NEGOTIATING EUROPEAN INTEGRATION ON THE SOUTHERN PERIPHERY: DEMOCRACY DEFICITS AND BARGAINING POWER IN THE MAGHREB

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From 1992 until 1995, Morocco and the European Union (EU) were in negotiations for an Association Agreement as part of a regional initiative, the Euro-Mediterranean Partnership (or "Barcelona process"). The free trade provisions of the agreement seemed unfavorable for Morocco: they largely excluded agriculture, and, therefore, many products in which Morocco could have made significant gains, they opened the Moroccan market to competition from EU non-agricultural products (Morocco had achieved equivalent access to EU markets decades earlier), and EU funding for Moroccan company upgrading fell far short of expectations. This research sought to determine how the respective political systems of Morocco and the European Union led to the EU proposing, and Morocco accepting, a sub-optimal agreement. These issues were explored through recorded and transcribed interviews with key Moroccan and EU players, and through document analysis, and the resulting data were analyzed primarily in terms of Putnam's two-level game model of international negotiation.

The principal findings are that Morocco may have achieved a better free trade deal had it been an open and democratic system during the period of negotiations. The closed and elitist nature of the Moroccan negotiation and ratification process meant that the official negotiating position did not account for the full range of interests affected by trade liberalization, and that the hand of the Moroccan negotiators in advocating even that less demanding position could not be strengthened by the threat of ratification failure – the prospect that dissident groups might reject the final agreement in Parliament, in a referendum, or in the streets. The European Union negotiation and ratification process, although open and democratic, was skewed by the lack of significant participation by most member States. Only France, Spain and Italy participated intensively, a situation that ensured the protection of powerful national lobbies (primarily Spanish farmers and fishermen) at the expense of Morocco and of EU economic development objectives for North Africa. The convergence of minimal participation in Morocco and significant but wholly inadequate participation in the European Union led to an agreement favoring narrow European sectoral interests at the expense of the broader vision of the Euro-Mediterranean partnership.

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This work, which is the distillation of 12 years of life in Morocco, is dedicated to the fulfillment of the potential of that country.

Carl Dawson
Rabat, Morocco
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ABOUT THE AUTHOR

Carl Dawson was appointed Executive Director of the American Chamber of Commerce in Morocco in 2002, and has played a key role in the implementation of the free trade agreement between Morocco and the United States, and in the creation of the Council of American Chambers of Commerce of the Middle East and North Africa. He previously worked as an economic and political analyst for a Moroccan investment bank, and as special projects coordinator for the Fulbright Commission in Morocco.

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TABLE OF CONTENTS

CHAPTER ONE

Reflections and Expected Findings on Trade Liberalization between Morocco and the European Union

In early May 2002, at the Ministry of Finance in Rabat, Morocco, a meeting was held between a visiting delegation of U.S. trade officials and the representatives of numerous Moroccan businesses and locally-based American companies, including the author. The purpose of the meeting was to obtain feedback on the possibility of a bilateral free trade agreement (FTA) that would, in general terms, be similar to the U.S./Jordan FTA that had taken effect at the end of the previous year. Following introductory remarks by Finance Minister Fathallah Oualalou, and an outline of the U.S. vision of free trade by the leader of the visiting delegation, Assistant U.S. Trade Representative Catherine Novelli, the assembled business people were asked for their reaction.

U.S. company representatives were predictably outspoken in their support for free trade, but reaction on the Moroccan side was considerably more reserved. Several officials of the Moroccan Employers Federation (CGEM) stated their support for free trade, but went on to express serious concerns about the ability of Moroccan firms to withstand heightened competition, satisfy U.S. norms and standards, and break into the U.S. export market. The wariness of the Moroccan speakers did not delay the subsequent decision to open negotiations for an FTA, but it did cause some surprise amongst members of the U.S. delegation. The origins of the Moroccan reticence can be traced back seven years to an earlier free trade experience with the European Union, which is by far Morocco's largest trading partner.

The Morocco/EU FTA: A sub-optimal agreement for both parties

Between 1992 and 1995, Morocco had negotiated a wide-ranging Association Agreement with the European Union (EU) that included a free trade agreement to be phased in over a 12-year period, from 1998 to 2010. Due to delays in ratification by the member States of the EU, the implementation period actually began in 2000 and will end in 2012. Both accords were part of a wider EU attempt to promote the economic prosperity and stability of the Middle East and North Africa region that was launched at the Barcelona Conference in late 1995. The Morocco/EU FTA largely excludes agriculture – one of the sectors in which Morocco could most benefit from selective trade liberalization – as well as the services sector, and even at the early stage of its implementation prevailing in 2002, the accord had shaken the free trade commitment of the Moroccan business community.

At the time that negotiations for the Morocco/EU FTA began, there was relatively little awareness within governmental circles and the business community of the possible extent of negative short and medium term impacts of free trade: the failure of uncompetitive firms and the resulting economic and social dislocation. There were also unrealistic expectations about the amount of financial aid that the EU would devote to upgrading the Moroccan economy and businesses in advance of free trade, and about the ability of small and medium-sized firms (often family-owned) to recognize the need for upgrading and accept the resulting external involvement in their affairs. The negotiation and signing of the agreement launched an ongoing public and academic debate on the costs and benefits of free trade, and the inevitability of substantial damage in the short term quickly became apparent. Further, although such damage is an inevitable initial consequence of any trade liberalization, the Morocco/EU agreement in particular increasingly appeared to be a poor deal for Morocco due to the minimal agricultural concessions. In the seven years since the signing of the accord, it had also become clear that EU funding for Moroccan company upgrading has been only a fraction of what the Moroccan government and private sector thought necessary – and that many of the funds allocated were never disbursed due to a range of factors. These included bureaucratic delays within

the EU, inadequate coordination and promotion of upgrading schemes, resistance by family-owned firms to external sources of finance and transparency requirements, and the non-viability of many submitted applications. Further, available funding covered only diagnostic studies and the drafting of company upgrading plans, not the acquisition of any extra equipment and staffing that the plan might necessitate. As a result of the various obstacles, little progress had been made in preparing the Moroccan economy for trade liberalization, and the situation was essentially unchanged even as the first tariff eliminations on EU imports with local equivalents took effect in 2003.

Most Moroccan business leaders and members of the political elite had by then fully understood the likely costs of free trade and the fact that they would have to rise to the challenge largely on their own. The realization had come as a shock to many operators. That is why, even in 2002 at an early stage of implementation of the Morocco/EU accord, this historic economic opening was regarded with considerable fear and even bitterness by some players, especially among the vulnerable small-and-medium-sized businesses that account for approximately 90% of all firms. This was the economic and psychological context in which Catherine Novelli and her delegation of trade officials met with local business representatives, and their experience clearly illustrates the ongoing impact of the Morocco/EU free trade agreement on Moroccan trade relations with non-EU commercial partners. That impact may have been substantially deepened by the Royal appointment, in early July 2002, of Foreign Affairs Undersecretary Taieb Fassi Fihri as lead negotiator for the Morocco/U.S. FTA. It was Fassi Fihri who led the Moroccan delegation in free trade and Association Agreement talks with the European Union in the early to mid 1990s.

