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Regional Integration among the Maghreb Countries and Free Trade with the European Union : A Challenge for Both Sides of the Mediterranean

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Abstract

The Maghreb countries face two possible ways for integration: Intra-Maghreb integration and Free Trade with the European Union. This paper analyses the opportunity of each project of economic integration. It investigates whether these two possibilities of economic integration are complements, substitudes or independent. The analysis is based on theoretical arguments, practical experiences and the characteristics of the economies involved. Valuable lessons for the implementation of the integration project in the region are drawn from past experiences of integration in the Maghreb, together with the reasons for their failure. (JEL Classification: F, L5, O55)

I. Introduction

Recent years have seen the return to the spotlight of the theme of region-

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al integration. This resurgence of interest in regional integration has manifested itself in the implementation of many free trade area projects throughout the world, such as the EEC, NAFTA, MAU, etc. However, the results achieved by these projects vary considerably. The experience of the European Community is undoubtedly the most spectacular, having succeeded in spite of various problems along the way. The experience in North America (NAFTA) is still too recent for us to be able to assess its results. In the developing countries, in contrast, the experiences of integration have tended to be a failure 〈de Melo and Panagariya [1992]〉.

As far as North Africa goes, several integration agreements have been signed or mooted since the 1950s. They have remained either at the stage of statements or have been simply cancelled by one or another of the parties. At the present time, the Maghreb countries face two possible ways for integration. First there exists a project of intra-Maghreb integration (Maghreb Arab Union, MAU), involving five countries: Algeria, Libya, Mauritania, Morocco and Tunisia. However, with the exception of the signature of the agreement, there have not yet been any meaningful or concrete signs of progress.[1] Second, some Maghreb countries are negotiating a Free Trade Agreement with the European Union.[2]

This paper analyzes the opportunity of each project of economic integration (intra-Maghreb integration or Free Trade with Europe) for the Maghreb countries. It investigates whether these two possibilities of economic integration are complements, substitutes or independent for the Maghreb. The analysis will therefore focus on both intra-Maghreb relations and Europe-Maghreb relations.

In order to explore the potential benefits and losses of integration for the Maghreb, and to point out the obstacles that will have to be overcome in achieving it, we shall draw on theoretical arguments, practical experiences and the characteristics of the economies involved. Valuable lessons for the implementation of the integration project in the region will be drawn from past experiences of integration in the Maghreb, together with the reasons for their failure.

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1. For a detailed analysis of the content of this agreement, see Finaish and Bell [1994].
2. In what follows the terms Europe, European Union and the EEC are seen as equivalent.

Before embarking upon the analysis, it is important to define the scope of the present study. First, the examination will confine itself to integration between the countries of the Maghreb which are concerned by the two possibilities of economic integration,[3] *i.e.* Algeria, Morocco and Tunisia. Second, although the problem of Islamic fundamentalism and moves towards normal democratic conditions in Algeria represent serious obstacles to Maghreb integration, they will not be addressed. Any detailed examination of these matters would go beyond the remit of our study. Filled with optimism, we shall assume that the crisis will be successfully weathered. Third, the study does not seek to offer a quantitative assessment of the impact of Maghreb integration. It attempts by combining theoretical elements, empirical results and the specific features of the Maghreb scene, to tease out the arguments in favor of integration and those that militate against it.

The remainder of the paper is divided into five sections. The section II offers a general overview of the Maghreb economies and their recent development. The section III proposes a detailed analysis of the foreign trade of the three countries. External economic relations of the Maghreb (including trade regimes) are dealt with in the section IV while the section V covers past and recent experiences of integration in the Maghreb. The section VI concludes by examining the major lessons for Maghreb integration in the light of the results in the other sections.

II. The Economies of the Maghreb

A. Recent Developments

Table 1 sets out the major socio-economic indicators for the years 1985 and 1993. Examination of the table shows that the three Maghreb countries cover an area comparable to the Europe of the Twelve (EEC States), inhabited by a population equivalent to those of Greece, Spain and Portugal combined.[4] The GNP per capita in the Maghreb (approx. $1,460) is less than one tenth of the Community average of $19,595. The richest country in the Maghreb, Algeria, has a per capita GNP three times as low as that in the

3. See Section IV for further discussions.

4. Unless otherwise indicated, the figures given in the text refer to 1993.

Table 1
Selected Indicators

	Algeria	Morocco	Tunisia	Spain	Portugal	Greece	EEC (12)
1. Population (millions) [1993]	26.7	25.9	8.7	39.5	9.8	10.4	346.9
2. GNP per capita ($) [1993]	1,780	1,040	1,720	13,590	9,130	7,390	19,595
3. GNP per capita (PPP - $) [1993]	5,380	3,090	4,780	13,510	10,710	9,000	16,747
4. Sectoral breakdown of GNP (%) [1993]	100	100	100	100	100	100	100
- Agriculture	13	14	18	5*	6*	17 *	3*
- Industry	43	32	31	35*	38*	27*	34*
- Services	43	53	51	60*	56*	56*	63*
5. Sectoral breakdown of GNP (%) [1985]	100	100	100	100	100	100	100
- Agriculture	8	18	17	6*	8*	17*	3*
- Industry	48	32	34	36*	37*	29*	39*
- Services	43	50	49	58*	56*	54*	59*
6. Area (1000 Km^2)	2,382	447	164	505	92	132	2,368*
7. External debt (% of GNP) [1993]	54	84	61	–	–	–	–
8. External debt (% of GNP) [1985]	33	167	62	–	–	–	–

Notes : (*) : Eurostat.
Sources : World Development Report, World Debt Table.

poorest country in the Community, Greece. When corrected by the purchasing power of the currencies, the differences in GNP per capita are less pronounced, but still sizeable.

During the 1980s, the real GNP per capita grew faster in Morocco, at 1.6% per year, than in Tunisia (1.1% per year), while Algeria suffered a decrease (-0.76% per year). When compared against the countries in the south of the Community, only Greece did less well than Morocco, at 1.1% per year. Spain and Portugal are a long way ahead, with 3.1% and 2.8% respectively. Over the same period, the best performance in terms of inflation went to Morocco, followed by Tunisia and then Algeria (7.1%, 7.3% and 10.1% per year respectively). The countries in the south of Europe fared less well.

Foreign debt is at a high level in Morocco (84% of GNP) compared with its neighbors (54% in Algeria and 61% in Tunisia). However, in terms of dynamics, this is the country recording the best performance between 1985 and 1993 : its debt went from 167% to 84% of the GNP, whereas in Tunisia there was a slight decrease, from 62% to 61%, and in Algeria a deterioration from 33% to 54%.

