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**THE FUTURE OF RELATIONS**

**BETWEEN THE COMMUNITY AND THE MAGHREB**

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## INTRODUCTION

The realities of geographical propinquity, population movements and a host of other links brook no debate, nor can there be any doubt as to the urgent necessity of making the Mediterranean a drawbridge rather than a moat - a necessity that recent events have served only to underline.

With the appearance of new structures on the continent of Europe, the emergence of the European Community as an economic and political focal point and the collapse of the barriers that have hitherto scarred the continent, the Community has been obliged to take a new look at its role in the region, redefining its external policy priorities in the light of its influence - whether actual or potential - with regional partners.

In a document entitled "From the Single Act to Maastricht and beyond", the Commission points to this change and to the new priorities it entails:

**"The European Community is now seen as the main focus for peace, democracy and growth by all of Europe and the neighbouring countries to the South and East.**

It is vital to consolidate this position if we are to increase the Community's weight and influence for a more stable order in an ever more interdependent, and therefore more vulnerable world.

More than the other industrialized countries, the Community is dependent on the outside world: one in four jobs in the European market rests on international trade. It also has closer links with the developing countries and is more vulnerable to the economic, social and demographic effects of underdevelopment among its neighbours to the East and South."<sup>1</sup>

"As with Central and Eastern Europe, the Community also has special responsibilities in the Mediterranean region because of its historical and geographical ties.

Most Mediterranean countries are facing political instability, rapid population growth, large movements of population and high unemployment. These problems, especially in the case of the Maghreb countries, are also our problems - such is their influence on the region's security and the potential migratory pressure on the Community."<sup>2</sup>

What is required is a new regional policy that makes due allowance for this interdependence. The Community cannot entertain thoughts of development, on any front, without the backdrop of a stable environment, i.e. one that is itself developing. The environment in question embraces the Community's immediate neighbours, from the Baltic to Morocco.

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1 COM(92) 2000, 11.2.1992, p. 15

2 Ibid., p. 17

The time has now come to give this regional policy the cogency required for its message to be credible, embracing respect for the rights of individuals, political democracy, social progress, economic development and all the other conditions for a secure, shared future.

As regards the Maghreb, such cogency can only be achieved by adopting a new policy that is equal to the challenges of the region, and all that these challenges entail for the Community.

Such a policy needs a new concept to underpin the new approach to relations between the Community and its next-door neighbours to the South. Beyond the political message involved, this new concept of Euro-Maghreb partnership will also have to have a practical impact in all the appropriate fields, the ultimate objective being to establish a Euro-Maghreb economic area, with all the attendant political, economic, commercial, psychological and cultural implications.

The need to offer the Maghreb a long-term relationship is all the more pressing now that a broader, deeper Community is in the offing. The danger is that those who are not immediately involved in this process will feel left out if a credible and attractive alternative is not proposed.

This paper was drawn up in response to the request issued by the ministerial meeting on political cooperation held in Lisbon on 17 February this year. Its purpose is to provide a basic survey of these new paths, with a view to stimulating a debate that will enable the parties concerned to refine this assessment and implement the decisions prompted by it.

The first task will be to provide a broad outline of the basic factors involved in promoting the rapid development of the Maghreb. Secondly, we will look at how to implement these guidelines in the light of the constraints on Community action.

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## I. ECONOMIC DEVELOPMENT

The disparity between the levels of development on the two sides of the Mediterranean has reached a ratio of one to ten, and is still widening.

Economic growth in the Maghreb countries is currently insufficient to provide work for a population that is increasing constantly. Over 20% of the workforce is unemployed, and the figure for the under twenties is as high as 30%. Standards of living have improved only marginally in Tunisia and Morocco, while the situation in Algeria has deteriorated markedly.

There is clearly a danger that the Maghreb will become increasingly cut off from political, economic, social and cultural changes in Europe, and that this will lead to instability.

The only way to create a knock-on-effect on the Maghreb countries' economies and so narrow the gap is to hold out the prospect of anchoring the region to Europe in the long term.

Such a move would be both a means and an end. It will not be possible unless the Maghreb countries improve substantially on current economic growth rates over the next few years.

Morocco has already opted for such a course, a decision based on a long-term strategy that the Community can only welcome and encourage, particularly as it can entail difficult decisions as regards domestic policy.

Without going over ground amply covered elsewhere in assessing the economies of each country in detail,<sup>1</sup> it is possible to identify a certain number of key factors that are essential to the economic development of the Maghreb, and on which Community action must be focused. These factors are:

- economic reforms;
- investment and job creation;
- opening-up to the outside world;
- containing population growth;
- political liberalization.