Low political participation and authoritarian ratification processes as determinants of international negotiation outcome

Why, then, did Morocco accept a disadvantageous free trade arrangement at all? And why did the European Union propose terms that seem to at least partially contradict its stated aim of fostering economic prosperity and stability in the Maghreb region (Morocco, Algeria, Tunisia) and beyond? This work is the story of how a voluntary lack of participation in a democratic political system (the European Union) can skew the negotiating offer of a party in talks for an international agreement, and of how a lack of participation imposed by an authoritarian political system (Morocco) can not only skew the negotiating offer but also greatly weaken the negotiator's hand by making the eventual ratification of the agreement appear easy. The key to understanding these phenomena lies in the political systems that generate them, and, more specifically, in the nature of international agreement ratification in authoritarian States. More attention will be devoted to the authoritarian case (Morocco), since it has little presence in the existing literature, but this is very much a tale of two polities and of their deficiencies – deficiencies that ultimately prove to be similar, despite differences of degree and systemic context.

The principal findings of this study are that Morocco may have been able to achieve a better free trade deal in the 1996 Association Agreement signed in the wake of the Barcelona Declaration had it been an open and democratic system during the period of negotiations, the early to mid-1990s. The closed and elitist nature of the Moroccan negotiation and ratification process meant that the official negotiating position did not account for the full range of interests affected by trade liberalization, and that the hand of the Moroccan negotiators in advocating even that less demanding position could not be strengthened by the threat of ratification failure – the prospect that dissident groups might reject the final agreement in Parliament, in a referendum, or in the streets. The European Union negotiation and ratification process, although open and democratic in nature, was skewed by the voluntary lack of significant participation by most of the then 15 member States. Only France, Spain and Italy participated intensively, a situation that ensured the

protection of powerful national lobbies (primarily Spanish farmers and fishermen) at the expense of Morocco and of the Barcelona Declaration economic development objectives for the Maghreb. Other member States, which might have weighed in on behalf of the broader interests of the EU and Morocco, were largely absent, and their occasional interventions were often merely attempts to mollify their own sectoral lobbies. The convergence of minimal participation in Morocco and significant but wholly inadequate participation on the European Union side led to an agreement favoring narrow European sectoral interests at the expense of the broader vision behind the Euro-Mediterranean partnership.

In addition to the question of political participation and its impact on international agreements, the study presents a rich vein of strikingly honest testimony from the key players on both sides of the negotiations concerning their views on trade liberalization, the strengths and weaknesses of the Euro-Med partnership, and the political and personal power-plays that impacted the talks. The role of the Morocco/EU fisheries accord and of Moroccan and European pressure groups is also discussed, and the picture that emerges brings to life a number of previous findings in the international negotiation literature.

The regional importance of Morocco and the domestic impact of free trade

Morocco is strategically important for the political and economic security of Western Europe, North Africa, and the Middle East. The country occupies a strategic geographic position, 14 kilometers south of Spain and the rest of the European Union, immediately to the north of sub-Saharan Africa, and on the western corner of the greater Maghreb (Mauritania, Morocco, Algeria, Tunisia, and Libya). The Moroccan business and political elite has close ties to both France and the Middle East, and the Moroccan monarchy has played a longstanding and significant role in the Middle East peace process. A key gas pipeline feeding Southern Europe passes through Moroccan territory from the oil and gas fields of neighboring Algeria, and the Moroccan coastal fisheries were the operational zone of a large Spanish and Portuguese fishing fleet until the expiration of the most recent Morocco/EU fisheries agreement in late 1999. Perhaps more importantly, in the

wake of the terrorist attacks of September 11, 2001, the relatively stable political evolution of the Kingdom contrasts sharply with Islamist violence and political unrest elsewhere in North Africa and the Middle East.

Yet the strategic value of Morocco lies not only in the strengths enumerated above, but also in several less positive phenomena that have frequently soured relations with the European Union. Increasing flows of illegal immigrants, which include both Moroccans leaving home and sub-Saharan Africans using Morocco as a transit point, have caused great tension within the EU and particularly in Spain, where the anger has been deepened by other bilateral disputes relating to the Sahara, the two Spanish enclaves in northern Morocco, and drug trafficking. Spain has accused Morocco of laxity in controlling illegal immigration, and, if true, that would hardly be surprising. Emigration allows many people who have little future in Morocco because of chronic unemployment to achieve what is often a higher standard of living in Europe, thus removing a potential source of domestic political discontent. Once settled in Europe, many immigrants send remittances to their families in Morocco, generating annual foreign exchange earnings in excess of $3 billion. Any serious attempt to reduce illegal immigration flows without addressing the root causes of the problem would therefore clearly run counter to the domestic political interests of the Moroccan State, and would only become probable in the event of a dramatic increase in external political pressure on the issue. Western Europe is also the primary market for the large quantities of cannabis grown in the impoverished northern regions of Morocco, where the promotion of alternative crops appears to have made little progress. Here again, any serious crackdown by the Moroccan authorities would seem likely to result in social unrest and increased illegal immigration flows unless legal alternative sources of income can be found.

Although illegal immigration and drug trafficking are a source of tension between Morocco and the EU, the fact remains that Morocco is in a relatively strong economic position to achieve the higher levels of development that would reduce those problems and also consolidate domestic political stability. In that sense, diplomatic problems such

as those discussed above can be recast as powerful negotiating arguments for increased development aid.

Free trade and the Association Agreement with the European Union is intended to strengthen Morocco in support of its actual and potential strategic value, and it was negotiated within the framework of the EU Mediterranean partnership, which covers 12 southern Mediterranean nations ranging from Morocco to Israel and Jordan. Both Algeria and Tunisia have Association Agreements with the EU that are very similar to that of Morocco, both in general terms and, in the case of Tunisia, with respect to free trade. However, while the longer-term benefits of trade liberalization are clear, there is a real danger that the short and medium-term shock of open competition will produce negative socio-economic impacts. The minimization of social and economic dislocation during the transitional period depends on effective business upgrading – which has clearly not yet been achieved in Morocco – and excellent strategic planning, as well as substantial new foreign direct investment. As stated earlier, the free trade agreement signed between Morocco and the EU appears to be a poor deal for Morocco: it largely excludes agriculture and, therefore, many of the products in which significant gains could have been made in a liberalized environment, and it did not provide for adequate upgrading funds – be they European or Moroccan in origin – or the efficient delivery mechanisms needed to back them up. As a result of these deficiencies, and the failure of Morocco to effectively compensate for them, Morocco has been unable to take advantage of one key aspect of the FTA, the "back-loaded" nature of the tariff elimination schedule. This timetable provided for the rapid abolition of tariffs on imported capital goods, raw materials, and goods with no local equivalent, thereby lowering the input costs of many Moroccan industries and giving them time to apply the savings (plus any available additional funding) to productivity and quality upgrading in preparation for the removal of tariffs on competing imports. The final phase of the liberalization process began only after these "friendly" tariff reductions were complete, and it is being implemented much more gradually.

All in all, there is good reason for concern regarding the short and medium-term impact of trade liberalization on a nation that is already facing an alarming level of poverty and unemployment, especially given the risk that any deterioration in socio-economic conditions could be instrumentalized by extremist groups and feed into political violence. Should such instability arise, any initial adverse impact of trade liberalization would not be its root cause, but might well constitute a proximate cause – a catalyst for latent discontent generated by a complex set of problems that long predate trade liberalization itself. These concerns highlight the critical importance of understanding why the Morocco/EU free trade and Association Agreement was sub-optimal, how Morocco and the EU might have achieved a better deal, and how other countries in a similar position to Morocco might do so in the future.