The analysis of the structure of production shows that the agricultural sector in the Maghreb (at between 13% and 18% of the GNP) is as important as in Greece (17%), but far more so than in Spain (5%) or Portugal (6%); the Community average is 3%. The scale of the industrial sector in the Maghreb is comparable to the Community average, with the exception of Algeria, where the dominance of hydrocarbons accounts for the figure of 43%. Finally, the service sector is far less important in the Maghreb than in Europe. Between 1985 and 1993, the structure of added value in the Maghreb, and its comparison with Europe, remained virtually stable except in Algeria, where there was an increase in the share associated with agriculture. This trend may be due to the process of the privatization of State farms in Algeria.

B. Current Problems

Aside from the problems of demographic growth and unemployment, which are common to the three countries of the Maghreb, these countries also have to cope with a certain number of structural difficulties whose management will be the challenge for the years to come ⟨see also BIRD [1990]⟩.

Algeria is gradually emerging from over twenty years of centralized planning. In economic terms, there are several difficulties facing the country. First, a misallocation of resources due to the centralized planning system which led to frenzied industrialization during the 1970s. Second, a substantial demographic growth pattern, which, when combined with the very capitalistic industrialization of the economy, has served to exacerbate the increase in unemployment. The third factor is the excessively great dependence of the Algerian economy on hydrocarbons.

Since 1986, Algeria has adopted major institutional reforms giving more room to the mechanisms of the market. Agriculture has been privatized and public companies given greater autonomy in terms of management, production, investments and financing. In 1989, autonomous commercial banks emerged. Prices, exchange rates and interest rates were adjusted. Although these reforms represent a decisive step in the right direction, much still remains to be done, and many problems to be resolved. In the medium term, it will be necessary to combat unemployment, sustain growth and reduce the dependence on hydrocarbons. Progress still needs to be made in the liberalization of the economy if these aims are to be achieved.

Morocco looks like the poorest of the countries in the Maghreb. Its main resources are huge deposits of phosphates, massive agricultural lands and a long sea coast (fishing and tourism). The striking inequality in income and the persistence of poverty are major problems affecting the development of the country. The rate of illiteracy, especially in rural areas, and the poverty of the rural regions, act as a deterrent to investment outside the main urban centers. In this connection, the high rate of population growth does not help matters.

Since 1983, Morocco has been engaged upon a massive programs of structural reforms to the economy, making room for the mechanisms of the market. This programs encompassed opening up to international trade, abandoning price controls, reducing subsidies to consumption and increasing agricultural prices, plus tax reforms (VAT was introduced in 1986). Since 1987, Morocco has embarked upon a policy of public-sector rationalization and the privatization of certain public enterprises. After some painful years of restructuring, Morocco is now turning in good economic performances. However, it has had to pay a sizeable cost, particularly in terms of youth unemployment, as a result of the budgetary austerity. For the future, Morocco has to sustain its growth, reduce its debts, combat poverty, inequality of income and unemployment, and also invest in human capital.

Tunisia is the smallest of the Maghreb countries, in terms both of area and of population. In spite of having rather modest natural resources, Tunisia has been making significant economic and social progress. As well as oil and phosphates, tourism plays an important part in the Tunisian economy. Like the other countries of the Maghreb, Tunisia, too, is faced with the problems of demographic growth and unemployment. Since 1986, the country has undertaken reforms involving opening its economy and giving more scope for the private sector. Price controls have gradually been dismantled, the tax system has been reformed, the State is withdrawing from enterprises which are not a natural monopoly, and anti-trust legislation is being prepared. Like many countries dependent upon the European market, Tunisia is anxious about its outlets following the upheavals in Europe.

III. External Trade in the Maghreb

Regional integration, by dismantling the barriers to trade between countries, yields certain advantages. From the internal angle, the bulk of the benefits derives from the better reallocation of productive activities, leading to the intensification of trade between the member states. These reallocation benefits derive their theoretical foundation from the existence of comparative advantages ⟨see, for example, Balassa [1961]⟩ and economies of scale ⟨see Helpman and Krugman [1985]⟩. Seen from outside the region, integration can be beneficial through the attraction it can have for direct foreign investment. The theoretical foundations of this attractiveness derive from the new theory of economic geography ⟨Krugman [1991]⟩.

In order to appreciate the potential benefits of integration in the Maghreb, we examine the schemes and structures of commercial trade in the region.

A. Analysis of Trade by Partners

The foreign trade of the three Maghreb countries (Table 2) has one common feature: the importance of the EEC as a partner, in terms both of imports and of exports. The EEC is the first partner of the Maghreb, accounting for over 50% of the total trade. Among the twelve members of the EEC, France is clearly the Maghreb's prime commercial partner, with a share of between 20% and 30% of the total. Trailing behind France it is Italy, Spain and the Benelux countries which share second and third places depending on the case.

Table 2
Trade by Partners (in % of total trade)

			Algeria	Morocco	Tunisia	USA	EEC(12)	France	Italy	United-Kingdom	Nether-lands	Belgium Luxembourg	Spain	Greece	Portugal
Algeria	Exports	1985	0	0	0.4	10.0	75.1	29.8	23.0	1.8	9.2	0.1	5.9	1.43	0.45
		1991	0	0.43	0.85	17.3	71.3	18.8	23.7	2.6	8.4	6.2	6.8	0.40	2.02
	Imports	1985	0	0	0.69	6.5	62.4	26.0	11.0	3.0	2.9	4.2	1.4	1.02	0.32
		1991	0	0.85	1.29	9.9	61.8	20.6	15.4	1.4	1.5	3.3	8.4	0.30	0.27
Morocco	Exports	1985	0	0	0.92	1.39	58.6	23.6	5.5	3.3	3.6	4.4	7.4	0.97	1.72
		1992	1.7	0	1.16	3.47	64.0	32.8	5.6	3.3	3.1	3.5	9.0	0.31	0.81
	Imports	1985	0	0	0.18	6.1	47.2	22.8	4.0	2.7	1.74	2.14	7.1	0	0.96
		1992	1.33	0	0.74	5.9	53.9	23.8	6.2	2.7	2.61	2.70	8.5	0	0.77
Tunisia	Exports	1985	3.2	0.30	0	0.7	71.6	26.7	16.8	1.91	2.2	4.2	6.9	0.3	0.03
		1992	2.6	1.24	0	0.91	78.0	27.1	17.1	1.97	2.6	6.9	2.7	2.1	0.09
	Imports	1985	5.7	0.72	0	5.8	67.4	27.6	12.7	1.8	2.3	3.5	5.5	1.0	0.26
		1992	2.9	1.43	0	5.0	71.2	25.5	18.2	1.8	2.2	4.7	3.3	0.8	0.50

Source : International Trade Statistics Yearbook - UNO.

