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**THE ECONOMIC DIMENSION OF THE EU  
COOPERATION WITH THE MAGHREB COUNTRIES**

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**INTRODUCTION**

Since the inception of the European Communities, all Member States have been interested in political, economic and social stability in the Maghreb countries. Nevertheless, some Mediterranean countries still disagree on the approach that should be taken to the region.

France was recognised as the spokescountry for the Maghreb, and subsequently would not accept any project in which it wasn't the sole author. It planned to provide a forum for multilateral cooperation, taking into account the existing bilateral ties. In turn, the Spanish vision of the development of relations was a priority for launching the regional forum with the possibility of inclusion of non-European countries, e.g. The United States due to security issues. Despite its strategic location, Italy did not show more activity in the area [Borkowski 2005, 151–152].

A breakthrough in the development of relations was the Mediterranean Strategy proposed for the European Council during the meeting in Corfu from 24 to 25 June 1994. The main purpose of the cooperation was to “transform the region into an area of peace, security, stability and economic prosperity” [Zięba 2003, 79–81]. A key element in the development of relations with the Mediterranean was the European Commission document “Strengthening the EU's Mediterranean policy; establishment of a Euro-Mediterranean Partnership” on 19 October 1994. It shows the basic problems of the region, such as political instability, migration and a high birth rate. It was necessary to gradually create the Euro-Mediterranean economic area.

Among the objectives identified: enhanced political dialogue, regulations in the field of weapons of mass destruction and the peaceful settlement of international disputes. It was assumed the establishment of a free trade zone for industrial goods as well as preferences for agricultural goods. The region received loans from the European Investment Bank and 5.5 billion ECU from the general budget of the EC for the years 1995–1999

[Borkowski 2005, 152–154]. Finally, at the European Council in Essen in December 1994 approved a project to convene a conference of EU and Mediterranean's countries during the Spanish Presidency in the second half of 1995 in Barcelona.

## AIMS AND METHOD

The main aim of the article is to analyse the economic dimension of cooperation between the European Union and the Maghreb countries. The Euro-Mediterranean Partnership was created in 1995 and initiated cooperation between the two regions [Bernatowicz 2005, 20]. A key task is to identify priorities, and their evolution, depending on the form of cooperation (Euro-Mediterranean Partnership, the Union for the Mediterranean, the European Neighbourhood Policy). I compare the status of progress in cooperation between the Maghreb countries (Algeria, Libya, Morocco, Mauritania and Tunisia).

The specific objectives are:

- to compare the level of advancement of cooperation between the Maghreb countries and the European Union;
- to analyse the documents of bilateral cooperation (e.g. NIP).

I used the historical method (chronological analysis of source documents and scientific studies) and comparative method (list of forms of cooperation depending on the country, in order to show the similarities and differences).

## SIGNIFICANCE OF THE STUDY

The Barcelona Declaration was intended to create a free trade zone. However, it was hard to liberalise the economy and allow foreign investment due to the authoritarian nature of the conservative monarchies or republics.

In the Maghreb countries there is a differentiation due to the distribution of natural resources in the region, specifically oil reserves. The economies can be divided into groups:

- diversified economy, oil – Algeria;
- the economy, oil – Tunisia;
- diversified economy – Morocco;
- primary export economies (non-industrialised economies, exporting basic goods) – Mauretania.

In the economic sphere Maghreb is clearly oriented towards Europe. From 1 January 1993 there was a reduction of customs duties and quantitative restrictions on agricultural products, expanded quotas and a symmetrically opened market. Previously, the region had been stimulated primarily by asymmetric export preferences, ie free access to EU industrial goods in the Mediterranean and the protectionist customs system in the countries of the southern coast [Bernatowicz 2005, 21].

The Euro-Mediterranean Partnership has laid down long-term objectives. It was necessary to accelerate the pace of socio-economic development, improve living conditions, increase employment and reduce the development gap. In addition to the basic desire to create a free trade area, coordinated action and economic cooperation in many areas were

also important. Tariffs were to be gradually eliminated and non-tariff measures in trade in industrial products put in place, liberalisation of trade in agricultural products and services, including the right to establish businesses. It was necessary to modernize economic structures and develop the private sector [Borkowski 2005, 313–314].