The research questions

It is clear that the Morocco/EU free trade and Association Agreement has great significance for both wider Moroccan trade relations and domestic socio-economic welfare, which in turn influences the political stability of a nation that has considerable regional geopolitical importance. Given that free trade has inevitable short and medium-term costs that are exacerbated, in the Moroccan case, by the exclusion of services, the minimal nature of agricultural concessions, and an already fragile socio-economic situation, the following research questions seem relevant:

1. Why did Morocco decide to open its economy through a free trade and Association Agreement?
2. Why was the European Union chosen as a partner?
3. How did the respective political systems of Morocco and the European Union lead to the EU proposing, and Morocco accepting, a sub-optimal agreement, and how could the problems identified be avoided in the future?
4. To what extent were the negotiations influenced by:
    (a) domestic economic and political interests
    (b) international relations

(c) leadership preferences
(d) the formulation of Moroccan and European negotiating strategy and the respective international agreement ratification processes, and
(e) the parallel issue of the Morocco/EU fisheries agreements?

These issues will be explored through document analysis and interviews with key Moroccan and EU players, and the resulting data will be analyzed in terms of several aspects of negotiation theory (including the impact of bureaucratic politics on negotiations, the strength of weak States, and Habeeb's model of power in negotiations) and in terms of Putnam's two-level game model of international negotiation. The latter theory holds that the negotiators of international agreements (level 1) must operate under the constraints imposed by the interests of the other international parties and their capacity to deliver on any agreement, but also under the constraints imposed by the need to obtain ratification of any agreement at the domestic level (level 2). This approach is presented in detail in a later chapter.

The research questions are important from an *empirical* perspective because they could yield valuable insights into the strengths and weaknesses of the Moroccan and European Union negotiating strategies, as well as recommendations for improvement, and those insights may be applicable to less-developed countries (LDCs) other than Morocco attempting to enter or associate more closely with established trading blocs characterized by a much higher level of development. The research questions are important from a *theoretical* perspective because one of the theories applied, Putnam's two-level game conception of international negotiations, was developed in the context of advanced industrial states governed by representative democracy, and its application to Morocco, an authoritarian monarchy at the time of the FTA negotiations with the EU, will provide useful insights into how interest advocacy and treaty ratification work in such a state and into how Putnam's model could be extended to that case more generally. Further, determining why the European Union proposed, and Morocco agreed to, a free trade deal that is unnecessarily damaging to Morocco in the short-to-medium term may shed new light on the less predictable ways in which domestic political interests shape (or fail to

shape) international negotiations. Such insight would move us beyond Putnam's two-level game model, in that the two-level game is concerned with identifying various types and levels of influences on negotiations but *not* concerned with linking specific types of influences with specific negotiation outcomes. The latter task falls to theories dealing with political and bureaucratic leadership as well as the differing roles of the various economic actors.

The expected findings

The first expected finding is that the European Union proposed a free trade agreement that was unnecessarily disadvantageous to Morocco under the influence of sectoral pressure groups seeking to protect their interests.

The second expected finding is that Morocco accepted an unnecessarily disadvantageous free trade agreement under the combined influence of:

(1) an elite/business coalition that stood to gain from the deal and had extraordinary influence over the decision-making process, and

(2) a generalized belief among the political elite that Morocco could not afford to be excluded from the longer-term development benefits of trade liberalization – whatever the short-to-medium term costs – and that existing patterns of trade and cultural relations made Western Europe the inevitable partner.

Ronald Rogowski, in his 1989 work *Commerce and Coalitions*, demonstrates the impact of comparative advantage on the political reactions to free trade in a given economy. Basing his analysis on the Stolper-Samuelson theorem, which found that trade liberalization benefits the owners of abundant factors of production and harms the owners of scarce factors, Rogowski profiles the possible factor allocations in a given economy and the consequent political reaction to liberalization. His treatment of the Moroccan case – abundant land and labor but relatively scarce capital – is as follows:

> *"In a capital-poor economy with abundant land and labor, change in exposure to trade… mobilizes a coalition of red and green… Expanding trade… benefits farmers and workers but harms capitalists; and the mass coalition – or, where agriculture is dominated by a few large landowners, a coalition of gentry and labor – pursues a wider franchise, free trade, and a general disempowerment of capital."* (1989, p. 15).

So, given the impact of comparative advantage on reactions to free trade outlined by Rogowski, and given that Morocco is a country of abundant land and labor but relatively scarce capital, free trade should be supported by farmers and workers but opposed by capital (not only because the scarcity of capital limits the export benefits and heightens the import vulnerability resulting from tariff removal, but also because some existing capital enjoys rentier or monopoly situations based on non-tariff barriers that are threatened by liberalization). Yet the free trade agreement as signed largely excludes the Moroccan agriculture sector, which accounts for up to 50% of the workforce, thus apparently eliminating one source of support for free trade (farmers) and half of another (workers) except for those few agricultural employees capable of transferring easily to other sectors. As for the owners of capital, who are supposed to oppose free trade in these circumstances, they (or at least the most influential among them) seem to have been instrumental in *supporting* the agreement.

The situation is, of course, much more complex than this initial portrait would suggest. We have described free trade as being in the interests of Moroccan farmers and of the 40-50% of labor that works the land, but it would be more accurate to limit the statement to those farmers (and related workers) whose products would be competitive for export under free trade, such as citrus fruit, olives, fresh tomatoes, sardines, and capers. Moroccan cereal producers would actually suffer under free trade, due to very low yields caused by drought, lack of technology, and inadequate farm size, and cereals account for a large part of the agricultural workforce. Red and white meat producers would also be at risk, although lower costs for imported animal feeds would at least partially reduce the competitiveness gap. On this basis, there would be a split in the agricultural sector (among both farmers and workers) between supporters and opponents of free trade. It seems that agricultural operators (both likely free trade winners and losers) were very

active in seeking a role in the decision-making process because of a belief that substantially increased access to European agricultural markets might be possible, and fears that access could even be reduced for some products. Now, this leaves the 50% of labor that is in the non-agricultural sectors and was therefore clearly going to be affected by the FTA. This group, as an abundant factor of production, should support the FTA according to Rogowski, but this is thrown into question by the fact that Morocco had already enjoyed essentially free access to EU non-agricultural markets for decades prior to the FTA, thanks to the association agreements that preceded it. In other words, the potential export benefits of free trade had already been made available, and the main innovation of the FTA was to remove customs duties on EU products competing locally with Moroccan equivalents (although inputs imported from the EU were also exempted). On the whole, then, this group might actually be expected to oppose the FTA, in contradiction with the general case of Rogowski.

As for the owners of capital, they, or at least their political leaders, seem to have supported the agreement, despite the prediction that it would disadvantage them as a relatively scarce factor of production – and this is the genuine contradiction at the center of debate. I suspect that the key to this apparent paradox lies in (1) distinguishing between capital owners based on how free trade will impact on the particular lines of products in which they deal, and (2) the way in which capital owners are represented in the Moroccan political system.

In general, the Rogowski theory does not seem to hold up well in the Moroccan context, but this is essentially because the FTA with the European Union is not a complete bilateral FTA at all, but rather a partial and unilateral FTA: an agreement that largely excludes agriculture and liberalizes non-agricultural trade essentially for the EU alone and not also Morocco, which had already obtained that access. Nevertheless, the Rogowski perspective greatly helps in the identification of some of the relevant interest groups and their expected rational behavior patterns.