Table 3
Importance of the Maghreb in European Countries' Trade (in %)

	Exports		Imports	
	1989	1991	1989	1991
Spain	1.99	2.20	1.43	1.72
Greece	0.80	0.96	0.54	0.37
Portugal	0.41	0.43	0.89	1.15
Belgium and Luxembourg	0.68	0.71	0.78	0.80
Denmark	0.27	0.30	0.13	0.16
Germany	0.51	0.52	0.56	0.61
France	2.61	2.56	1.76	2.08
Ireland	0.26	0.19	0.18	0.18
Italy	1.52	1.46	1.94	2.13
Netherlands	0.57	0.33	0.86	0.92
United Kingdom	0.20	0.24	0.25	0.28
EEC	1.00	1.00	0.98	1.09

Source: Eurostat – External Trade.

The analysis of the statistics from the Community point of view (Table 3) is a complete contrast with what we have just seen. The Maghreb accounts for scarcely 1% of the Community's commercial exchanges. Looking at the European countries, we see that France, Italy, Spain and Portugal are the countries which trade the most with the Maghreb, although the percentages here remain quite small.

As a general rule, bilateral intra-Maghreb exchanges is between 1% and 2%. From the point of view of Tunisia, Algeria is a little more important, but this has been receding consistently since 1985. Before 1987, trade between Morocco and Algeria was nil because of the break-off of their diplomatic relations.

There are various possible causes for this low level of intra-Maghreb trade. The existence of so few complementarities between the productive structures (exports from one country do not constitute imports into the others), the poor level of competitiveness of the Maghreb industries (due to a number of years of protectionism) and the size and purchasing power of the local markets, seem to be crucial. Other factors, such as communications difficulties (transport and telecommunications networks) between the countries, the exchange controls which for so long have been strictly enforced in these countries, or political tensions (as witness the absence of exchanges between Morocco and Algeria prior to 1987) are also of importance.

B. Analysis of the Trade by Sector

Table 4 shows the structure of the Maghreb's trade by sector in comparison with the countries of southern Europe. As far as exports go, the mining industries are important in the Maghreb. They are less significant in the three European countries. Algeria is the most dependent upon this type of industry (generally, hydrocarbons), followed by Tunisia (phosphates and hydrocarbons) and then Morocco (phosphates). Morocco is, together with Greece, the country that depends the most heavily on agricultural products, food, beverages and tobacco. Textile products, which are important for Morocco and Tunisia, are also important, in the case of Greece and Portugal. Finally, exports of chemical products, which are important to the Maghreb, are less so for the European countries in the study.

To sum up, it can be taken that agricultural and agro-industrial products make Morocco, Spain and Greece competitors in terms of their importance in the countries' exports. Chemical products are important to all six countries. Finally, textiles are of importance particularly to Morocco and Tunisia on the one hand and to Greece and Portugal on the other.

As far as imports are concerned, industrial supplies occupy the top position in the Maghreb, followed by equipment, consumption goods and fuel (except in Algeria, of course).

C. Analysis of Trade by Sector and by Partner

Table 5 shows the breakdown of the trade between the Maghreb and the EEC. Algeria exports almost nothing but energy products to the EEC, while Morocco exports food products and manufactured goods (textiles). Tunisia exports primarily manufactured goods (textiles), and to a lesser extent,

Table 4

Trade by Sector (in %)

		Algeria		Morocco		Tunisia		Spain		Greece		Portugal		EEC	
		85	91	85	92	85	92	85	92	85	91	85	92	85	92
Exports	1. Agriculture	0.1	0.2	19.0	19.8	5.6	4.1	8.1	9.0	16.6	18.5	1.8	2.1	5.9	3.7
	2. Mining Industries	60.0	77.2	25.9	10.3	42.2	14.0	1.0	0.6	5.6	2.6	1.3	2.1	4.5	2.2
	3. Manufactures Industries:	39.9	22.6	55.1	69.9	52.2	81.9	90.9	90.4	77.8	78.8	96.9	95.8	89.4	94.1
	Food, Beverages and Tobacco	0.5	0.3	8.2	9.0	4.5	6.2	7.6	6.9	14.1	14.2	8.5	6.1	11.3	8.4
	Textile Industries	0.0	0.3	16.6	27.4	21.5	43.4	9.3	6.5	26.1	28.0	35.5	38.5	11.8	7.8
	Chemical Industries	38.8	20.6	25.0	22.3	19.6	15.9	20.6	13.5	15.4	13.3	12.2	8.5	18.9	17.1
	Metal Industries	0.6	1.3	3.7	8.3	5.0	12.4	44.4	54.4	15.5	15.3	23.7	27.5	38.5	51.8
Imports	1. Food and Beverages	22.4	21.7	15.8	12.2	11.3	6.2	7.0	10.5	12.0	12.4	11.4	10.1	10.1	10.0
	2. Industrial Supplies	34.9	45.1	34.4	38.6	40.3	45.4	29.4	27.2	29.0	31.8	36.2	31.2	31.8	30.0
	3. Fuels	1.4	2.4	27.9	15.1	14.0	7.4	35.8	10.1	29.3	9.5	26.3	8.0	21.7	7.6
	4. Equipment	23.4	28.7	12.8	20.4	16.8	20.8	15.2	19.8	11.0	14.0	13.2	18.9	15.5	19.6
	5. Transport	12.0	7.9	5.9	8.1	10.1	9.5	7.0	17.5	12.8	18.9	8.1	18.1	9.5	14.8
	6. Consumption Goods	5.7	6.3	3.3	5.4	6.9	10.7	5.4	15.0	5.9	13.1	4.4	13.7	10.1	16.6
	7. Others	0.2	0.0	0.0	0.1	0.6	0.0	0.1	0.1	0.1	0.1	0.3	0.1	1.3	1.8

Source: International Trade Statistics Yearbook – U.N.O.