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## 1 ECONOMIC REFORMS

Moving to a market economy is an essential precondition for improving the economic situation in the Maghreb countries. Some steps have already been taken and progress, though slow, is being made. It is vital that the adjustment policies that have been adopted are seen through, and that the results achieved are consolidated. The IMF and the World Bank believe that the economic reform process currently under way in Morocco is proving a successful model, in spite of the country's social shortcomings.

There is an urgent need to overhaul the system to create a favourable environment for economic activity. Any legislation or practices that needlessly restrain economic activity must be the subject of reforms. Support structures such as Chambers of Commerce and assistance for the small business sector must be given the impetus they require to kick-start the economy. There remains a great deal to be done if the political will that has manifested itself is to translate into changed attitudes and practices.

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1 Key figures are given in the annex.

The area in which the Community can contribute most to the Maghreb economies is in providing specific support for the economic adjustment process, using instruments designed to meet the particular needs of each country.

Algeria, Morocco and Tunisia are all at different stages in this process, and - to a varying degree - require support that will shore up the reforms while minimizing the social cost. Such support could take a number of forms, including:

- technical assistance (fiscal and financial reforms, restructuring businesses, privatization, vocational training, etc.);
- support for sensitive social sectors (essential health care, education, accommodation, etc.) where the impact of strict budgetary measures would be too great;
- direct support for programmes linking vocational training and job creation (privatization and creation of small businesses, apprenticeship schemes offering prospects of full-time employment, etc.).

With this approach, aid management must be targeted at economic adjustment, but assessed in terms of its political and social viability. Needless to say, it also dovetails with the input of other institutions (World Bank and IMF).

The debt burden remains a fundamental obstacle to financial retrenchment and economic resurgence. Expressed as a percentage of exports of goods and services, the national debt figures for 1989 were 328% for Morocco, 249% for Algeria and 137% for Tunisia. Total debt servicing, again expressed as a percentage of exports of goods and services, was 32% for Morocco, 69% for Algeria and 23% for Tunisia.<sup>1</sup>

Algeria is in the worst shape. The economy has virtually ground to a halt because of the dearth of parts and intermediates. The country's future now largely depends on whether or not the national debt can be brought under control. It is therefore absolutely essential that a solution be found to this financial crisis.

The debt situation in Morocco and Tunisia is relatively encouraging.

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## 2. INVESTMENT AND JOB CREATION

There can be no relaunching the Maghreb economy without a sharp upturn in investment, which in turn will only be possible if overall economic performance shows signs of providing investors with some return. The Maghreb countries must create an environment that will attract foreign capital and instil confidence in local investors. Such an environment is made up of objective factors such as legislation, economic integration, availability of private savings and support structures, and of subjective factors such as stability and confidence.

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<sup>1</sup> World Bank report on world development, 1991

With markets that are both sluggish and fragmented, and that can be unwelcoming to foreign business, investment from Europe, Japan and the United States is thin on the ground compared with the money flowing into Mexico, South-East Asia, Turkey and Egypt. European investors in particular are much in demand as a result of regional policies and the opening-up of Central and Eastern Europe, so the reforms in the Maghreb countries will need to be all the more convincing.

Without foreign investment, the Maghreb is cut off from one of the key factors in economic development, namely know-how and technology transfers.

The unemployment rate is of course linked to the general level of economic activity. In addition to this link, and the human drama it entails, unemployment in the Maghreb poses political and social problems of a special order. The huge numbers of people - particularly young people - without work are easily seduced by intolerant and anti-democratic ideologies that find fertile ground in these countries with their young, and sometimes fragile, democratic institutions. Unemployment can be difficult to quantify, but estimates suggest that 18% of the workforce is jobless in Morocco, 21% in Algeria and 14% in Tunisia.

In addition to creating an atmosphere of discouragement, unemployment also has the - in the long run possibly even more serious - effect of driving the country's most vibrant, enterprising souls to emigrate, or to seek emigration, thus depriving their communities of precisely the people who are vital to their development.

Job creation is therefore unquestionably a major priority. The emphasis must be on programmes with a significant employment component, such as the creation of small businesses.

### 3. OPENING UP TO THE OUTSIDE WORLD

The Maghreb countries must open up not only to one another, but also to the outside world in general, and to the Community in particular.

At present the economies of the Maghreb countries are entirely inward-looking: there is no Maghreb economy as such, and only 5% of trade is regional. There are several reasons for this: there is a strong element of protectionism, through tariffs and numerous non-tariff barriers; the Maghreb economies are geared towards international exports because of the need to generate hard currency revenue; there is no tradition of regional trade; and there is a lack of regional transport, energy and other infrastructure.