In terms of the creation of a free-trade area, the Barcelona Declaration sets out four priority areas, i.e.:

- adopt appropriate legislation in respect of the rules of origin certification, protection of intellectual and industrial property and competition;
- conduct and develop policy based on the principles of the market economy and economic integration;
- adapt and modernise economic and social structures (support for the private sector);
- promote mechanisms to support the transfer of technology.

It was announced that the role women played in development was to be promoted, as would be cooperation in the energy sector, water resource management, environmental protection, regional cooperation, support for small and medium-sized enterprises and the modernisation and restructuring of agriculture [WWW 1].

To achieve the objectives enshrined in the Barcelona Declaration and other documents, appropriate measures had to be taken. The most important instrument was the Euro-Mediterranean Free Trade Area (Euro-Mediterranean Free Trade – EMFTA), which was implemented in two stages: a new generation of Association Agreements (in the first phase of the lifting of restrictions on trade, and in the second the creation of the FTA by the end of 2010), as well as cooperation of NS and SS (regional free trade zone as a complement accompanying the Arab Mediterranean Free trade Agreement) [Michałowska-Gorywoda 2007, 349]. The first new association agreement was signed by Tunisia. The Association Agreement was hailed as exemplary in the literature.

The schematic layout is shaped in such a way that they are the first records of political cooperation, human rights and democracy, and part of the economic, as well as elements related to the socio-cultural cooperation [WWW 4]. The systems are stipulations about the abolition of customs duties on industrial products within 12 years of the Agreement's entry into force, the limited liberalisation of trade in agricultural and fishery regulation rules of origin (rules of origin), intellectual property and institutional adaptation.

The main disadvantages of the Agreement include a lack of interest concerning the status of overseas production and the price of crude oil and natural gas as well as the foreign debt of countries in the region. Another downside is that agricultural products are excluded from the free-trade zone and the too short period the countries are given to transform themselves (12 years). Still present is the fear of hub-and-spoke centralisation (the European Union as a center, and the Maghreb as periphery). There is a need for much greater co-operation within the region.

The Tunisian agreement consists of eight parts, with a total of 96 articles [Borkowski 2005, 234–235, 237, 332].

The established bodies include The Association Council (at the ministerial level with the participation of a representative of the Council of the European Union, the European Commission and the Government of Tunisia), the Association Committee (with representatives in the rank of high diplomats from the Council of EU, European Commission and the representative of the Foreign Ministry of Tunisia). The working groups composed of experts round out the list.

In accordance with Article 1, the primary goal is to provide an appropriate framework for political dialogue, to create conditions for the gradual liberalisation of trade in goods, services and capital and to promote the integration of the Maghreb countries economically, socially, culturally and financially. These goals constitute the basis for action based on respect for human rights and democracy.

In terms of economic issues, the agreement covers duty-free imports into the EU from Tunisia and the right to establish a company on the other side of the system. The economic cooperation will enable the final goal to be achieved: durable and sustainable economic and social growth of Tunisia. Co-operation is to be carried out by a regular economic dialogue, training, exchange of information, assistance in technical matters and the provision of advice. It emphasised the need for the development of trade with the Maghreb region, development of the economic infrastructure and increased investment in scientific research. It also devoted attention to matters of culture and society.

The broad spectrum of collaboration, without any indication of specific actions, also hinders rapid integration. Ratification has taken so long because each national parliament must ratify the agreement individually. Among the Maghreb countries, negotiations were taken up rather quickly with Morocco and Tunisia. The most problems occurred with Libya. On its inclusion within the framework of the Barcelona Process, a meeting was held between al-Gaddafi and the President of the European Commission Romano Prodi, on 27 February of 2004 in Syrta.

Due to its financial and economic position, the attention was also paid to the Common Strategy 2000. The strategy emphasised the need to increase the attractiveness of the region for investors, promote sub-regional cooperation within the Arab Maghreb Union, increase the volume of trade between the countries, and implement Association Agreements.