Table 5

Sectoral Breakdown of Trade with the EEC in (%)

	Algeria				Morocco				Tunisia			
	Exports		Imports		Exports		Imports		Exports		Imports	
	89	91	89	91	89	91	89	91	89	91	89	91
Total (in 1,000,000 Ecus) including (in %)	5,848	7,615	4,715	4,381	2,674	3,177	3,226	3,708	1,980	2,332	2,531	3,072
Food Products	(.)	(.)	20.03	19.25	25.47	27.2	(.)	(.)	6.92	5.99	7.49	(.)
Crude Materials	(.)	(.)	(.)	(.)	15.82	9.74	(.)	(.)	(.)	(.)	(.)	(.)
Energy Products	80.1	81.33	(.)	(.)	(.)	(.)	(.)	(.)	19.23	13.13	(.)	6.58
Chemical Products	(.)	(.)	13.19	10.94	9.28	6.99	10.06	9.90	10.40	5.89	9.86	9.73
Manufactured Goods Classified by Materials	(.)	(.)	14.89	17.75	6.71	(.)	29.89	29.99	7.51	(.)	30.01	31.03
Machinery and Trans-port Equipment	(.)	(.)	41.15	43.47	6.43	8.33	38.33	40.07	7.82	8.26	31.29	34.05
Miscellaneous Manus-fractured Articles	(.)	(.)	(.)	(.)	33.72	40.45	7.76	7.57	40.21	51.24	11.02	10.99

Note : (.) = Very low.

Source : Eurostat.

Table 6a
Breakdown of Morocco Trade with Algeria (in %)

Products		1989	1990	1991
Main Exports	Natural and Chemical Fertilizers	10.56	(.)	(.)
	Medicine	(.)	14.14	(.)
	Vegetables	23.53	11.23	(.)
	Citrus Fruits	(.)	7.12	16.40
	Cotton	(.)	7.11	(.)
	Paper Pulp	(.)	(.)	5.56
	Synthetic Fiber	(.)	(.)	5.68
	Lead	(.)	(.)	5.94
Main Imports	Hydrocarbons	74.82	67.42	79.48
	Zinc	7.93	13.34	7.05
	Chemical Products	7.06	9.14	(.)

Source : Revue d'information - BMCE (Banque marocaine du commerce extérieur)
Note : (.) = very low.

energy products. The Maghreb countries import machinery and transport equipment and manufactured goods from the EEC. In Algeria, though, imports of food products are greater than those of manufactured goods.

To sum up, the structure of trade between the Maghreb and the EEC is like that of the Maghreb trade in general. This is not surprising given the importance of the EEC as a commercial partner of the Maghreb.

Table 6 sets out the breakdown of intra-Maghreb trade. Given the smallness of the amounts (especially flows between Algeria and Morocco) involved, there are very sudden fluctuations. A degree of care must be applied when interpreting them. We shall attempt to tease out some characteristics. The first thing to note is the almost total absence of agricultural or assimilated products in the intra-Maghreb trade, whereas they account for a fairly sizeable share of imports to the Maghreb. Here, too, the dominance of energy products can be clearly seen in the case of Algeria's exports. Most of Tunisia's exports to Algeria are of minerals and construction materials, iron

Table 6b
Breakdown of Morocco Trade with Tunisia (in %)

Products		1989	1990	1991
Main Exports	Synthetic and Man-made Fibers	17.76	17.69	10.97
	Lubricant Oil	10.37	13.33	17.84
	Paper Pulp	21.87	10.94	8.08
Main Imports	Cement	2.65	18.83	32.18
	Chemical Products	22.98	17.88	25.14
	Cotton	10.15	5.47	4.00

Source: Revue d'information – BCME (Banque marocaine du commerce extérieur)

Table 6c
Breakdown of Tunisia Trade with Algeria (in %)

	Exports			Imports		
Products	1989	1990	1991	1989	1990	1991
Minerals and Construction Materials	41.40	22.17	19.05	(.)	(.)	(.)
Energy	(.)	(.)	(.)	83.93	88.62	89.62
Chemical Products	6.49	8.71	5.90	(.)	(.)	(.)
Plastic	4.64	6.19	8.85	(.)	(.)	(.)
Rubber	(.)	8.30	(.)	(.)	(.)	(.)
Ceramic Products	(.)	5.65	(.)	(.)	(.)	(.)
Iron and Steel Goods	9.31	7.97	11.81	7.62	(.)	(.)
Boiler, Reactor, etc…	6.06	10.16	14.84	(.)	(.)	(.)
Electrical Equipment	6.71	(.)	(.)	(.)	(.)	(.)
Transport Equipment	6.30	(.)	(.)	(.)	(.)	(.)

Note (.) = very low.

Source: Statistiques du commerce extérieur – Ministère du plan et du développement régional (république tunisienne).

and steel goods, boilers, reactors and other engineering items. To Morocco, it exports cement and chemical products, importing from Morocco synthetic and man-made fibers, oils and lubricants, and paper pulp.

It can be summed up by saying that exchanges between Morocco and Tunisia are relatively similar, more diversified and stable. There is very little exchange of agricultural products between the Maghreb countries, and the importance of energy in Algeria is a significant factor.

IV. External Relations of the Maghreb

A. Trade Regimes

The data we have for the study of trade regimes of the Maghreb countries are fairly complete for Morocco but poor for the other two countries. The information on Morocco comes from the GATT report of 1989. There does not appear to be any similar report for Algeria or Tunisia. As far as these countries are concerned, therefore, the amount of work required would go beyond the scope of the present paper. Nonetheless, we do know that for some years now, Tunisia has been engaged in a huge liberalization programs for its foreign trade, which has led to the removal of controls on a large range of products. The products affected by this currently cover 65% of the total imports. Algeria, in the framework of its economic reform, has substantially relaxed the 'currency-budget' system which vested in the central administration the control of the currencies to be used for imports. Moreover, the State no longer has a monopoly on foreign trade. Since 1988, private enterprises (whether national or foreign) have been able, in principle, to engage in trade with abroad.

In Morocco, since the beginning of the 80s, a series of foreign-trade reforms have been adopted. The main modification brought about by the reform is the replacement of a system of protection based upon the direct control of the volume of imports by one of protection based upon customs duties. Import licenses were the main instrument for the exercise of control over the volume of imports. Currently this scheme covers less than 13% of imports. The State also exercises a monopoly on the import and marketing of agricultural and petroleum products and on the export of phosphates.

Under the framework of the quantitative control of imports, products were divided up between three lists: A, B and C. List A covered free-import products, list B products whose import was subject to State authorization, and list C products of which the import was prohibited. This last list was abolished in 1986. Furthermore, a large number of products have been gradually transferred from list B to list A. As early as 1989, the share of products on list A already accounted for 88% of imports into Morocco.