Maghreb interdependence must be gradually fostered and trade increased and liberalized by eliminating tariffs, improving customs and other procedures, and upgrading infrastructure. The Maghreb countries must also accept the need for harmonized, or at least compatible regulatory systems and procedures.



Only by moving towards ever greater economic integration can the Maghreb hope to exploit the opportunities offered by its proximity to the world's leading economic power.

Integration must remain the Maghreb countries' fundamental goal, which the Community must in turn encourage by:

1. concluding agreements leading to the creation of a customs union and inciting Algeria, Morocco and Tunisia to harmonize their systems and their economic legislation;
2. providing technical assistance specifically focused on the integration process (surveys, customs matters, etc.);
3. financing projects with a regional impact;
4. establishing Community-Maghreb dialogue at all levels and in every field, with a view to promoting inter-Maghreb cooperation.

It must be made clear that the Community has no intention of imposing its political will on the Maghreb countries. Rather than seeking to build a political union, the aim is to eliminate as many obstacles to development as possible, without asking the three countries to surrender any sovereignty if they do not wish to do so.

To foster the conviction that this process is a necessity, the Community could initiate a comprehensive survey of the advantages of integration and the cost of non-integration, along the lines of the Cecchini report on "The cost of non-Europe".

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What holds for relations between the Maghreb countries holds equally for relations between these countries and the Community. To complement the already very liberal trade arrangements applied by the Community, the Maghreb countries should also start to open up to the Community, with the long-term aim of progressing gradually and with the necessary prudence to a free trade area.

Such decisions are not taken lightly. However, there is a growing conviction in the Maghreb countries that their economies can only develop if they are fully exposed to the disciplines of competition. This trend must be encouraged, for example through the conclusion of new agreements, while ensuring that the usual precautions are taken to secure a smooth transition to comprehensive free trade.

At the same time, a new concept of the division of labour must be developed, one that will benefit all the parties concerned. Here too, an in-depth study is called for, perhaps assessing the lessons learned in similar situations elsewhere in the world (for example with the United States and Mexico), and identifying the most promising sectors.

#### 4. POPULATION GROWTH

The population of the Maghreb continues to grow extremely rapidly. According to World Bank figures,<sup>1</sup> the average annual population growth rate between 1989 and 2000 will be 2.3% in Morocco, 2.8% in Algeria and 2.1% in Tunisia. At these rates, by 2025 total population will have risen to 48 million in Morocco (from 25 million in 1989), 52 million in Algeria (from 24 million) and 14 million in Tunisia (8 million). In other words, the population of the Maghreb could double over the next 35 years. Only modest attempts have so far been made to rein in population growth.

It is essential that population growth be brought under control, for the simple reason that it is impossible to improve living standards in a society that is struggling to cope with the structural and infrastructural demands placed on it by uncontrolled population growth.

The enormous effort required to rectify this situation is underestimated in Europe. Much more vigorous action is called for, if necessary with Community support. Support for birth control policies must henceforth be form part of our cooperation under the Euro-Maghreb agreements.

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#### 5. POLITICAL LIBERALIZATION

Quite apart from the ethical imperative of forging a society based on liberty and respect for the rights of the individual, most of the evidence points to a close, virtually symbiotic relationship between liberalization and development.

The Maghreb countries have undoubtedly initiated a trend towards liberalization, a trend that must now be encouraged directly, through programmes promoting human rights and political support for reform, and indirectly, by creating an environment favouring the consolidation of the rule of law in line with other modern states.

Anchoring the Maghreb to Europe is not merely a technical or economic exercise. The more general aim is to establish a genuine relationship based on openness, mutual understanding and trust - things that can only be shared by societies that are themselves open.

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1 World Bank report on world development, 1991

Using this brief assessment as a basis, it would not be difficult to identify the objectives for an ideal policy. However, we must also bear in mind the financial and legal constraints within which the Community must conduct its business, in its external relations as much as in other fields. In other words, we must now look at how the Community's Maghreb policy can best serve the objectives outlined above, given the constraints within which it must operate.

## II. A NEW CONCEPT: EURO-MAGHREB PARTNERSHIP

If the Community wishes to meet the challenge of promoting stability and economic development in the Maghreb, it must rapidly develop a new approach to its neighbours to the South.

In so doing, the Community must give a clear signal of its commitment to the Maghreb countries, of its determination to link its future to theirs by adopting a long-term strategy.

Such an outlook already exists to the East, but has yet to be created to the South. In addition to giving a new and clear voice to the long-term political commitment to anchor the Maghreb to the Community, concrete undertakings in the form of financial cooperation, market access and so on are also called for.

In other words, the Community must develop a new concept on which to base its relationship with the Maghreb, setting itself targets that are both realistic and ambitious. The credibility of this new approach must be secured by the adoption of the instruments that will guarantee its implementation.

