
A Unified North Africa on the World Stage: Overview of Maghreb Sector Studies

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North Africa has been gripped for more than a generation by a number of political and economic fears. Morocco argues that it cannot possibly allow its energy supplies to depend on the goodwill of Algeria, which, due to its resources and proximity, would be the obvious supplier. Algeria for its part fears that its neighbors—Morocco and to a lesser degree Tunisia—are only interested in expanding their export markets and preying on Algeria's growing oil and gas wealth. These reciprocal economic fears feed on unsolved political issues and on one another; they also play on the internal characteristics of the regimes, which have mastered using fear of the other to slow down any serious evolution toward more democratic forms of government or a more equitable sharing of national wealth. Governance in the Maghreb has improved much more slowly than the pace witnessed in other countries, notably in Asia.

North Africa's fears often have been encouraged from abroad as the region has been caught up in the broader swirl of international affairs. For much of the 1970s Europe and the United States did not look kindly upon Algeria's support for the Palestine Liberation Organization. When Algeria bought weapons from the former Soviet Union, France was happy to arm

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Morocco and Libya to put pressure on Algeria to stop purchasing arms. Today the high price of oil and gas—and the knowledge that Algeria has abundant reserves of both—has put the country back in the driver's seat in North Africa: It can act as a facilitator or spoiler on many fronts. Algeria has been a reliable exporter of gas to Libya, the United States, and Europe for 45 years. By 2020 it will have become the European Union's second-largest source of imported gas after Russia. Meanwhile, Algeria, Morocco, and Tunisia have all used the heightened fear of Islamic terrorism to further their own internal agendas and ensure that the West turns a blind eye to their lack of respect for greater freedoms of speech and greater transparency in economic matters—in other words, for the due process of law.

North African countries thus have become pawns in a broader game they do not control, a game that today includes the United States, Europe, Russia, China, and India. Fifty years ago there existed a deep feeling of Maghreb solidarity, symbolized by the Appel de Tanger for Maghreb unity, which the leading politicians of the day signed in April 1958.¹ Today each country has built a nation state on the classic European model, to the detriment of regional sentiment.

The absence of any long-term political vision for North Africa has encouraged the flight of capital and of educated and less-educated people who cannot hope to find good investment opportunities and jobs in economies that are growing too slowly. Many younger North Africans—two-thirds of the population is under the age of 25—despair of their countries' and the region's future as they watch Europe integrate while China and India grow in wealth, power, and influence on the world stage. Rates of economic growth need to improve significantly over the next decade as a huge bulge of young people enter the labor market; the future may become very bleak, not only for the region but for the world, if the generational transition needed to meet this challenge is unsuccessful. That sea change is not only about economics, but greater prosperity would help.

To date, North Africa has avoided the serious conflicts that forced Europe, after two bloody world wars, to build a common economic market and a common dream of a shared future. However, military expenditure has soared while investment in education and infrastructure is desperately needed. The unresolved legal status of the Western Sahara has stifled all attempts to bring Morocco and Algeria closer.

The European Union has offered the Maghreb the prospect of a free trade zone, one of the main pillars of the Barcelona Process, which was launched in 1995. However, today the European Union appears at worst scared of its southern-rim Mediterranean neighbors and at best skeptical of the need to engage them in serious debate. Meanwhile it erects rigid barriers against further immigration, often giving the impression of being

1. Francis Ghilès, "El Maghreb Paga El Precio de su Desunion" ["The Maghreb Pays the Price for Disunity"], *El País*, June 5, 2008. See also Ghilès (2008a).

an Old Europe with no great ambitions for the future. Unlike Asian countries and the Americas, Europe hardly dares dream of a Mediterranean Union. Southern-rim countries, not least in North Africa, are equally wary. The sector studies presented in this volume demonstrate the tantalizing prospects that opening all frontiers in North Africa could offer—and the leveraged effect this could have on trade and investment flows with the wider world. To date, however, except for the growing presence of Tunisian entrepreneurs in Algeria, this prospect remains a mirage.

We are faced with a beauty contest between Algeria, Tunisia, and Morocco as each attempts to prove its value to the West, Russia, and China. Each tells the West that it has come closest to Western norms of good economic and political governance. The West, meanwhile, is very keen on how terrorism might best be contained. The mantra of terrorism and the security of oil and gas supplies sometimes appear to be the only prisms through which the media and Western governments view the region. The threat of al Qaeda cannot be dismissed, but the main source of social violence lies in the deep discontent among young people who are faced with poor employment opportunities, expensive housing, and growing income disparities in systems addled by corruption. In Europe at least, another major concern is stemming the flow of immigrants, be they legal or not.

Today, despite its troubled recent past, North Africa is producing more and more entrepreneurs who are looking to the future and wish to engage with the world. They tire of old political quarrels, as does the younger generation whose voice goes unheeded in international forums. Also, as mentioned above, entrepreneurs and the younger generation—in which women are playing an ever greater role—are mindful of the rise of China and India, which both have encouraged diasporas to aid their own economic development. There is a lesson here for the Maghreb (Ghilès 2007c, 2008a). Ten percent of Morocco's and Algeria's population live and work abroad, often carrying European and North American passports. Such binational young entrepreneurs who are tempted to set up shop in their former motherlands would be perfect bridge builders between two worlds—and two civilizations—that we are often told are in conflict. They despair, however, of the slow pace of reform and what they see as antiquated systems of governance and the European Union's virtual ignorance of their existence.