Customs duties have gradually come to replace the scheme of licenses as an instrument of protection. Customs duties are applied in the same way to imports from all sources and are ad valorem. In the framework of the reform to foreign trade, the maximum rate has changed from 400% in 1982 to 45% in 1986. The spectrum of customs duties has also been reduced. At present, over 40% of imports are subjected to a rate of under 3% and 70% are subjected to a rate of under 20% (Haddad, 1993).

The reference prices or minimum prices occupy the third place in the range of instruments of protection. This system is used as an 'anti-dumping' measure and is designed primarily to allay the fears of the industrialists as far as their competitiveness is concerned. This type of price applies mainly to textiles, paper, metals, spare parts for motor vehicles, and rubber tires. The impact of these prices has also been diminished over time.[5]

The liberalization of Morroco's Foreign Trade has had a beneficial effect on the industries' performance. Indeed, Haddad [1993] conducted an econometric study to investigate the effects of the Moroccan commercial policy on the productivity and efficiency of enterprises.[6] Thanks to the fact that moroccan reforms go back a relatively long time [1983], and that a good detailed survey was carried out among enterprises by the Ministry of Trade and Industry,[7] Haddad [1993] was able to analysis the linkage between the

5. Other instruments with a more limited impact are employed in the framework of commercial policy, such as special import taxes, stamp duties, sanitary standards and regulations, etc.

6. To our knowledge, there is no study of a similar scale for the other two Maghreb countries.

7. The survey covered industrial enterprises. It deals with the period 1985-1989, and exhaustively encompasses all enterprises employing more than ten persons, and those with fewer than ten persons but with a turnover of over 100,000 Dirhams.

liberalization of trade and productivity in Morocco. She found a positive and significant effect of the opening up to trade on productivity. This positive effect takes three different forms : the promotion of exports, the liberalization of imports, and the arrival of direct investments. In addition, when estimates are made by distinguishing the protected sectors from the exposed sectors, the positive impact on productivity of opening up to trade is even more significant. Finally, the credibility of the reform seems to have attracted foreign investment, which helps to encourage growth.

B. Economic Relations Between the Maghreb and the EEC

(a) A Brief Historical Record

Economic relations between the Maghreb and the EEC were governed by cooperation agreements signed in 1976 and adapted in 1988. These agreements relate both to commercial exchanges and to economic, financial and technical cooperation. The duration of the agreement is unlimited, but the establishment of the amounts in respect of financial aid is reviewed every five years. The commercial side is governed by three principles :

* non-reciprocity: The Community grants privileged treatment to exports from the Maghreb, but enjoys only the clause of the most favored nation for its exports into the Maghreb;
* free access for industrial products (no customs duties, no restrictions on volume). With the exception of textiles, subject to an auto-limitation arrangement;
* tariff concessions on agricultural products. However, in practice these concessions do not ensure free access to the European market. The tariff reductions in favor of certain agricultural products (which are important to the Maghreb) apply only to certain quotas. In addition, the EEC has set up an import timetable, implying that the tariff reductions will apply only during a certain period of the year.

Note also that each Maghreb country (Algeria, Morocco or Tunisia) benefits, since 1978, from a rule authorizing the cumulation of origins for goods produced in either of the two other countries and exported to the EEC.

In 1986, Spain and Portugal joined the EEC. Maghreb agricultural exports, competing with those of the two new members, were liable to be seriously disadvantaged. The Maghreb and the EEC thus concluded an agreement in 1988 that adapted the 1976 agreement. The new agreement basically provided for the progressive dismantling of all residual customs duties levied on Maghreb exports.

Following the changes occurring in 1989 in Eastern Europe and the former Soviet Union, the Community was faced with a new strategic scenario. For the Community, the disappearance of any threat of aggression from the neighboring Communist countries and the advanced state of decay in their economies, called for a re-assessment of its co-operation policy and aid priorities. This type of re-assessment is essential for the Community, whose interests would not in any way be served if the former Communist states were to collapse into chaos. It also needed to prevent any leaks of strategic or nuclear material to hostile countries. So, alongside bilateral initiatives, multilateral programs such as PHARE and the EBRD were initiated.

The Community has got involved in commercial programs which raise or relax barriers to the entry of agricultural or industrial products coming from the East to the market of the Twelve. It envisages the reinforcement of these measures in a move towards real free trade and closer co-operation with the countries of the East. This new element in the EEC's external relations gives rise to concern on the part of third countries who fear that the attention of the Community and of the European investors might shift towards the countries of the East. We do not consider it worth dwelling on the justification of these fears. It is clear that since the EEC's resources are not bottomless, and since the recovery of the countries of the East is a geopolitical factor of at least equal importance for the EEC as the Maghreb is, the answer has to be 'yes, this is a real risk'.

The European Commission, aware of the fears of Mediterranean third countries in the face of its mobilization towards the East, has proposed to the Council a revised policy for the Mediterranean. This policy aims to reinforce the process of economic reforms and to bring about a significant improvement in the volume and financing arrangements of these processes and of economic growth. The intention would be to implement actions to relieve the burden of debt and to allow textiles gradually to enjoy the benefits of free access to the EEC's market. The Commission also anticipates the introduction of rules authorizing the cumulation of origins for groupings of Mediterranean third countries so requesting. The three Maghreb countries do, it should be noted, already benefit from this system and have done so since 1978. As far as agricultural trade goes, the Commission considers reexamination of the EEC policy in connection with ceiling quotas, time-scales and new products.

The recent settlement of the Uruguay Round has important implications for the Maghreb-EEC trade.[8] The application of the Marrakech 1994 agreement will erode the preferential status of the Maghreb countries on the European market. The two important sectors for the Maghreb (Textile and clothing and agricultural products) will be particularly affected. For the textile and clothing sector, the removal of voluntary export restraint (VER) arrangements will induce the most important consequences. Although access to the European market will be facilitated for the Maghreb, this will mainly benefit its competitors because the Multifiber agreement will also be dismantled. With respect to agricultural products the most important benefits for the Maghreb come from the abolition of import's timetable and the reduction of tariffs. But North-Africa will be hurt by the introduction of new (european) rules for determining import quotas. To sum up the implication of the GATT 1994 multilateralism for the Maghreb countries, as compared with other third countries, seems to be a drastic reduction of their privileges on the european market. The outcome is expected to reach 0.5% loss of real income in 2002 for the Maghreb.