It seems that Morocco may have accepted the free trade deal because an elite coalition standing to gain from free trade, or seeing it as an economic imperative in the national interest, had control of political decision-making, negotiation strategy, and the ratification process to the exclusion of factions that stood to lose. The idea is plausible, given the strong tendency for members of the political elite to capitalize on their position through business dealings, and given the differential impact of import barrier abolition: businesses that pay tariffs on raw materials imported from Western Europe and are not threatened by cheaper or better European substitute products should favor free trade, whereas businesses relying on local materials and vulnerable to Western European substitutes should be opposed to it. The former category might include many of the larger Moroccan corporations that have already integrated advanced technology and sophisticated marketing and quality control procedures, as well as smaller firms sourcing inputs from the EU and able to withstand competition.

Another factor in Morocco's decision may simply have been a perception that there were no viable alternatives to further integration into the world economy, and that free trade held at least some attraction given (1) the already quite advanced implementation by Morocco of the World Bank/IMF liberalization agenda, and (2) the prospect of longer-term gains from competition-generated productivity increases and foreign direct investment. The strength of Morocco's cultural and economic ties to Western Europe would then have made the EU an obvious choice as a free trade partner.

The methodology used in this study is detailed in the next chapter, chapter two, which is followed by an outline of the theoretical framework drawn from the negotiation literature to be applied to the case at hand, the free trade and Association Agreement talks between Morocco and the European Union. Two subsequent chapters (chapters four and five) present a broad overview of relations between the EU and both Morocco and the Maghreb in the recent past, since those relations point to a number of likely influences on the approach taken by the two parties to the negotiations. These possible influences range

from past cultural and economic ties, and the dynamic initiated by the eastward expansion of the Union, to the pressures of migration, the role of the Maghreb as an energy supplier to the EU, drug trafficking and terrorism. Chapter six offers an analysis of the Moroccan elite structure, which is essential to understanding how different societal groups interact, how information is managed, and the current state of Moroccan entrepreneurship. All of these factors are of critical importance to Moroccan negotiating behavior. Chapter seven presents the testimony of key players in the negotiations, both Moroccan and European, chapter eight analyses the data in terms of the theoretical framework, and chapter nine offers a range of conclusions.

CHAPTER TWO

Methodology

The bulk of the field research took place in 2003 and 2004 in Morocco, Belgium and France, and focused on three main sources of data as follows:

1. Interviews with Moroccan free trade negotiators and policymakers designed to (a) gather data on the research questions, and (b) identify other key interviewees or sources of information, including representatives or position papers of interest groups that played an important role in the process (such as trade unions, civil society groups, the academic community, and businesses);
2. Interviews with EU free trade negotiators and policymakers designed to (a) gather data on the research questions, and (b) identify other key interviewees or sources of information, including representatives or position papers of interest groups that played an important role in the process (such as farmer groups, trade unions, civil society groups, the academic community, and businesses);
3. The gathering of additional secondary data (including documents, academic studies and newspaper reports).

Most interviews were tape-recorded, and these were transcribed and analyzed in terms of (1) the various themes and sub-themes apparent in the responses to each question or cluster of questions, and (2) the theoretical framework and expected findings of the study. Certain respondents answered selected questions by email, and this method was also used when supplementary information was necessary after face-to-face interviews; one interview was conducted by telephone, and written notes were taken in that case. Interviews were conducted in French, with one exception, and the quotations featured in the dissertation were translated by the author. To ensure maximum disclosure, interviews

were conducted on the basis of anonymity, and informants were identified in the dissertation only by their role or interest group or governmental affiliation. At the beginning of each face-to-face interview, the subject was asked to read a text explaining the identity of the researcher, the nature of the research, the intention to tape record the interview (with consent), and the fact that respondents would remain anonymous. All respondents agreed to the recording of the interview. The same information was provided in initial emails and faxes sent prior to the scheduling of interviews. The research protocol was approved by the University of Pittsburgh Institutional Review Board.

The decision to begin with interviews of free trade negotiators and policymakers reflects a desire to give priority to those most closely involved in the negotiations, which are the main focus of the study. The intention was to solicit recommendations of further contacts and information sources during those initial interviews and then fan out from the center in pursuit of other relevant testimony. It had been anticipated that a greater number of interviews would be conducted than the 13 that finally took place, but it quickly became clear that the range of key players on either side of the Mediterranean was very limited. Interviewees consistently named the same individuals when asked to identify the drivers of the process, and it was those same names that were most often cited in contemporary newspaper reports.

Two interview questionnaires were developed (see appendix), one for Moroccan respondents and one for European respondents, although the two versions are largely identical. Both versions focus on the formal and informal role of the interviewees in the Association Agreement negotiations, their perception of the FTA component and the motivations of the two parties in signing it, and the way in which various interest groups affected the outcome. Specifically, the questionnaires were designed in four parts.

Section A focuses on the role of the interviewee in the negotiations, since that information has a bearing on the credibility that can be accorded to the data obtained, and a distinction was made between formal and informal roles. An interview subject asked simply what role he or she played in the talks may answer “none,” on the assumption that

the question refers to an official role, when in fact the informal role played may have been considerable. Separate questions were asked concerning the role of the interviewee in soliciting a free trade and Association Agreement, as opposed to participating in the negotiations, since the former does not necessarily presuppose the latter.

Section B is composed of three very general questions regarding the meaning of the free trade agreement in the eyes of the respondent and its perceived strengths and weaknesses. These questions were intended to reveal the interviewee's personal assessment of the significance, costs and benefits of the accord, as distinct from his or her evaluation of the attitudes and actions of other people or groups.

Section C seeks interviewee opinion on why their party sought an agreement; why the agreement was sought with the other party as opposed to any other; why the EU omitted services and largely omitted agriculture from the agreement and Morocco accepted these omissions; why, overall, Morocco accepted the agreement despite its disadvantages; and how the fisheries agreement negotiations influenced the Association Agreement talks. This section, which focuses more on the State perspective, attempts to identify the motivations of the two parties, Morocco and the EU, in entering into a new phase of their partnership.

Section D focuses on the interest group or civil society perspective, and attempts to identify the winners and losers of the agreement, their representatives, the formal and informal procedures used in the negotiations, how interest group representatives tried to advance their positions in that context, and with what results. The final two questions in this section look at how interest group activity translated into constraints on negotiators at Level I (the international negotiating table) and who, on each side, had the power to modify that party's negotiating position in response to interest group and other constraints.

Section E concludes the interview by prompting respondents to raise any issues considered important that have not already been covered, and to suggest other potential interviewees and sources of documentary evidence.

All of these questions, taken together, were expected to generate an image of the national and international (Level II and Level I) landscape of Morocco and the European Union at the time of the Association Agreement and fisheries agreement talks. This image was expected to be sufficiently detailed as to permit a credible analysis of the expected research findings. In some interviews, the questions of section A prompted the respondent to make a lengthy opening statement that included detailed answers to certain questions that had not yet been asked, and these questions were subsequently omitted to avoid repetition and focus the discussion on the outstanding issues.

Interviews were conducted seven or eight years after the end of the negotiations under study (1991-1995), and interviewees might have been expected to have forgotten some details of the sequence of events. In fact, they appeared to have a clear recollection of all but trivial aspects, and the passage of time seemed to encourage disclosure: what had been a highly political and controversial episode now seemed more a matter of historical interest on which open commentary carried fewer potential consequences. The anonymity granted to the interviewees was another key factor in ensuring maximal openness and honesty in their responses. A substantial body of secondary evidence from the period under study, including documents, academic studies and newspaper reports, was incorporated into the research, and acts as a check on any interviewee testimony that may have been affected by the shortcomings of human memory or the subjectivity inherent in any human perspective.