### 1. PARTNERSHIP

The new Community approach should be based on the realization that the time has come to move away from the idea of development cooperation that has held sway over the past few decades, to the idea of partnership, engendering new forms of cooperation in all fields, whether political, social or economic.

If this objective is given the necessary credibility and publicity, it could, in addition to its direct impact, create sufficient political and psychological impetus to overcome the current crises.

What is envisaged is a relationship in which all the parties concerned are aware of their shared responsibility, and of the mutual commitment entailed in this responsibility.

For its part, the Community will make a firm and convincing commitment to help relaunch the Maghreb economy, thus testifying to its confidence in the region's future.

For their part, the Maghreb countries will respond to the concept of partnership by committing themselves to continue with the reform process and to take concrete measures to promote regional integration.

## 2. A MULTIFACETED CONCEPT

If this new Community approach is to be credible and effective in the long term, it must not only give political direction and practical consistency to the existing types of cooperation with the Maghreb; it must also set up new instruments and structures designed to inject fresh momentum into the cooperation process, and to maximise its economic, political and psychological impact.

There are three main strands to this approach:

2.1. The emphasis in economic cooperation should be on the instruments that best reflect the Euro-Maghreb partnership approach, in the light of the major themes outlined above.

2.2 In addition to the purely economic aspects of cooperation, the new set-up should also incorporate new fields of cooperation that will put Euro-Maghreb relations on the comprehensive footing that the intensity of the links and the high stakes require. These new fields will be identified jointly, and will cover a variety of topics such as culture and social matters, including migration, movement of persons, local collectives and education.

2.3 As regards the contractual framework, the new approach should lead to the conclusion of new agreements with Morocco, Algeria and Tunisia.

## 3. TWIN-TRACK APPROACH

The choice of negotiating partner in accordance with the type of cooperation to be implemented remains a question of fundamental importance. In other words, how to harness the dialogue with the AMU to individual relations established with the countries concerned and the goal of interdependence and cooperation between Algeria, Morocco and Tunisia?

### 3.1 The Maghreb States

The three individual States will remain the Community's main negotiating partners in the Maghreb. The new Community approach will be implemented through agreements concluded with each of the three States separately, following the same general outline but with timetables and procedures tailored to the needs of each specific country.

While the agreements will be concluded with the individual countries concerned, the long-term aims will continue to be the integration of Algeria, Morocco and Tunisia, and the creation of an economic area embracing the Community and Maghreb countries. The Community should therefore use the resources at its disposal to foster rapprochement in small, concrete steps, leading to harmonization and greater interdependence among the Maghreb countries.

### 3.2 AMU

In spite of the difficulties it has known, the Arab Maghreb Union remains the only institutional forum for Maghreb cooperation, and is therefore to be encouraged. At the last EC/AMU ministerial meeting, which took place last autumn, it was decided that the dialogue initiated between the two bodies should be continued and intensified.

This will happen as political circumstances allow - indeed, it is because of these selfsame political circumstances that this dialogue is so important, both to the Community and to the Maghreb.

### III. EXISTING INSTRUMENTS

#### 1. EVALUATION

Since 1978, the Maghreb countries have been linked to the Community through cooperation agreements comprising two main components: trade and financial cooperation.

The conclusion drawn by the Commission in its paper<sup>1</sup> on the Community's Mediterranean policy was as follows:

"In conclusion, would not the current economic and social situation of the Mediterranean countries have been less favourable if these countries had not engaged in a cooperation policy with the Community since the mid-1960's and, in a more reinforced manner, since the mid-1970's? But should the Community not have achieved more or done so in a better manner? Has it really been able to respond to the challenge, when the economic situation of many countries in the region seriously deteriorated during the 1980's, especially in relation to the evolution of the balance of payments and the consequences of a rapidly increasing demographic growth? Should it not have developed a long-term strategy for its relations with the Mediterranean region?"<sup>2</sup>

The trade component has certainly had a substantial impact on economic and social development, since it has enabled the Community market to be opened up to imports of manufactures from the Maghreb.

Without this opening-up there would not even have been no development, however slight, in the clothing, leather, electronics and chemicals industry in Morocco and Tunisia. There would not have been any private European investment in these two countries and the unemployment rate would be even higher and per capita income lower.

Unfortunately, this opening-up of the Community market had little impact on Algeria owing to the economic policy implemented there over three decades, nor had it much impact on the structure of Algeria's exports.

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1 SEC(89) 1958

2 Ibid., p. 10.

The effect of financial cooperation is more difficult to evaluate, although it cannot be denied that it has in certain instances been beneficial. The Community has not been able to allocate to it the critical financial mass needed to give sufficient leverage to employment and economic reforms.