(b) The Future of the Maghreb-EEC Economic Relationships

The Maghreb-EEC economic relationships are intended to be governed by the Euro-Med Agreement in the future.[9] The aim is to achieve reciprocal free trade between both sides of the Mediterranean. A first agreement, negotiated with Tunisia, was signed in May 1995. It is, likely to be the model for another agreement with Morocco.

The Euro-Med Agreement is unlimited in duration and should be implemented over a twelve year period. The interest of such an agreement to the

8. See Fontagné and Péridy [1995] for further discussions.

9. See Hoekman and Djankov [1996] for more details.

Maghreb countries is twofold. On the one hand present agricultural policy of the EEC is clearly unfavorable to these countries and any further european concessions in this field may be beneficial. On the other hand, the reciprocal provision of the agreement will foster trade liberalization in the Maghreb and help government to speed up implementation of economic reforms.

An assessment of the economic effects of the Euro-Med agreement was carried out by Rutherford *et al.* [1993] for Morocco and by Boudhiaf [1995] for Tunisia. The former relied on applied general equilibrium modeling to compare various scenarios of trade liberalization (including free trade with Europe) in Morocco. The latter used partial equilibrium analysis for various sectors of activity to assess the impact of the free trade agreement with Europe on the Tunisian economy.

As far as Morocco is concerned, the estimated welfare gain from free trade with Europe is equal to 1,5% of the GDP. The gain jumps to 2,5% of the GDP if free trade is extended to the rest of the world. The comparison of the two figures reflects the potential trade diversion effect of the free trade agreement with Europe. Although the trade diversion effect is not dominant, the result suggests that extending trade liberalization to cover other partners (for instance Tunisia) may be beneficial. At the sectoral level Rutherford *et al.* [1993], showed that the largest gain from free trade with Europe should benefit the phosphate sector, while the largest loss will affect cereals, meat and dairy and the sugar sectors.

For Tunisia, the assessment of the economic consequences of free trade with the EEC has not yet been achieved in a general equilibrium framework. The partial equilibrium analysis conducted by Boudhiaf [1995], investigates the impact of increased competition on the Tunisian market and the improved access of Tunisian goods to the european market. The study is conducted for individual sectors and does not consider possible interactions between sectors. The aggregate effect of free trade is computed as the sum of sectoral effects. It is found to be negative. Given the simplicity of Boudhiaf's approach such a result is not surprising. Indeed, free trade area between Tunisia and Europe induces increased openness of the Tunisian market and very little improvement of Tunisia's access to the European market. Hence, the main gains to Tunisia should come from strategic responses by Tunisian producers, restructuring effects of free trade and sectoral spillovers. All these effects are not taken into account in the partial equilibrium analysis.

V. Experiences of Integration in the Maghreb

A. Past Experience

Since the 1950s, the idea of integration has been the subject of some 20 agreements between the countries of the Maghreb ⟨Lakhoua [1993]⟩. Among the most important are the creation in 1964 of the Maghreb permanent consultative committee, which also embraced Libya. Its mission was to pave the way for the economic unity of the four countries. This organization gradually just faded into oblivion. The crisis between Algeria and Morocco over the former Spanish Sahara put a stop to any further initiatives involving the three countries.

In 1983, Algeria and Tunisia signed a treaty to which Libya and Mauritania were also due to accede. However, the project never got properly formalized because of differences of opinion between Tunisia and Libya and the exclusion of Morocco.

In 1984, Libya and Morocco announced at Oujda the creation of the Arab-African Union, consigned to oblivion after the visit by Shimon Peres to Morocco in 1986. In the meantime, Morocco lodged an application for membership of the EEC ⟨Flory [1984]⟩.

The failure of the plans for partial integration in the region showed that for a real grouping to emerge, it was first necessary to bring about a reconciliation between Algeria and Morocco. This was finally achieved, and diplomatic relations re-established in 1988. The following year, Algeria, Libya, Morocco, Mauritania and Tunisia announced the creation of the Maghreb Arab Union, MAU.

As is usual in the Arab world in general, the initiatives aimed at economic integration in the Maghreb got into an impasse. The failure of these initiatives has been put down to various factors ⟨Lakhoua [1993]⟩ including a lack of political will and the incompatibility of the political systems. Governments are sometimes lukewarm in their enthusiasm for integration, because it deprives them of their sovereignty over certain matters of economic policy. In addition, where integration involves countries with differing economic and political orientations (*e.g.* market economies or planned economies) it is unlikely to succeed.

B. The Maghreb Arab Union (MAU)

In February 1989, the MAU Treaty was concluded in Marrakesh. It was to be ratified within six months of its signature ⟨Gherari [1990]⟩. However, by 1992, Morocco had not yet ratified the conventions signed since the creation of the Union ⟨Valmont [1993]⟩. The MAU gave itself an institutional apparatus made up of three types of body: political bodies (Presidential Council, Council of Ministers, Consultative Council); executive bodies (Supervisory Committee, Ministerial Committees, General Secretariat) and bodies with jurisdiction (ten magistrates).

The MAU's provisions are of a political nature (*e.g.* co-ordination of foreign policies, safeguarding territorial integrity and political independence), a cultural nature (*e.g.* exchanges of teaching staff and students), and an economic nature. We shall focus more on the economic project. At this level, the treaty sets itself the aim of progressively bringing about the free circulation of goods, services, persons and capital between the member states. It also provides for a common policy so as to achieve economic, agricultural, commercial and social developments in the member states. Concrete measures for the realization of these aims have been examined by the various sub-committees set up after the Marrakesh meeting. The economics sub-committee, for instance, has defined four stages for integration: the creation of a free-trade area, a customs union, a common market and finally the harmonization of economic policies in various areas. The social and human affairs sub-committee laid down provisions deriving from the principle of the free circulation of persons: residence, employment, property, common identity cards, etc.

Alongside the multilateral agreement secured between the countries of the MAU, several bilateral agreements have also been signed. They relate mainly to the energy sector. One example is the construction of a gas pipeline linking Algeria, Tunisia and Libya, which will enable Algerian gas to be supplied to the Libyans. Another gas pipeline is planned for the provision of Algerian gas to Morocco. It might be extended to supply the gas to Spain and Portugal. There is also the hookup of the electricity networks of four of the MAU countries, except for Mauritania.