CHAPTER THREE

The Theoretical Framework: A Brief Analysis of Negotiation

This chapter is intended to provide a theoretical framework for analyzing the Moroccan political decision-making and negotiating processes that resulted in the EU/Morocco free trade accord. Putnam's two-level game model (see chapter one) is presented and discussed. The chapter will also present a series of potentially useful insights from the negotiation literature, including the impact of bureaucratic politics on negotiations (P. Terrence Hopmann, 1996, The Negotiating Process and the Resolution of International Conflicts), and Habeeb's model of power in negotiations (Habeeb, 1988, Power and Tactics in International Negotiation).

Putnam and the two-level game

Putnam (1988) conceived of international negotiations as a two-level game. The national level is characterized by intense competition between political actors who seek power by building coalitions of domestic interest groups, while at the international level, in negotiations, governments seek to satisfy domestic pressures and obtain the best possible deal on the issue at hand, given the state of international relations. The national political leader interacts, on the international level, with his foreign counterparts and his own advisors, and on the national level with party and parliamentary actors, interest group representatives, and again with his own advisors. An action that may be rational for the national leader at the international level may be dangerous to his political survival at home, and in that case he/she is caught between the desire for a more favorable international agreement (or the avoidance of negotiation failure) and the need to maintain domestic political support. But as Putnam says, "on occasion, clever players will spot a move on one board that will trigger realignments on other boards, enabling them to achieve otherwise unattainable objectives" (p. 434). The instrument by which the

national political leader triggers this realignment and reconciles the two levels of interests, national and international, is the process of agreement ratification.

Even assuming that initial Level II (domestic) discussions take place to determine the Level I (international) negotiating position, as well as broad parameters for compromise, and further, that consultation with domestic interests occurs throughout the negotiations, any Level I agreement must ultimately be ratified (without amendment) at Level II. Putnam defines ratification as "any decision-process at Level II that is required to endorse or implement a Level I agreement, whether formally or informally" (p. 436); he stresses that ratification may include, in addition to parliamentary approval, the accord of bureaucratic agencies, interest groups, social classes, or public opinion, and that this need not occur in a democratic context. The need for Level II ratification requires that any Level I agreement fall within the Level II "win-set", defined as "the set of all possible Level I agreements that would gain the necessary majority among the constituents when simply voted up or down" (p. 437).

This gives rise to two important observations. First, since Level I agreements must lie in the overlap between the Level II win-sets of the various negotiators and the preferences of the various national leaders in order to be successful (ratified), larger win-sets facilitate agreement. Yet even if an agreement lies in the win-set of all parties, Level II ratification may still fail: this is "involuntary defection" (from the negotiator perspective), as opposed to "voluntary defection" (deliberate free ridership on collective action); the latter phenomenon is less likely if all parties have an ongoing relationship and thus expect to negotiate again (pp. 437-439, 456-459). The second observation about win-sets is that larger win-sets, as perceived by the other parties at Level I, will generate increased expectations that concessions will be made in light of the apparent extra room for maneuver. Smaller perceived win-sets, in contrast, strengthen a negotiating position since the ability to compromise seems much reduced (pp. 440-441); it is reminiscent of the strength of weak states argument, recast as the strength of weak negotiators.

Putnam holds that win-set size is determined by:

(1) Level II preferences and coalitions (as a function of actors' perceived cost of no-agreement, their relative influence and propensity to lobby, and their willingness to trade-off across multiple issues),
(2) Level II institutions (the difficulty of ratification requirements as reflected in minimum majorities, the level of party discipline and authoritarianism, etc.), and
(3) Level I negotiator strategies (the use of side-payments and general domestic political popularity ["generic good will"] to increase the possibility of ratification) (pp. 441-452).

The fact that Level I negotiators often have a poor knowledge of the domestic politics of other parties (and thus the size of their win-set) allows those parties to exaggerate the smallness of their win-set in hopes of getting a better deal, but it may also lead to fears that they will be unable to deliver on the agreement reached (pp. 452-453). In contrast, "entrenched" authoritarian regimes are held to be in a weaker negotiating position due to their perceived greater ability to obtain ratification (larger win-set)(p. 449). Governments may also try to "restructure" each other's win-sets through lobbying and aid packages, or by creating international pressures (such as the policy momentum generated by a summit meeting) that "reverberate" in domestic politics and allow an agreement to be ratified where before it could not have been (assuming that there is no backlash against the international pressure) (pp. 454-456). Synergistic linkages (trade-offs across different issue areas) are thought likely to multiply with increased economic interdependence, which in turn increases the range of possible trade offs (pp. 447-448).

A major research project based on Putnam's work (Evans *et al.* 1993) provided some useful elaborations, including discussion of a 1986 trade dispute in which the U.S. forced the EU to abandon proposed restrictions on American feed grain shipments. The restrictions were supported by France, but the U.S. undermined French influence on the wider EU position by using threats of retaliation against a carefully chosen set of agricultural products that were dear to other EU member States (Evans *et al*. 1993, pp. 3-4). On a theoretical level, the authors identified three main sources of domestic political

influence in the relevant literature: (1) social influence expressed through legislatures, interest groups, elections and public opinion; (2) State-centered influence originating with administrators and policymakers in the executive branch; and (3) State-society influence expressed through the institutions (educational, representative and administrative) that link State and society (p. 6). The subsequent discussion of how leaders with strong preferences might manipulate such domestic interests, along with institutional structures and information flows, brings us closer to the type of non-democratic system that prevailed in Morocco in the mid 1990s. One possibility is that a leader might achieve ratification for a provision that is outside the win-set by linking it to a separate and highly popular measure. Another is that the leader may actually alter the domestic ratification process or the institutional structures that participate in it, manipulate or conceal information, and use side-payments, all with the objective of achieving ratification in the face of opposition. The extent to which this is possible will be partly determined by whether or not the costs and benefits of an agreement are concentrated on certain groups and by whether or not those groups are well-informed and well-organized (pp. 24-26).

In a crucial finding, Evans *et al*. conclude that their case studies show little evidence for the view that low levels of enfranchisement (authoritarianism) are associated with a broad win-set (easy ratification – or imposition – of Level I agreements). Instead, the small elite that dominates an authoritarian State appears to be very homogenous and difficult to split or manipulate in the event that an agreement runs counter to its interests. Even when several factions exist within such an elite, its limited size and diversity seem to make coalition-building and compromise difficult. Indeed, one possible motivation for an international agreement is to restructure such domestic interests and increase the potential for reform (pp. 415-416), and free trade can certainly be expected to transform Moroccan economic interests. The finding that limited participation may actually make ratification more difficult has also been observed in the democratic context. In her study of agricultural policy reform in the European Community, Lee Ann Patterson concludes that “the power and diversity of interest groups affect outcome. The more heterogeneous

the interests represented in a negotiation, the easier it is to make substantive reforms." (Patterson 1997, p. 161).

Although Putnam specifically states that his model is not limited to democratic contexts, his examples are mainly drawn from such cases (the 1978 Bonn summit, the Tokyo Round GATT negotiations), and most subsequent research based on the two-level game has shown the same bias. It would therefore be of interest to explore the application of the theory to an authoritarian system such as Morocco in the mid 1990s, and to answer such questions as the following:

(1) To what extent did domestic interests diverge from the leader/negotiator's independent interests, in Morocco and the EU, relative to the free trade agreement and the wider Association Agreement of which it is part?
(2) Can a ratification process be identified in a country where electoral and parliamentary politics were without legitimacy and where power originates in a complicated set of royal, religious, military and elite interactions?
(3) What were the key domestic interest groups in the EU and Morocco relative to the free trade agreement, what were their positions, and how did their positions – both real and perceived – influence negotiations?
(4) Are "entrenched" authoritarian regimes really in a weaker negotiating position due to their perceived greater ability to obtain ratification, as Putnam suggests (p. 449), or is the situation more complex?
(5) What are the implications of the analysis for future Moroccan negotiating strategy?