The record of almost twenty-five years of cooperation between the Maghreb and the Community is disappointing when compared with the hopes cherished by the two sides. The aim of the new Mediterranean policy is to improve this situation. Its financial resources have been greatly increased and it has a number of new instruments which will form the foundation on which Maghreb's policy should be built in the next few years.

## 2. MEDITERRANEAN POLICY INSTRUMENTS

### (a) Financial protocols

The financial protocols, the fourth generation of which covers the period 1991-96, will remain the main instrument of the Community's Mediterranean policy, even though, as stated in the Delors II package of proposals, "they may need boosting further".<sup>1</sup>

The total budget (grants financed by the Community budget and EIB loans from own resources, with or without interest-rate subsidies) has been set at ECU 2 375 billion, representing a 40% increase over the third-generation financial protocols.

### (b) Risk capital

The Community has substantially increased the funds made available for this instrument, which concerns mainly the SME, and at this stage they appear to be sufficient. An increase would be justified only if it looked as if the resources at present earmarked might be absorbed much more quickly than initially predicted. Help for the setting-up of SME is still the most effective way of creating permanent productive jobs.

This form of economic cooperation is the very symbol of what a proper economic partnership should be. It must be optimized and is certainly one of the forms of cooperation to which a special role must be given in future.

The special case of investment in oil and gas in Algeria should receive attention if only because of its scale and potential positive impact on the country's economy. This investment, made possible by the legislative changes of 1991, is of great strategic importance to the Community and to Algeria. Although these operations are highly profitable, and so unlikely to need public-sector support, every possible measure should be taken to encourage them (political guarantees, loans, tax benefits, etc.).

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<sup>1</sup> COM (92) 2000, p. 17.

(c) Support for economic reforms

The Community must give absolute priority to support for reforms and encourage governments to implement them. Such encouragement can be given in three ways: specific **technical assistance**, **financial assistance** as a backdrop to the economic reforms, and an intensive **dialogue** to be held jointly or in parallel with the IMF and the World Bank.

In the context of the new Mediterranean policy, the Commission intends to take action on these three fronts.

While the financial resources earmarked seem sufficient for granting the required technical assistance, the same does not apply to the resources available for structural adjustment as such and in particular the financing of employment programmes intended to reduce the social impact of this adjustment, for which additional funds must be provided.

(d) Horizontal policies

The "horizontal" operations provided for under the new Mediterranean policy, such as regional cooperation and environment, fit perfectly into the new partnership framework which is to determine our relations with the Maghreb and they must be implemented very quickly. In this respect, the Commission greatly regrets that the Council has not yet managed to give its approval for the financial instruments which should make it possible to implement these policies, the necessity and urgency of which are clear to all.

#### IV. NEW INSTRUMENTS

For the reasons given above, cooperation with the Maghreb countries must in future also be based on new instruments as defined in COM 2000.

##### 1. TECHNICAL ASSISTANCE

Technical assistance is increasingly becoming one of the main instruments of the Community's cooperation policy. It has the advantage of flexibility and speed of implementation and allows individual operations to be undertaken in key economic sectors, as shown by the action taken in Central and Eastern Europe.

This example must be followed with the Maghreb countries and applied so as to remove certain bottlenecks in their economic systems: creation of stock markets, setting-up of effective and fair taxation systems, restructuring of the public sector, privatization, business administration, and training of instructors, etc.

## 2. BALANCE OF PAYMENTS SUPPORT

The creation of a reserve specially for the mobilization of guarantees, as proposed by the Commission,<sup>1</sup> should allow greater flexibility in the use of this instrument, in close conjunction with the multilateral institutions.

There will be no rapid economic development in the Maghreb as long as excessive debt servicing absorbs a disproportionate amount of foreign currency earnings to the detriment of essential imports.

The three countries have made great efforts to reduce the impact of their debt on their foreign trade through tighter financial discipline and debt-rescheduling operations.

The Community, the international financial institutions (IMF and World Bank) and the Member States have contributed in different ways to these efforts.

While Morocco and Tunisia seem generally to be in control of the situation, the same is still not true of Algeria, despite the major debt-rescheduling operation which is under way.

There is a possibility that further international action might be taken under the guidance of the IMF if the situation worsened. Such action would be taken on an exceptional basis and would be strictly conditional upon the beneficiary country's financial policy.

## 3. INVESTMENT FINANCING

3.1. Over the next two decades the Maghreb will have to spend large amounts on modernizing and expanding its productive apparatus and its economic infrastructure (telecommunications, roads, ports, railways, water, irrigation and energy, etc.).