During the summit of the League of Arab States in Tunis in 2004, the need for progress on political and economic reforms in the field of women's rights and education was emphasised. The EU's response to the demands of the Arab countries for economic cooperation announced measures called Stable Economic Growth and Reform. Improvement was sought in modernisation and deeper economic integration through trade liberalisation, the convergence of legislation, and the strengthening of investment. The effect was to create five million new jobs. According to the World Bank, liberalising the services sector should be a priority the sector makes up such a high share of GDP (about 60%).

With the agreement, policy-makers also sought to increase the amount of foreign investment by simplifying the rights of entrepreneurs. A new feature was a departure from negotiations *stellate* (the model in force since 1995) and the introduction of negotiations on the line N-S and S-S with the principle of voluntary participation. Regional MFN clauses were also introduced. It was important to harmonise technical legislation to reduce the costs associated with dual testing and certification. Harmonization of legislation started at the conference of Ministers Economy in Palermo in 2003.

To further develop the economies of the region, it was crucial that the macroeconomic environment, understood as efficiently conducted monetary policy and fiscal be healthy.

It was also important to eliminate obstacles to investment growth and create jobs through structural reforms. It was announced that the Maghreb's energy markets would be integrated with those of the EU.

A leading financial instrument is the Mediterranean Assistance Program in Economic Development MEDA [Zajac 2010]. The beneficiaries were NGOs, local authorities and state agencies. The programme established the European Economic and Social Committee, which is meeting of socio-economic councils every six months. Furthermore, in 2007, the ENP introduced the European Neighbourhood and Partnership Instrument, focusing on cross-border and regional cooperation [WWW 2].

The MEDA program was established in June 1995. It came into force as a result of the adoption of Regulation 1488 by the Council of the EU, and laid down financial and technical assistance measures to reform economic and social structures in the framework of Euro-Mediterranean Partnership from 23 of July 1996. The aim of the MEDA programme was to strengthen political stability and democracy in the observance of peace and security, support the creation of the FTA and establish cultural and social relations.

During a conference in Marseille, it was decided that it would be continued, and MEDA II would be established (27 December 2000 pursuant to Regulation 2698). Similar programmes had been put in place in Central and Eastern Europe, including PHARE or TACIS.

This includes both bilateral and multilateral cooperation in the region. Distributing money takes into account factors including the size of the countries' population, per capita income, economic absorption capacity, the pace of structural reforms, and progress in negotiating the Euro-Mediterranean association agreements. Pursuant to Article 5, the following criteria can be formulated which take into account the allocation of financial resources: the priorities of the beneficiary's ability to absorb capital and progress towards structural reforms. Since the goal is long-term economic growth, social development and cooperation between countries (Art. 2), the Council of the European Union adopts a qualified majority of three-year programmes at the national and regional level. However, actions initiated by the European Commission limit funding to 80% of the project. The rest you have to be paid from its own sources.

During the period 1995–1999, MEDA referred to four areas: structural reforms (15%), economic changes (30%), financing projects within socio-economic balance (41%), financing of regional projects (14%).

During the meeting of ministers in Valencia in April 2002, a special unit was created within the EIB to modernise resources, especially from the private sector. The idea of creating a Euro-Mediterranean Bank was supported. It aims to deepen economic cooperation and work towards the free movement of services. It sought, among other priorities, to: build a market for agricultural products from the countries of North Africa, improve the operation of MEDA, deepen cooperation in transport, tourism and telecommunications [Zajac 2014]. In Naples in December 2003, the creation of a "Euro-Mediterranean Charter for Entrepreneurs" was accepted, and was to develop small- and medium-sized enterprises. On the other hand, in the framework of the EIB in March 2002, a programme for FEMIP was created.