Upon initial consideration, it appears that the EU win-set in free trade negotiations (the range of agreements that are ratifiable at member State level) is severely limited by the diametrically opposed interests of Southern member States and Northern member States relative to both of the key Moroccan demands: agricultural free trade and major financial assistance (Southern member States favoring financial aid over agricultural concessions, and Northern member States favoring the reverse). On the face of it, nothing involving significant concessions can get ratified, so there is essentially no EU win-set for any

agreement very favorable to Morocco. It is therefore perhaps not surprising that the initial free trade agreement signed in 1995 seems, from the Moroccan perspective, to involve considerable short and medium-term costs in return for relatively distant long-term gains. Yet the EU member States are deeply concerned by the prospect of further illegal immigration and drug flows from North Africa, Islamist terrorism, and regional instability, and these fears highlight the potential cost of no-agreement, or an agreement very unfavorable to Morocco. This may be why the EU has signed the initial free trade deals with Morocco and Tunisia, and, more importantly, why it increased financial aid and agreed that a review of the agricultural provisions would occur during the agreement's implementation period. Morocco has several bargaining chips in trade negotiations: access to its fisheries (although restructuring of the European fleets in response to prolonged exclusion from Moroccan waters may neutralize this issue in the long term), political stability, the importance of expanding trade and investment to reduce migration and drug flows, and colonial ties to France and Spain associated with substantial direct investment. Morocco may be able to use these strategic assets to widen the EU win-set, and, given that southern member States of the EU have much more at stake in the Maghreb than their northern counterparts, it is in the south that any widening of the EU win-set would seem most likely.

Bureaucratic politics and public opinion

Bureaucratic politics and the socio-economic cleavages that contribute to it are a key part of the two-level game, but they are also the focus of a substantial academic literature in their own right. Although rational theories of negotiation have generally regarded States as autonomous actors with clearly defined national interests that are unrelated to the preferences of any particular group, class, or officeholder (Hoppmann 1996, p. 153), other researchers contest the very existence of such a collective set of objectives:

> *Rather, the State operates within the context of competition among branches of government, among agencies of the executive branch, and in the midst of political and class conflicts that divide the larger society… Each of these groups develops its own rationality, often based on specific interests of the*

> *group rather than the general interest of the State. As a result, the State as a whole operates at best on the basis of "the principle of bounded rationality." In this case, its preferences reflect the net outcome of a process of bargaining and compromise within the government to arrive at policy decisions, often without explicit agreement upon goals, but rather on the basis of a lowest common denominator of agreement about specific decisions* (Hopmann 1996, pp. 153-154).

This vision of bureaucratic and interest group politics may be very appropriate in the case of the European Union, which is divided between north and south over the balance of financial aid and market access in its partnership with the Maghreb and is under great pressure from the farm lobby. This perspective also opens the door to better understanding the convoluted and opaque processes of decision-making and ratification in authoritarian nations like the Morocco of the mid-1990s.

Kaarbo, in her essay on bureaucratic power politics in foreign policy, warns of the need to distinguish between power and influence. She defines power as based on control over resources and formal position in the bureaucracy, whereas influence is affected by "more fluid factors such as will, skill, personal relations, others' perceptions, and by particular strategies that bureaucratic players employ to exploit or bypass the existing power structures" (Kaarbo 1998, p. 76). As Hopmann points out, the struggle among the competing factions of the State, based on narrow – and not national – self-interest, is constrained by a range of factors, of which one of the most important is public opinion (which can be considered tributary of the "political and class conflicts that divide the larger society")(p. 153). In his study of public opinion as a domestic constraint in the Anglo-Irish peace process, Trumbore (1998, pp. 548-550) found that three factors were of central importance in determining the impact of public opinion on international negotiations. They were:

(1) Public preferences (which act as a constraint if they run contrary to leadership preferences). The impact of public preferences may be strongest at the outset of negotiations, at which point they will already have made certain positions less politically viable and others more so. In other words, they "establish the outer

boundaries of the Level I win-set by defining the range of agreements likely to win Level II ratification."

(2) Issue intensity (issues that generate more intense public interest and emotion are also subject to a greater constraining force of public preferences). Issue intensity is determined by the extent to which the costs and benefits of a given negotiating position are concentrated on certain groups (high intensity) or spread more evenly across the population (low intensity). Variations in issue intensity can be achieved through strategic manipulations in which information is withheld or presented differently in order to change the public perception of the cost/benefit distribution.

(3) Ratification power (which can act as a restraint, either directly or indirectly). Direct ratification power is exemplified by referenda, while indirect ratification power amounts to the threat of electoral retribution for unpopular negotiation outcomes – a threat that can only be effective in the case of high-intensity issues.

Public preferences and issue intensity are clearly more relevant in the EU context than in the Moroccan context in the case of Euro-Moroccan free trade. Nevertheless, if "public preferences and issue intensity" is altered to become "bureaucratic factional preferences and issue intensity," then the same dynamic should be identifiable in the Moroccan power structure. Ratification power is much more difficult to define for Morocco, as discussed earlier, and for that very reason it constitutes a point of interest in the study.

Habeeb's model of power in negotiations includes aggregate structural power (total resources and capabilities across all issues), issue-specific structural power (resources and capabilities relative to the specific issue), and tactical or behavioral power (the ability to use power resources to attain objectives)(Habeeb 1988, pp. 14-26). In the case of Morocco/EU relations, these categories allow us to differentiate between the overall balance of power (which is dominated by the EU) and certain issues on which Morocco has unusual influence (fisheries, immigration, drugs, etc.). A lack of behavioral power on the part of Morocco might explain a failure to capitalize on that influence; for example,

the apparent Moroccan leverage in fisheries negotiations being offset by the need to obtain an overall EU Association Agreement that brought the wider balance of power into play.

CHAPTER FOUR

A Recent History of Relations between the Maghreb and the European Union

The relationship between Morocco and the European Union is a relationship fraught with controversy but driven forward by the mutual needs and desires of the two partners. These mutual needs and desires revolve around issues of market access, economic reform, energy resources, development aid, political stability and reform, national identity and territorial boundaries, drug flows, and immigration. Those issues, in turn, are the key to the economic, political and military security of the western Mediterranean region. This chapter looks at the *context* of the Morocco-EU relationship: the economic and security relations between the "core" Maghreb region (Morocco, Algeria and Tunisia) and the European Union. It draws on a range of American and European academic studies (including journal articles and contributions to edited volumes), European Union policy papers and statistical summaries, World Bank, IMF and OECD reports, articles from specialized non-academic publications such as *Jeune Afrique*, and *The Middle East*, and articles from the generalist press (including both independent and political party-affiliated titles). The references also include reports from a Moroccan investment bank, several research centers, government agencies such as the Moroccan Foreign Exchange Service and the Tunisian Central Bank, and the French Press Agency (AFP). A few of the authors cited have strong political affiliations: Fathallah Oualalou is an economics professor and Moroccan socialist party activist who became a long-serving Minister of Finance; Habib Ben Yahia is a former Tunisian Foreign Minister; and Mohammed Ben El Hassan Alaoui became King of Morocco in 1999 as Mohammed VI. The following chapter turns to a detailed analysis of Morocco's relationship with the Union, and attempts to answer some critical questions about the future of this partnership-in-progress.

