicles from the Dacia plant in Romania" even though such products are readily available in Tangier.⁵ The same applies to agricultural commodities that Algeria massively imports from outside of the Maghreb while its neighbor to the west produces much of what it needs. Moreover, there is the question of the closed border. Both countries know that border barriers make them poorer, yet they keep digging deeper ditches while doubling down on the blame game. The economic toll of the obstruction of cross-border trade has been prohibitively costly.

The dream of Maghrebi integration remains elusive. The main problem is the contentious rivalry between Algeria and Morocco which the passage of time has only made worse.

Recommendations

- There is an urgent need for an AU-led international initiative to help de-escalate the rising tensions between Algeria and Morocco. In the mid-1980s, it was a Saudi diplomatic initiative that brought President Chadli Bendjedid of Algeria (1979-1992) and King Hassan II of Morocco (1961-1999) to the negotiating table. This was how they came up with the clever idea of not making the resolution of the Western Sahara dispute a prerequisite for regional integration. It also made possible the construction of the Maghreb–Europe Gas Pipeline, linking the Hassi R'Mel gas field in Algeria to the Strait of Gibraltar and the Iberian Peninsula through Morocco. Today, a similar initiative, preferably by the AU, is badly needed.
- The private sector has a role to play in enhancing regional integration. In this regard, the 2007 initiative behind the creation of the Maghreb Union of Employers (UME) is a first step in moving the region toward better levels of intra-regional business cooperation. Identifying the synergies between all countries of the Maghreb and deepening their sector specialization and productivity in their base of manufacturing, services, and other industrial spaces is essential to increasing intra-regional trade and ameliorating the performance of national economies. The official launch of the Arab Maghreb Union Investment Bank (BMICE) in December 2015 with an initial capital of 150 million US dollars is the second step toward improving the flow of capital and goods between Maghreb countries.

³ Azam Mahjoub, et.al, "Intégration régionale: quelles alternatives populaires pour une intégration effective et durable du Maghreb?" Forum tunisien pour les droits économiques et sociaux (FTDES), November 2017.

⁴ Francis Ghilès, "Que peuvent-faire l'Europe et la France au Maghreb?" Presentation at Fondation Res Publica, February 17, 2014.

⁵ Hana Saada, "Renault Algeria: 8,000 semi-assembled vehicles imported from Romania in 2 months," *DZ Breaking*, March 23, 2018.