The bulk of investment in infrastructure should be financed through the international capital market and, to a lesser degree, locally. The Community will be involved through the EIB. There should also be a role for the World Bank, the African Development Bank, or loans made direct by the Maghreb countries.

As part of its Mediterranean policy, the Community can contribute to the financing of investment of this kind (telecommunications, energy, shipping, road and rail transport and environment).

Discussions and preparatory work are already under way on certain major projects involving the Maghreb countries (gas pipeline and electricity power plant link-ups).

It is therefore not necessary at this stage to take additional financial decisions. The Commission will raise this issue again when the EIB has used up most of its budget, now set at ECU 1.8 billion.<sup>2</sup>

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<sup>1</sup> Ibid., p. 35.

<sup>2</sup> See the declaration by the Council, the Commission and the EIB (document 92828/2/90 of 11 December 1990).



3.2. It is worth raising the question at this stage of whether a Euro-Maghreb development bank, along the lines of the EBRD, should be established.

A specialized financial institution for the Maghreb countries which is able to launch industrial, agricultural and infrastructure projects, and to set up the necessary finances, would, by its very existence, form a centre of attraction and coordination for all those - from both the private and public sector - who would like to invest in the Maghreb.

There would be a need to avoid duplication of effort with the existing national or international financial institutions and through this Euro-Maghreb bank viable capital projects should be encouraged and given the necessary national and international capital.

The Community and its Member States and the three Maghreb countries would have a majority holding in the initial capital of this new institution, if it were set up, but other countries could also subscribe (GCC and EFTA countries, United States, Japan and Canada).

It goes without saying that the setting-up of such an institution would in the eyes of the Maghreb governments provide visible proof of the Community's willingness to enter into a true economic partnership with their region.

If this idea met with an initial favourable reaction, the Commission would sound out its partners, in the Maghreb and elsewhere, and would quickly present a report on the matter.

### 3. NEW SPHERES OF COOPERATION

#### (a) Social sector

The social sector is obviously a special area of discussion in view of its objective importance but also its human and political implications.

Certain policies conducted by and in the Community have a direct impact on relations with the Maghreb and on the perception which the Community's partners have of the Community.

The Commission stated the following in its communication on immigration:<sup>1</sup>

"Any move towards a common foreign and security policy will need to be based on closer coordination of national and Community development policies. This will help to improve the level of cooperation in respect of the political, social and cultural aspects affecting the labour market and, to a certain extent, the demographic balance.

In this connection, it would be necessary to favour targeted cooperation projects entailing specific measures mainly for the benefit of:

- poor rural and suburban regions of large urban centres identified as principal migration sources;
- educated members of the intellectual élite (brain drain) who are more likely to emigrate, through the creation of networks linking professionals in these countries and their European colleagues, with the aim of motivating them to participate in the development of their own country."<sup>1</sup>

Within the existing institutional limits, and if necessary using new formulas, a dialogue should therefore be initiated to take into account the realities, but also perception of these realities. Regular, informal contact should be arranged as soon as possible, so that exchanges of views can be held on matters linked with migration, population trends, etc. Through this kind of dialogue, new spheres and instruments of cooperation could be developed where appropriate.

#### (b) Culture and communications

It is necessary to stress once again the importance of the Community's partners' perception of its policy, and the fact that this perception reflects a dimension which goes beyond the purely economic or technical aspects of these relations.

On this basis it is important for the Community to pursue, over and above the options defined in this document, programmes aimed at greater reciprocal understanding between the two shores of the Mediterranean.

This implies very diverse operations, such as a communications policy, and action targeted more specifically at young people and the media, etc.

In this sphere too, there is an urgent need to define joint policies which take account of these realities, which have hitherto been neglected by the Community in its relations with this region of the world.

#### (c) Human rights

The human rights and democracy aspect has in recent years become an essential component of the Community's foreign policy. It has been affirmed through political commitments, the inclusion of specific clauses as new agreements have been concluded, and the setting-up of special programmes for certain regions of the world.

Relations between the Maghreb countries and the Community are based on agreements concluded at a time when this component was not as much of a priority as it is now. It goes without saying that what is now seen as an anomaly should be corrected when the Euro-Maghreb agreements are concluded.

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<sup>1</sup> Ibid., p. 20.

Furthermore, the Commission intends to set up in the near future a programme for promoting human rights in the Mediterranean countries; its main feature will be the fact that it will leave the initiative and the implementation of its operations to local associations active in this sphere.

(d) Other spheres

The nature of the Euro-Maghreb partnership implies that there should be a dialogue on all matters of common interest. A great deal of flexibility will therefore be needed to enable the new dialogues to be initiated in response to the needs expressed.

**V. NEW CONTRACTUAL FRAMEWORK**

The possibility of concluding new agreements, called Euro-Maghreb agreements, with the three Maghreb countries should therefore be explored; they would form the basis, framework and symbol of the new Community approach.