ECONOMIC RELATIONS BETWEEN THE EUROPEAN UNION AND THE MAGHREB

The modern economic relationships of both Morocco and the Maghreb with the European Union long predate the signing of the Treaty of Rome that established what is now the EU in 1957. These relationships were forged in the colonial era, a time when major European powers developed, exploited, and often oppressed the nations of North Africa. The Treaty of Rome recognized the close links between France and its former colonies in a protocol authorizing the French Republic to maintain preferential trading arrangements with Morocco and Tunisia, notwithstanding the then European Economic Community's customs union regulations. Both countries sought association agreements with the Community beginning in 1963, and, six years later, accords were signed to facilitate an eventual free trade zone by opening the European market to most Moroccan and Tunisian industrial products and by granting special access for certain agricultural products. Morocco and Tunisia were not required to reciprocate, but merely to comply strictly with any specified quotas (Khader 1992, pp. 73-76; Sid Ahmed 1993, p. 772).

Beginning with the 1972 Paris summit, the Community attempted to adopt a globally consistent and balanced approach to dealings with the Mediterranean basin countries. Renewed negotiations between the Community on the one hand, and Morocco, Algeria and Tunisia on the other, began the following year and ended in the April 1976 cooperation accords. The accords granted free access to Community markets for industrial goods from all three countries, although they were later unexpectedly diluted by the imposition of quotas in the case of textiles and footwear, and certain agricultural products were hit by supplementary seasonal restrictions, tariffs, and other obstacles. The imposed "voluntary" export restrictions on manufactured products, in particular, discouraged investment in precisely those sectors in which the Maghreb countries had the greatest potential. The Maghreb nations, for their part, were again required only to extend "most favored nation" trading status to the European Union. They also received a separate dispensation allowing them to export products partly manufactured or processed

elsewhere to Europe (Khader 1992, pp. 73-76; Sid Ahmed 1993, p. 772; Habeeb 1993, pp. 209-210).

From 1977 to 1987 Maghrebi industrial and agricultural exports to Europe increased, but not as much as hoped, due to world recession, the "voluntary" textile quota reductions imposed because of a European textile crisis, and the lack of new product development in the Maghreb. Agricultural exports were also affected by the Union's enlargement to include Spain and Portugal, a move which rendered the Union nearly self-sufficient in most agricultural products and especially those in which the Maghreb is most competitive. Quota regimes proved to be quite flexible, with provision for the advance use of future quota, the deferment of unused quota, and limited quota transfers between different types of goods. Overall, though, the decade saw an erosion of preferential treatment for the Maghreb relative to other non-Union countries (Khader 1992, pp. 73-76; Sid Ahmed 1993, p. 772).

European Union financial aid to the Maghreb (including European Investment Bank loans) increased progressively after the 1976 accords, rising from €339 million (1976-81) to €489 million (1981-86), €787 million (1986-91), and €1167 million (1991-95). The latter aid plan was the first to be approved under the Revised Mediterranean Policy, and it shifted the focus from infrastructure and rural development to economic and structural reforms, regional cooperation, and the environment. Morocco was the leading recipient of aid across the four financial protocols, with an allocation of €1091 million, compared to €949 million for Algeria and €742 million for Tunisia. But although financial flows increased over the period, the composition of the aid had begun to swing sharply away from grants in favor of loans, and overall levels of support still fell far short of needs. The aid had also been criticized for often being delivered via European businesses and consultancies and thus not encouraging capacity building in the Maghreb. The system of financial protocols ended with the Barcelona Declaration and the signing of comprehensive association agreements, and was replaced by the first MEDA program (1995-99). This program allocated €1248 million (excluding EIB loans) to the Maghreb, including €656 million for Morocco and €428 million for Tunisia, but the disbursement

rate was only 26% due to procedural and regulatory problems, the slowness of reform in the Maghreb countries, and partial accounting of longer-term projects that extended beyond the timeframe of MEDA I. A second MEDA program was instituted for the period 2000-2004, with an initial allocation of €5.35 billion for all 12 Mediterranean partner countries, contingent on a series of reform measures. These included domestic market liberalization, infrastructure improvements, small business development, improved social services, democratization, and real progress in regional trade and cooperation. The Maghreb share of MEDA II funding was €677 million for Morocco, €329 million for Tunisia, and €233 million for Algeria. Of the total, €1239 million, some €835 million was disbursed (67%). In the period 1995-2004, eight Mediterranean countries received €3.25 billion under the MEDA program, whereas eight central and eastern European countries received €19.9 billion in preparation for their accession to the European Union. Over the same period, net FDI flows to the eight Mediterranean countries (excluding the Palestinian territories) rose from approximately $1.4 billion per year to approximately $4.4 billion per year, for a total of $29.9 billion, while the central and eastern European nations received flows rising from approximately $11 billion per year to approximately $19 billion per year, for a total of $152.6 billion. The aid statistics quoted here exclude assistance for food, emergencies and non-governmental organizations. They also exclude financial aid from individual EU member countries, among which France has been the leading donor for the Maghreb (Khader 1992, pp. 81-85; Pigasse 1995, p. 23; Commission of the European Communities 2001, pp. 18-19; Commission Européenne 2001; Council of the European Union 2000; Abis 2005, pp. 8, 11, 16).

European Union Aid to the Maghreb 1976-2004 *(commitments in millions of Euros)*			
Country	**1976-95[1]**	**1995-99[2]**	**2000-2004[2]**
Morocco	1091	656	677
Algeria	949	164	233
Tunisia	742	428	329
TOTAL	2782	1248	1239

[1] including EIB loans [2] excluding EIB loans

As a result of the 1989 Revised Mediterranean Policy, EU aid has increasingly focused on grants or loans for the identification, creation and funding of joint ventures between Maghrebi companies and EU member State firms. Allocations for these purposes under the EC *International Investment Partners* scheme focused on agriculture and fisheries, manufacturing and construction, and primary processing. This initiative was intended to draw European companies and their expertise to the Maghreb, thus stimulating private and foreign investment, but results were disappointing: the scheme, which was abandoned in 2000, had very limited resources, and a lack of publicity meant that many potentially interested firms remained unaware of the program. Other forms of aid have included a modest risk-capital fund (Khader 1992, pp. 116-118; Schmidt 1993, pp. 392-393).

The longstanding nature of preferential trade relations and development assistance cooperation between the EU and the Maghreb can be construed as evidence for the path dependency element of the expected research findings. The path dependency concept suggests that for the Moroccan political elite, existing patterns of trade and cultural relations made Western Europe the inevitable partner for trade liberalization; in other words, that there was a preference for building on existing successful relationships rather than risking a foray into less familiar territory. The progressive erosion of EU trade preferences for the Maghreb, due to economic conditions in Europe and the advance of multilateral trade liberalization (GATT/WTO), may also have played a role in the enthusiasm of Maghreb governments for further bilateral liberalization with the EU. Free

trade agreements offering greater access to the Maghreb for European goods may have been seen as a means of inducing the European Union to restore and/or surpass previous levels of market access and development aid, especially given the accession of Eastern European States.