The above Facility for Euro-Mediterranean Investment and Partnership provides support for the private sector while also creating environmentally friendly companies. It is intended to create an infrastructure project and investment in human capital. It provides support in the form of technical assistance, private capital and loans. To December 2008, it transferred 8.5 billion. The VII Conference on Research, Development and Innovation,

Key to Sustainable Development, held 14–16 March 2010 in Tunis, formulated the main challenges. It laid down the following: raising the importance of research and development and innovation, creating a new action plan aimed at the creation of innovative companies in the region. The conference was chaired by Muhammed Youini, Tunisian Minister. Development and International Cooperation and Vice-President of the EIB in charge of FEMIP, Philippe de Fontaine-Vive [WWW 3, WWW 5].

The European Investment Bank extended the Maghreb countries low-interest loans. The leader in receiving aid was Tunisia. Comparing the amount of support per capita (1995–2002), Tunisia received 113 million EUR, Morocco took in 42.5 million EUR and Algeria 36 million EUR. Tunisia spent mainly on structural reforms and private sector development while Algeria and Morocco preferred to invest in the construction of rural infrastructure and the development of transport.

Analysis of the Maghreb countries should compare economic indicators such as the Index of Economic Freedom Heritage Foundation<sup>1</sup> and The Index of Economic Freedom Fraser Institute<sup>2</sup>.

The data show (Table 1, Fig. 1) that the best situation is in the Kingdom of Morocco, a country with EU advanced partner status. Note the change in the level of the Index of Economic Freedom (Fraser Institute) – Table 2.

TABLE 1. Summary level of IEF (Heritage Foundation) in the Maghreb countries in 2016

Country	Value (points)	World ranking
Algeria	50.1	154
Libya	no data	no data
Morocco	61.3	85
Mauritania	54.8	128
Tunisia	57.6	114

Source: the author, based on dates of Heritage Foundation.

Libya failed to recognise the Index and Mauritania's high rates clearly stand out. In terms of bilateral relations, each of the states prepares national strategic documents (Country Strategy Paper – CSP) for the European Commission, the National Indicative Programme (NIP), a Country Report (CR) and an Action Plan (AP) – Table 3.

In the current term, Tunisia's Action Plan is valid for the years 2013–2017. After the events of the Arab Spring, financial assistance increased from 240 to 445 million EUR. Three priority sectors have been established:

- socio-economic reform;
- building the foundations of democracy;
- sustainable regional and local development.

<sup>1</sup> Created by The Heritage Foundation and The Wall Street Journal in 1995, The Index of Economic Freedom is an annual index and ranking to measure the degree of economic freedom in the world's nations [WWW 7].

<sup>2</sup> The State of the World Liberty Index ranked countries according to the degree of economic and personal freedoms their citizens enjoy [WWW 7].

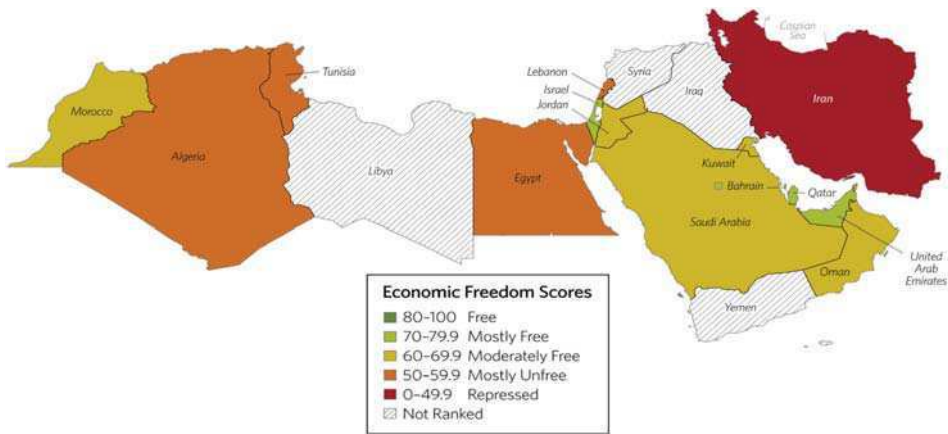


FIG. 1. Level of economic freedom in Maghreb countries

Source: [WWW 6].

TABLE 2. Level of freedom (0–10 point scale) in selected year

Country	1970	1990	2012
Algeria	N/A	3.90	5.09
Morocco	5.20	5.30	6.45
Mauritania	N/A	6.30	6.32
Tunisia	4.90	5.50	6.68

Source: Fraser Institute [WWW 8].