It should at this stage be pointed out that what is involved is offering the Maghreb countries which took the strategic decision to be anchored to the Community a clear, credible, politically acceptable prospect, at a time when new structures are emerging in Europe.

The Council, on the basis of a record of the exploratory talks already held with Morocco, asked the Commission to propose directives as soon as possible for the negotiation of an agreement of this kind with Morocco. Tunisia is showing interest in moving in the same direction.

Initial contact, particularly with Morocco, has revealed that these Euro-Maghreb agreements could be based on four main components:

- a political dialogue;
- economic cooperation;
- free trade;
- financial cooperation.

**1. POLITICAL DIALOGUE**

In line with the growing trend of agreements concluded by the Community, the Euro-Maghreb agreements would contain a major political dialogue component.

Over and above its intrinsic value, this dialogue would enable informal exchanges of views to be held on subjects of common interest, and may even help promote greater convergence of views between the Maghreb and the Community. It is worth noting in this respect that the Maghreb is repeatedly mentioned in documents compiled in preparation for the establishment of a common foreign and security policy as one of the fields in which "joint action" could be developed.

There are plenty of subjects for discussion. It should be remembered that the Maghreb countries have often acted as mediator in crises affecting the Arab world, and that this enhances their role as partners for Europe.

## 2. ECONOMIC, TECHNICAL AND CULTURAL COOPERATION

This chapter of the agreements would be the most wide-ranging, with the general objective of encouraging all forms of cooperation, and hence rapprochement and interdependence.

No sphere of cooperation or dialogue should be excluded from the outset. The emphasis would be on aspects which would encourage development such as:

- macroeconomic issues, with as objective the maximum degree of convergence between economic, monetary and budgetary policies, etc.;
- initiation or continuation of a dialogue and cooperation on social issues (drugs, demography, migratory trends, etc.) and also cultural matters;
- sectoral dialogues on industry, agriculture and the tertiary sector, etc;
- investment;
- cooperation on statistics, standards, customs matters, approximation of laws, etc;
- environment;
- cooperation in spheres as diverse as science, technology, education, infrastructure (transport, energy and telecommunications), and tourism, etc;

This part of the agreements would essentially be open, to allow new spheres for dialogue and trade to emerge, in the light of requirements and circumstances.

## 3. TRADE

Trade is obviously an essential sphere, in terms of economic development and interdependence. It symbolizes the willingness of the Community and the Maghreb to establish a partnership.

The long-term creation of an open economic area, an area of trade and stability, will therefore be one of the main objectives of the Euro-Maghreb agreements.

Over and above the trade benefits of arrangements of this kind, and the implied economic development potential, the Maghreb is to be clearly offered the prospect of being anchored to the Community. This prospect should be presented with the necessary impetus and credibility so that it can act as a catalyst for business and for the population in general, along the lines of the role which the prospect of the single market at the end of 1992 has played since 1985.

Progress towards a free trade area will require tariff and non-tariff dismantling on each side and presupposes the conclusion of arrangements on specific sensitive products. The partners will as a result enter into more balanced negotiations than is now the case.

The timetable and the exceptions (e.g. sensitive products and infant industries) to be established for the transitional period will of course have to be adapted in the light of each country's situation. The common objective will nevertheless remain the ultimate establishment of free trade. When the transitional period is over, the usual clauses will still be applicable, as in all situations of this kind (general, regional and sectoral safeguard clause and competition clause, etc.), and will ensure that the system operates reliably and smoothly.

Morocco has hitherto clearly shown its interest in this kind of formula. Its choice forms an integral part of a long-term strategy involving not only close links with the Community but also the liberalization of its trade and the opening-up of its economy. The objective, more than the direct trade benefits, lies in the economic coordination between Morocco and the Community which this decision necessarily entails and in the signal which will in this way be given to local and European businesses. The signal denotes a long-term willingness to take the irreversible decisions involved in creating a liberal economy.

This kind of political will in partners which are so important to the Community should be taken into account and keenly fostered. It is the Community's duty to respond with a clear framework for partnership, for the greatest benefit of all concerned.

#### 4. FINANCIAL COOPERATION

Although the framework has been established for the next few years by the fourth financial protocols and by horizontal financial cooperation, the instruments and objectives of financial cooperation could when necessary be adapted to the partners' new requirements. The financial protocols will apply until 1996, by when it will be time to take stock of this type of cooperation and determine the benefits and the limitations, if any. Other instruments could be considered, as either additions or alternatives, to take into account experience of cooperation with the Central and Eastern European countries, in particular the technical assistance operations and financing under PHARE.