Giving entrepreneurs a greater role is vital: Industry not only creates many jobs, but also manufactures a lobby for enforceable contracts, the rule of law, and ultimately, representative government. However, the Barcelona Process overlooked the role of private entrepreneurs and there are still no well-established forums in which private and state entrepreneurs can meet on a regional basis. Too many meetings see European officials peddle their democratic wares and lecture the Maghreb on women's rights while Maghreb officials ask EU countries to atone for their colonial sins and shell out more money. By contrast, when businessmen meet, the

tone is altogether more positive: They realize that the opportunities to build joint ventures with European, US, Asian, and Russian companies offer hope for the future (Ghilès 2006a, 2006b, 2007b). But the positive contribution of entrepreneurs is ignored by many political leaders on both shores and by the media, which often treat North Africa as if it were little more than a den of Islamic terrorists and illegal immigrants where one can nonetheless buy energy and go on cheap holidays. They do not seem to realize that North Africa is a young region whereas Europe is increasingly gray, running the risk of marginalization in the longer term as its population declines. The Union for the Mediterranean has the merit of putting the Mediterranean at center stage; it may help Europe realize that it must look south.

Sector Recommendations

For the Maghreb—a region of 80 million people, rich in oil, gas, agricultural products, and tourism, and sitting on the doorstep of the world’s largest market—the real challenge is to integrate more fully and quickly into international flows of trade and investment. Were all five Maghreb countries to do so, they would have to adapt more quickly to international norms of economic, legal, and even political governance.² Such an evolution can only come about through a process of mutual stake building among the different countries, particularly Algeria and Morocco, which would suggest cross holdings in equity in the energy and banking sectors. We thus make a number of suggestions that could, in the short and medium terms, encourage greater links between North African countries and the rest of the world.

Energy

Energy remains the strategic key. Sonatrach, Algeria’s state oil and gas company, could agree to sell greater quantities of gas to Morocco through the existing Maghreb-Europe Pedro Duran Farell Pipeline that runs from Algeria to the Iberian peninsula. As matters stand, Morocco levies a 7 percent transit fee paid in kind on the throughput of Algerian gas. At first it sold the gas it received from the transit fee to Spanish companies; today it uses some of it—0.5 billion cubic meters—for the Tahaddart combined-cycle thermal plant, and will soon use all the transit fee gas when the Aïn Beni Mathar combined-cycle thermal plant is completed. As a confidence-

2. The sector studies contain limited reference to Libya and Mauritania because data are not available, but the recommendations should apply to those two countries as well.

building measure, Sonelgaz, the state Algerian gas company, could be invited to invest capital in this new venture.

The Moroccan state electricity company, Office National de l'Électricité, had envisaged building a combined-cycle plant to produce electricity at Al Wahda; it thought that it would buy gas from the pipeline paying the same cost and freight prices paid by Spanish buyers who received liquefied natural gas from Algeria. Algeria refused this deal, but such a project could be relaunched. To boost confidence further, Sonatrach could be invited to invest capital in the underwater section of the Pedro Duran Farell pipeline, which runs under the strait of Gibraltar, as it already holds a 50 percent stake in the underwater section of the Trans-Med Pipeline (Enrico Mattei), which since 1983 has carried gas from Algeria to Italy through Tunisia and under the strait of Sicily.

Multiproduct pipelines—liquefied petroleum gas, gasoline, and diesel—could link different centers of gas bottling and distribution situated on either side of the Algeria-Morocco border. This would not only help meet local needs, but also curtail the smuggling of oil and gas products that currently plagues the industry. Pipelines could be built that feed off the Maghreb-Europe pipeline to supply major Moroccan cities such as Fez. Electricity connections among the three countries could be developed and used much more rationally than is the case today.

Finally, connecting the different north-south gas lines—the Pedro Duran Farell and Enrico Mattei, plus the Medgaz, which is under construction and will carry gas directly from western Algeria to Almeria in southern Spain, and the planned Galsi pipeline, which will carry gas from eastern Algeria directly to the Italian mainland via Sardinia—could increase the volume of gas trade in the western Mediterranean to 18 million tons of oil equivalent by 2020. This would represent 20 percent of all energy requirements in the Maghreb.

Europeans will have to alter their perceptions of North Africa so that the region's oil and gas producers are not seen simply as suppliers of raw materials (Ghilès 2007a). North African producers must also appreciate that energy can act not only as a great catalyst for Maghreb cooperation, but also as a tool of development, a way to combat climate change—a looming menace for Algeria, Tunisia, and Morocco—and a means of producing another commodity that is becoming increasingly scarce: water.