The provisions of the MAU are mainly based upon those governing the EEC. Their legal status and timescales, though, are not yet clearly defined. This vagueness constitutes a serious source of uncertainty as to the prospects for the success of the project. Moreover, other potential problems might be raised. First of all, the success of the project calls for a minimum of consistency between the political and economic systems of the member states. For example, while Algeria has relinquished references in its constitution to the rejection of capitalism (in favor of socialism), the reform of its economic structures is still in its infancy. The political and economic system in Libya is still too far from those of Tunisia or Morocco. The low level of development in Mauritania[10] raises the problem of its integration in the MAU with all the obligations deriving therefrom. Moreover Mauritania is also a member of other regional African groupings and will have to address the compatibility and commitments under these various undertakings. Finally, let us not forget the problem raised by the small scale of intra-Maghreb trade, which is even more striking when compared to trade with the European countries.

The problems touched upon above raise the question of the credibility of the project for integration in the Maghreb. This credibility is crucial if the benefits of the integration are to be realized. To reinforce this credibility, one need to look at the matter on two levels. The first relates to a certain degree of gradualism in the geographical coverage of the project. To be more precise, we have to accept, as in the experience of Europe, a situation where the integration project would be initially restricted to those countries whose political and economic systems, and levels of development, were as similar as possible. Despite the current crisis in Algeria, and banking on a successful outcome to it coupled with progress in the reforms in hand, it seems to us that the integration project should be confined, at present, to the three countries of the central Maghreb. The second level relates to the

10. The GNP per capita in Mauritania is equivalent to about a quarter of that in Algeria.

role of the European Community. The Community could play an important role in supporting the move towards integration, and giving it some degree of credibility. The legal framework within which such an action should be placed still remains to be established.

VI. Prospects for Regional Integration in the Maghreb

The conclusions of the present paper should be split into three parts. The first part summarizes the consequences for the Maghreb from free trade with Europe. The second part presents arguments in favor of intra-Maghreb integration taking into account the existence of a free trade area with the European Union. The third part examines the problems which still remain to be solved before the benefits of integration can be fully enjoyed.

A. Maghreb-EEC Free Trade Area

The benefits for the Maghreb from free trade with Europe follow from the traditional analysis of good market integration.

In a static setting the benefits relate to comparative advantages and scale economies. Given the importance of Europe in terms of size and income and its status as the main partner for the Maghreb's import and export, potential gains are intended to be substantial. These gains may reach 1,5% of the GDP in Morocco ⟨Rutherford *et al.* [1993]⟩. For Tunisia, although partial equilibrium analysis by Boudhiaf [1995] suggests a negative impact, we believe that the aggregate impact can not be so different from the impact for Morocco.

Adding dynamics as in Baldwin [1989], the gains to the Maghreb may be more substantial. The analysis of dynamic gains is based on the new theory of endogenous growth ⟨Grossman and Helpman [1990], Romer [1990], Lucas [1988], …⟩. The intuition is that the static gains, by increasing national income and the rate of return on capital (due to scale economies), should increase saving and investments; thereby setting in motion a cumulative process of economic growth.

The process of economic integration between the Maghreb and Europe will not, however, lead to a full membership at the European Union. As shown in the previous sections Maghreb's exports are based principally upon agricultural products, agro-industry, chemicals and textiles, placing these countries in direct competition with the countries in the south of Europe. It is likely, therefore, that these European countries will have some reservations about enlarging the Community to include the countries of the Maghreb. These reservations will be accepted by the other European countries since the Maghreb takes only a small part of the exports of the member states of the EEC. In addition, as it was seen from the analysis of Section I, the countries of the Maghreb are poorer and more agricultural than any of the Community states. The likelihood is thus that the outcome of enlargement would be sizeable transfers from the EEC to the Maghreb countries. So for political and economic reasons, it is most unlikely that the member states would be prepared to go along with such transfers.

B. Intra-Maghreb Integration

We now turn to the discussion of the interest of intra-Maghreb integration taking into account the existence of free trade area with Europe.

The most important argument against intra-Maghreb integration is the low level of intra-regional trade which leads to doubt about the importance of potential gain of specialization. Although this is a relevant and important point, it should be mitigated in two respects. First, (see the political argument below) the weakness of intra-Maghreb trade may be due, itself, to the absence of integration. Hence, removing barriers to trade (economic or political barriers) may drastically change the picture. For instance, in MERCOSUR, one of the most effective regional arrangement in Latin America, the starting level of intra-regional trade was, in some cases, comparable to that of the Maghreb ⟨Panagariya [1995]⟩. This may be illustrated by Brazil's exports to MERCOSUR as a percentage of its total exports which rose from 3.2% in 1985 to 12.3% in 1993. Second, specialization of Maghreb countries is evolving and might offer more opportunities to intra-Maghreb trade in the future. As shown by Fontagné and Péridy [1996] new activities, such as electrical equipment, are now implemented and becoming competitive in the Maghreb. This trend is clearly at the beginning and should be pursued actively, in particular through attraction of foreign direct investment.

There are four arguments in favor of intra-Maghreb integration.

A first argument relates to the internal dimension of Maghreb integration and concerns the role it could play in calming the political and military tensions between the three countries. This argument is far from negligible.[11] It has already been adduced in favor of European integration. The founding fathers of the EEC also saw it as a way of reducing the risks of intra-European war, especially between France and Germany. When one recalls that one of the reasons for the small scale of the intra-Maghreb trade is a political disagreement (see Algeria-Morocco prior to 1987), this argument becomes all the more cogent and suggests the existence of a vicious circle.

The second argument is based on Baldwin [1992a]'s concept of "investment deterring aspects of hub and spoke free trade areas". His analysis draws on the theoretical works of Krugman [1991], which lead to the analysis of the impact of commercial policies on the location of firms.

The argument goes as follows. The factors determining the location are production costs, the size of the market and the trading costs[12] (insurance, customs tariffs, etc.) The presence of economies of scale plays an important role in this theory. The decision to locate a firm in a particular geographical area is the result of a trade-off between the advantages in terms of production costs in that area,[13] the size of the market accessible from that location and the cost of getting access to that market. Economies of scale militate in favor of a restricted number of locations to serve the entire market. For the sake of simplicity, assume the number to be one. If commercial relations between the countries of the Maghreb and between the countries of the EEC are governed by free trade, then the size of the market accessible and the cost of access to the various parts of it will favor neither the EEC nor the Maghreb. The production costs, which remain the only discriminating element, militate in favor of moving to the Maghreb. If, on the other hand, the Maghreb countries set up barriers to trade between them and free trade of each of them with the EEC, this may have a major bearing on the decision

11. See also Hoekman and Djankov [1996].

12. To simplify matters, transport costs are not taken into account. We only consider the costs arising in connection with trade barriers.