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## VI. CONCLUSIONS

The objective of this paper is to provide the opportunity and basis for detailed discussions on the future of the Community's relations with the Maghreb.

Without formally proposing decisions, the Commission is suggesting a number of broad lines which, if they are considered appropriate, would require implementation at different levels.

1. To guarantee the impact which the launch of the Euro-Maghreb partnership should have, a formal declaration could be published at the next European Council in Lisbon.
  2. As regards the contractual framework of relations, the Commission will present as soon as possible a recommendation, together with negotiating directives, for a Council decision authorizing it to open negotiations on a Euro-Maghreb agreement with Morocco. It is prepared to begin exploratory talks with other partners to the same end if they express interest.
  3. Studies of certain specific aspects of the Maghreb's development will be initiated, in particular the cost of non-integration and the Maghreb's place in the new international division of labour.
  4. Generally speaking, the various new aspects suggested in this paper (sectoral dialogues, new financial institution and technical assistance, etc.) will have to be examined in detail in the light of the reactions which they provoke.
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## ANNEXE

## DONNEES DE BASE ECONOMIQUES

## MAGHREB

	Unité	Année	Algérie	Maroc	Tunisie	TOTAL
<b>I. POPULATION</b>						
Population totale	Mio	1990	25,1	25,1	8,2	58,5
Taux de croissance annuelle	%	80/89	3,0	2,6	2,5	2,8
Population prévue	Mio	2025	52	48	14	114
Population active	%	1990	23	31	31	27
agricole	%		25	45	23	34
non agricole	%		75	55	77	66
Population urbaine	Mio	1990	11,0	11,8	4,4	27,2
<b>II. SITUATION ECONOMIQUE</b>						
P.N.B. TOTAL	Mio \$	1989	54,4	21,6	10,1	86,1
per capita	\$		2.230	880	1.260	1510
Croissance annuelle PIB per capita	%	85/89	- 2,9	1,6	0,5	
Balance courante	% du PIB	1989	- 2,3	- 4,9	- 3,7	
Déficit budgétaire	" "	1989	- 2,2	- 4,6	- 4,5	
Dette extérieure	Mio \$	1989	23,6	19,5	6,1	49,2
Service de la dette	%	1989	68,9	32,2	22,6	
	EXP.B&S					
<b>III. ECHANGES EXTERIEURS</b>						
Importations totales	Mio \$	1989	8,4	5,5	4,4	18,3
Exportations totales	"	"	8,6	3,3	2,9	14,8
Balance commerciale	"	"	+ 0,2	- 2,2	- 1,5	- 3,5
Importations de CEE	"	"	5,2	3,6	2,8	11,6
Exportations vers CEE	"	"	6,4	2,9	2,2	11,5
Solde	"	"	- 1,2	- 0,7	- 0,6	- 0,1
Part de la CEE dans						
. les importations	%	"	62	65	64	
. les exportations	%	"	74	88	76	

INVESTISSEMENT ETRANGER DIRECT (net)

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Moyenne annuelle	millions USD	1983/1984	1985/1987	1988/1990	1990
ALGERIE		0,5	3,0	8,3	0,0
MAROC		46.5	27.0	139.0	165.0
TUNISIE		148.5	87.7	65.7	58.0
TOTAL		195.5	117.7	213.0	223.0
A titre de comparaison :					
EGYPTE		609.5	1.114.3	1.250.7	947.0
TURQUIE		79.5	113.0	571.3	697.0
Source : World Bank					





ECHANGES DE PRODUITS AGRICOLES CE/MAGHREB

		Millions ECUS				
		1986	1987	1988	1989	1990
EXPORTS CE/MAGHREB		998	876	1.057	1.491	1.364
IMPORTS CE/MAGHREB		711	726	818	923	1.038
SOLDE		+ 287	+ 150	+ 239	+ 568	+ 325
<u>PRODUITS AGRICOLES DANS LES ECHANGES GLOBAUX COMMUNAUTE</u>						
EXPORTS → MAGHREB		11,5 %	11,5 %	12,7 %	14,2 %	11,9 %
IMPORTS ← MAGHREB		7,8 %	8,2 %	9,4 %	8,8 %	8,5 %

AIDE PUBLIQUE NETTE AUX  
PAYS DU MAGHREB

	(Millions dollars)			
	1988	1989	1990	Moyenne annuelle 1988/1990
C.E.E.	54	56	56	55
C.E.E. + Etats membres	550	491	698	580
Total mondial	967	834	1.511	1.104
% aide CE s/investissements globaux des 3 pays Maghreb	0,02 %	0,03 %	0,03 %	0,025 %°
% aide CE s/aide totale	5,5 %	6,5 %	3,5 %	5 %