Banking and Insurance

The banking systems of Algeria, Morocco, and Tunisia have features in common. The share of bank credit devoted to the public sector is high and the percentage of people holding bank accounts is low. The flow of capital escaping the region is higher than the total worker remittances and foreign direct investment that the region receives. Individuals of high net

worth have little trust in the systems in which they operate. Yet entrepreneurs who are close to the ruling elites benefit from modern banking services and low interest rates. In short, the banking systems facilitate practices that hinder economic development.

To convert to productive use the large volume of unused liquidity currently held in the banking system, new financial instruments could be created that are common to the three main Maghreb countries. Inspiration could be drawn from the Association of Southeast Asian Nations Plus Three, which created the Asian Bond Initiative and Asian Bond Fund. Creating a North African equivalent to the United Kingdom's Financial Times Stock Exchange index (FTSE100) or France's Continuous Assisted Quotation (CAC40) would also help draw financial markets closer. Beyond this, ensuring full currency convertibility for the three countries would ensure greater transparency. The inevitable privatization of the Algerian banking system could offer an opportunity to create two regional banks with shareholdings in the three countries; these banks' prime task would be to encourage and engineer mergers and acquisitions across North Africa. Finally, establishing a triple-A rated Mediterranean financial agency would help to bring these initiatives and others under one roof and signal the strong interest of the European Union and the United States in a faster pace for Maghreb economic development.

Greater efforts should be made to understand the flow of remittances to North Africa from North Africans in Europe. Policymakers are wrong to assume that migrant populations aspire to integrate fully into either Europe or their former motherlands; they often seek to straddle both, and as mentioned above, there are thus lessons to be learned from the Chinese and Indian diasporas.

Transport

The most obvious actions to improve transport in the Maghreb would be to reopen road and rail services between Algeria and Morocco—which would require only a few weeks' work—and to increase the frequency of flights between Algiers and Casablanca. These would at least turn the frontier into a manageable and open line of demarcation, rather than an area where illegal immigrants from southern Saharan countries float around in a no man's land.

The motorways being built in all three countries need to be connected, both near the coast and inland. Such links would help boost trade and investment. Where air traffic is concerned, a joint air safety regulation authority would be a good start. Morocco has adopted an open skies policy. Tunisia is open to low-cost carriers. Encouraging Algeria to move in a similar direction would reinforce what is already a very active north-south volume of traffic. Ports could cooperate far more than they do today and

promote transshipment, which would insert them more fully into the global value chain.

Food Industries

Food industries offer many opportunities for regional cooperation. As patterns of production and consumption are similar across the Maghreb and proximity could be a great asset, economies of scale could be exploited if transport links between countries are reestablished and upgraded. Vertical integration should draw on the relative advantages of each country: water in Morocco, energy in Algeria, and more advanced capacity to transform raw food products in Tunisia. Multinational food processing companies already consider the Maghreb as a unit; merging private companies that operate within the region offers many opportunities to build on this perception. Greater value could be added to products such as dates, olive oil, and camel milk.

Opening up frontiers would also help rid the region of smuggling and encourage each government to promote coherence among the policies they pursue on product control and the subsidies they enact for food production and consumption. Beyond this, joint policies could be enacted regarding water conservation, broader protection of a fragile and often overfished coastline, and other areas of importance for agriculture and tourism. As the climate changes, such considerations should weigh ever more on authorities' minds.

Conclusion

The above measures would deliver great benefits to the Maghreb: faster economic growth, new jobs, modernized legal systems, and greater freedom. Some benefits can be realized quickly; others will take a few years. Whatever the case, a more stable and confident North Africa could take its destiny in hand and profit fully from the greater flows of trade, investment, and knowledge that the early 21st century offers. The United States and Europe should encourage such reforms because a common economic market and a common dream in the Maghreb of a shared future would help lay to rest some of the fears expressed in Washington and European capitals as to the region's capacity to contain terrorism and emigration. North Africa could become a highly respected partner for the European Union, the United States, and other countries in the world.

Europe has tended to see the southern-rim Mediterranean countries as more of a threat than an opportunity; inward direct investment to the Maghreb, however, is increasing and the region attracts a little more than 4 percent of world investment flows, just above its population weight.

Such investment has quintupled in five years despite the ongoing net flight of capital from the region. The investors are largely from Europe but come increasingly from the Persian Gulf, India, China, and Brazil. Their presence is needed to deepen the trends under way.

Two thousand years ago, the Mediterranean was a hub of world trade. In a region so beholden to history, it is worth concluding with the words of two leading statesmen who lived at the time of the splendor of al Andalus; the words ring as true today as they did 600 years ago. The Maghreb statesman and philosopher Ibn Khaldun (1332–1406) said in the *Muqaddimah* that it was “thanks to trading with foreigners that the needs of the people, the profits of merchants, and the wealth of countries grew” (Ibn Khaldun 1974). The chancellor of Florence, Colucci di Pietro Saluti (1331–1406), remarked that “the pilgrimage is a holy act, justice even more so but the holiest act of all in our eyes, is trade.” North African leaders and their European counterparts would do well to ponder such wise words and act on them. Private entrepreneurs and some state companies are already doing so.

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