13. The countries of the East and the Maghreb have this advantage as far as certain activities are concerned.

of where to locate. While these countries keep their advantage in terms of production costs, the EEC gets the advantage in terms of the size of the market accessible and in terms of the cost of accessing it. Indeed, a firm that locates within the territory of the EEC has cost-free access to all the markets concerned. If it chooses to locate in one of the Maghreb countries, the market to which it will have access for no cost becomes limited to that of its host country and the EEC. Access to the other Maghreb countries becomes more costly. The advantage of the EEC in terms of the size and access costs of the market might be sufficient to offset the Maghreb's advantage in terms of production costs. This example clearly shows that maintaining trade barriers within a region can make it considerably less attractive to foreign investors, even if they trade freely with a major partner such as the EEC. Thus deprived of the dynamic advantages accruing from the flow of direct foreign investment, the region risks finding itself marginalized.

The above argument was put forward by Baldwin [1992a] in favor of integration between eastern european countries as a complement to their free trade with the european union. It is equally important for the Maghreb which has been unable to attract enough foreign direct investment flows due to political uncertainties and market fragmentation ⟨Finaish and Bell [1994]⟩. It might be crucial for some kind of electrical goods or motor vehicles for which access to the Maghreb market is as important as access to the european market. This concerns goods of low or medium levels of quality for which both the necessary skills and the final demand exist in the Maghreb.

Intra-Maghreb integration may act as a catalyst for FDI flows in the region. Unless there is a concrete and determined initiative in this direction, the countries are in danger of getting marginalized. The policies of relocation embarked upon by certain European enterprises would be liable to be redirected towards the East, which offers the advantage not only of geographical closeness and production costs comparable to those in the Maghreb, but also the attractions of a market capable of absorbing part of the production if the countries of the East make a go of their recovery. Integration in the Maghreb would offer these enterprises a market of over 60 million inhabitants, almost one fifth of the EEC. Furthermore, the improved purchasing power of Maghreb citizen which might be fostered by integration would reduce the handicap carried by the Maghreb countries.

In connection with these points, even the Maghreb's industrial exports are liable to suffer on account of this situation on the European market if they find themselves up against exports from companies who have relocated to the East. In view of the fact that the industrial fabric is more homogeneous in the East ⟨Ben Salem [1991]⟩, the Maghreb engineering, electrical and assembly industries will be the most severely affected.

The third argument in favor of intra-Maghreb integration belongs to the area of political economy. It concerns the competition between the Maghreb countries to attract foreign companies. While competition in this context is generally positive, because it goes hand in hand with the liberalization of the economy, it can on occasion have perverse consequences. Some countries may be tempted to set up barriers to the entry of foreign products on to their market. Their hope would be to provide a better incentive (*i.e.* prospect of greater profit) to companies to locate in their country. But such strategies never pay off. With all countries adopting the same tactic, the individual benefit banked upon turns into an inevitable collective loss. The erection of barriers to trade by all the countries in the region makes it globally less attractive.

Finally, integration of the Maghreb countries will enable them to take advantage of some privileged treatment they (still) enjoy on the european market. For instance, in the absence of intra-regional integration, the Maghreb countries have never made the most of the rule of cumulation of origins they enjoy on the european market. Combining intra-Maghreb integration and the rule of cumulation of origins may foster the development of backward and forward linkages between the Maghreb countries and enhance their trade ⟨Hoekman and Djankov [1996]⟩.

C. Obstacles to be Overcome

In spite of the presumed benefits, it is legitimate to wonder about the chances of success of the Maghreb integration process. An analysis of the recent development of the Maghreb countries does permit a certain amount of optimism, but prudence is also called for. The optimism is justified by a substantial reduction in the political tensions between the three countries (particularly in Algeria and Morocco) and a convergence of the economic and political systems of these countries towards greater liberalism.[14] Although there are still efforts to be made - greater or lesser depending on the country - there is no doubt that a decisive step has been accomplished. The prudence that tempers this optimism is called for because of the internal situation in Algeria and the low levels of trade between the Maghreb countries.

For the advantages of integration in the Maghreb to manifest themselves, there is a need for further progress in the way of political and economic reforms. On top of this, the necessary measures will have to be taken to promote trade between the three countries. While this trade depends on the improvement of the transport and telecommunications infrastructures, it is also influenced by the competitiveness and performances of the Maghreb enterprises. These will need, therefore, to be prepared to face up to competition from abroad. The final barriers protecting Maghreb companies against foreign competition will have to be gradually lifted. For its part, the EEC can offer valuable aid in this context. For example, the Community might review the unfavorable treatment of the export of certain products which are important to the Maghreb.

Finally, let us point out that even if all the reforms being advocated (such as liberalism, integration, etc.) are beneficial in the long term, they can be costly in the short term, especially in terms of jobs and unemployment. EEC aid thus becomes essential to smooth the transition in these crucial times. The success of these reforms is not only central to the future of the countries of the Maghreb, it is also important for Europe, which would be likely to be affected by any destabilization of this region.

Two additional considerations will affect the outcome of the Maghreb integration process. Firstly, a gradualist approach in the geographical coverage and in the economic fields concerned by the integration. From this point of view, the process might initially be confined to the integration of the markets and involve only Algeria, Morocco and Tunisia. Libya and Mauritania may join the process once the political and economic system of the for-

14. One might add to this the real support of Maghreb Citizen in favor of integration.

mer has moved closer to those of the other three and the latter (Mauritania) has clarified the situation regarding all its involvements. The treatment of the latter aspect is, of course, far from a simple affair, given the existence of the MAU.

Secondly, the introduction of mechanisms for the redistribution of the profits of integration. The point is that the benefits and costs of integration may affect the economic agents in the Maghreb in different ways. Some who will be more closely aware of the costs of integration (in terms of restructuring, job losses, etc.) than its benefits might constitute a serious blockage in the process, especially at election times. This type of resentment might be exacerbated by well-organized pressure groups hostile to integration. The redistribution mechanisms then become crucial if this risk is to be obviated. The mechanisms have played an important role in the European Community, for instance, especially since the Community was extended to cover the countries of the south ⟨Sapir [1992]⟩.

The political and economic elements referred to above will determine the credibility of Maghreb integration. In view of the past failures and the faltering progress of the MAU, the benefits of integration will become fully apparent only if the local and foreign economic players give it credibility. The European Community can play an important role in fostering this credibility. The legal framework within which this action would occur remains to be established, but one avenue might be a linkage between Maghreb integration and the concessions granted by the EEC under its co-operation policy.

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