TABLE 3. List of documents accepted by the Maghreb countries

Country	CSP	NIP (2007–2010)	NIP (2011–2013)	CR	AP
Algeria	+	+	+	–	–
Libya	since 2011	–	+	–	–
Morocco	+	+	+	+	+
Tunisia	+	+	+	+	+

Source: the author.

In 2014, Tunisia received 169 million EUR from the European Neighbourhood Institute, in order to facilitate macroeconomic stability and policy transformation. In addition, Tunisia was the first beneficiary of the Umbrella programme (perspective 2014–2020).

The Kingdom of Morocco has received much greater support. In the years 2014–2017 it is expected to take in 728–890 million EUR. It has also set out three priority sectors:

- sustainable access to services;
- the development of democracy, rule of law and mobility;
- employment and sustainable development.

Algeria in the framework of bilateral cooperation for the years 2014–2017 has also set three priority sectors:

- reform of the judiciary;
- labour market reforms;
- economic diversification.

Between 2007 and 2013 Algeria received 366.1 million EUR from the ENPI.

Mauritania is a member of the Union for the Mediterranean. The National Indicative Programme was signed in Nairobi in 2014. The main areas of cooperation are:

- sustainable agriculture and food security;
- rule of law;
- health.

In contrast to the above countries, Libya has not signed the Euro-Mediterranean Agreement, though it does have observer status and in 2014–2015 benefited from EU assistance to democratic development and social integration. Euro-Mediterranean Association Agreements reflect advanced cooperation (Table 4).

TABLE 4. List of Euro-Mediterranean Agreements

Country	Date of signature	Entrance date into force
Algeria	22.04.2002	01.09.2005
Morocco	26.02.1996	01.03.2000
Tunisia	17.07.1995	01.03.1998

Source: the author.

The above data shows that the most advanced formula of cooperation is evident in the “narrow Maghreb” states (Algeria, Morocco and Tunisia). Currently, the unstable situation in Libya hinders any form of cooperation and the EU Delegation has been moved temporarily to Tunis. The rest of the offices operate stably.

The previous publications discussed issues related to the Euro-Mediterranean Partnership and the European Neighbourhood Policy. Topics about the Maghreb countries were discussed in the book by Bruno Callies de Salies “Maghreb: history, politics, society” [2012].

Monographs about European integration (Barcz) and international relations (Zięba) have also come out. Publications of foreign authors affiliated with the CIDOB (Barcelona Centre for International Affairs) and FRIDE (European think tank for Global Action) contribute value research.

## CONCLUSIONS

Maghreb greatly benefits from cooperation with the European Union. Nevertheless, it remains in the group of countries with a medium level of development. According to HDI, as of December 2015 the Maghreb countries are at the following locations: Algeria-83 (0.736); Libya – 94 (0.724); Morocco – 126 (0.628); Mauritania – 156 (0.506); Tunisia-96 (0.721). Bilateral cooperation is defined in documents such as the Country Strategy Paper, National Indicative Programme, Country Report and Action Plan.



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**Summary.** The present article discusses the collaboration between the Maghreb countries (the region is defined in broad terms, including the member states of the Union Arab Maghreb – Algeria, Libya, Morocco, Mauritania and Tunisia) and the European Union in terms of economic development. Of essential importance is the year 1995, when the countries signed the Barcelona Declaration. One of its priorities was “(...) the creation of a free trade area, the aim of which is the gradual elimination of customs barriers (tariff and non-tariff) in relation to the trade of manufactured products. Partners also provide for progressive liberalization of trade in agricultural products and services (...)”. The Union for the Mediterranean and the European Neighbourhood Policy evolved gradually. The article examines bilateral documents (in particular in terms of financial assistance) and economic indicators such as the Index of Economic Freedom.

**Key words:** Barcelona Declaration, Euro-Mediterranean Agreement, Euro-Mediterranean partnership, Maghreb

**JEL:** F50, F53, F55

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