The rise and fall of Maghrebi regionalism

In 1989, the formation of the Arab Maghreb Union (UMA) signaled the latest in a succession of attempts to unify the greater Maghreb (Morocco, Tunisia, Algeria, Libya, and Mauritania) based on a common religion, geographic proximity, the Arab-Berber population mix, and a great deal of shared history and culture. The UMA was primarily intended to promote regional political stability in the face of the Western Sahara conflict and emerging fundamentalism, and to promote regional trade, but it was also seen as an opportunity to increase the Maghreb's bargaining power with the EU. This increased bargaining power was expected to result from two factors: the ability of the unified Maghreb to offer access to a larger market, and the potential threat of using that market as an alternative to closer integration with the EU. In terms of the two-level game, the latter factor would reduce the cost of no-agreement on closer economic relations with the EU for the Maghreb and therefore increase pressure on the EU to make concessions. Despite these goals, official trade between the Maghreb countries has remained negligible at approximately 3% of total Maghrebi foreign trade, even though the macroeconomic policies of the core Maghreb countries (Morocco, Algeria and Tunisia) have been converging since the UMA was formed because of IMF and World Bank-sponsored structural adjustment and donor-funded technical assistance programs. Informal or "black market" trade, by contrast, is extensive across the region and is indicative of underlying economic complementarities in domestic staples (petrol, fruit, vegetables) that are obstructed by official trade policy, but any attempt to integrate contraband flows into the formal economy remains highly problematic and eminently political. The region's overall economic fragmentation, which is principally a function of the insufficient export complementarity of the Maghrebi economies (especially in agriculture) and of trade barriers, has been reinforced by political disputes and by a

tendency to be in competition for the same European markets (Khader 1992, pp. 55, 64-70; Oualalou 1996, pp. 90, 122-123; Ben El Hassan Alaoui 1994, pp. 91-97).

On a political level, the UMA quickly found itself divided by the Sahara dispute, the Gulf war, Libyan terrorism and the resulting international sanctions, and the Algerian civil war (LaFranchi 1993b, p. 9). These divisions were part of a trend of disunity that had seen the Maghreb torn by almost 10 major conflicts over territory and regional hegemony in the first 30 years of independence (Ben El Hassan Alaoui 1994, pp. 100-114). In 1992 Morocco essentially broke with the UMA to pursue bilateral arrangements with the EU, but continued to participate in UMA activities (White 1996, p. 117). The Kingdom seemed to have made the assessment that as the most open regional economy, it was better off negotiating without the others (Vandewalle 1996, pp. 95-97). The failure of the UMA and the consequent return to bilateral negotiations deeply disturbed some EU officials, who feared a neo-colonialist situation in which a giant regional bloc would deal with individual Maghreb countries in an even more unequal power relationship than would otherwise have prevailed. The basis of this view was expressed forcefully in a 1991 European Commission memorandum that described the economic regionalism symbolized by the UMA as the "congenital vocation" of the EU, an "inescapable prerequisite for genuine development and for a reasonably autonomous development," and the vehicle of a "more balanced and more efficient form of cooperation." Some EU officials, though, believed that the Union could not wait for the UMA to build strength and that Morocco was best prepared to take the lead (Camier 1991, p. 1; LaFranchi 1993b, p. 9).

The inability of the UMA to create a unified regional market, which could have drawn greater concessions from the European Union in negotiations or constituted an alternative trading bloc in the event of negotiation failure, effectively eliminated the most likely rival to European commercial hegemony. With the Maghreb regional option ruled out, and the United States and Middle Eastern options viewed as problematic to the extent that they

were considered at all, the EU must have seemed the only viable partner for further trade liberalization in the short to medium term. The path dependency element of the expected research findings is reinforced by these data.

The European Union on the horns of a dilemma: East or South?

Only since 1985 had the European Union moved towards a truly coordinated North African policy by creating a special Mediterranean unit for Maghreb affairs and an informal Forum for Regional Cooperation in the Mediterranean. Although EU and member State aid to the Maghreb had increased dramatically since 1990 in an effort to boost economic growth and stem emigration and drug flows to Europe, the Union was divided over the conditionality of aid. Britain and Germany in particular have insisted that economic and political reforms be implemented *before* aid is approved, and this was part of a wider North-South split within the EU over where to focus financial assistance. Northern member States favored Eastern Europe as the primary aid recipient, while France and the southern member States favored North Africa (Vandewalle 1996, pp. 104-105), with each of the member State groupings being motivated by longstanding colonial and cultural ties as well as by more immediate strategic interests. This internal division extended to the issue of free trade. Germany, whose agricultural products are not similar to those of the Maghreb, was favorable to agricultural free trade but reluctant to invest heavily in the Mediterranean. The Southern member States, whose agricultural produce *is* very similar to that of the Maghreb, were determined to continue protecting their farmers but were open to the idea of stabilizing the southern Mediterranean through major investment (of which the cost would fall disproportionately on the *northern* member States). The combination of these diametrically opposed positions resulted in a European Union policy based on the lowest common denominator: inadequate aid *and* agricultural protectionism (Kébabdjian 1995b, p. 14).

The Maghreb countries feared that former Eastern-bloc nations, with their better qualified yet still cheap workers and relatively well-developed infrastructure, would attract aid money and investment at the expense of North Africa. On the other hand, the East

European countries also represent vast new potential markets for North African products, products which *can* compete – at least in some sectors. For example, it was the unreliability of East European gas supplies that in part led Western Europe, and especially Italy, to greatly expand gas imports from Algeria. Other factors were the Maghreb's proximity and economic need, and both considerations can also be seen as competitive advantages (Khader 1992, pp. 121-125; LaFranchi 1993d, p. 11). The Maghreb had a Gross Domestic Product of $162 billion in 2004 ($84 billion for Algeria, $50 billion for Morocco, and $28 billion for Tunisia), and although that figure alone may not be enough to attract large-scale foreign investment, particularly given the obstacles to trade between the three countries, Europe's energy needs may bring significant FDI to that sector. Promising oil and gas discoveries in Tunisia, Libya, and Algeria are expected to further strengthen Europe's dependence on Maghrebi energy resources (Sid Ahmed 1993, pp. 766-767; World Bank 2005).

The internal debate within the European Union over how to deliver assistance to the Maghreb (financial support or agricultural concessions), and over the balance to be struck between the Southern Mediterranean and Eastern Europe, is likely to have influenced the perspective of the Moroccan political elite on free trade with the Union. The European dilemma suggested that Morocco and other Maghreb and Southern Mediterranean nations were players in a geo-political competition for EU resources in which Eastern European States preparing for eventual accession had a natural advantage. It also suggested that sought-after agricultural concessions would depend on fully mobilizing traditional supporters of Morocco within the EU and making full use of any available bargaining chips to win over new advocates. Both dynamics appear to favor the closer integration of Morocco within the EU in an effort to maximize the country's share of Union resources, be they market access or outright financial transfers. The international relations factor may therefore have heavily influenced the Moroccan decision to proceed with the free trade and association agreement with the European Union.

An ambitious free trade proposal

The reconfiguration of European Union policy towards the Maghreb that eventually formed part of the wider "EuroMed" partnership, a mechanism that remained in the ascendant for a decade beginning in 1995, had first been initiated in the early 1990s. A European Commission paper dated April 1992, *The Future of Relations Between the Community and the Maghreb*, highlighted the Union's stake in the region by quoting from another Commission report (COM[92] 2000, 11 February 1992) issued the same year:

> *"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"* (Commission of the European Communities 1992, p. 4).

The authors of the April 1992 paper call for "a new regional policy that makes due allowance for this interdependence" and state that a stable environment for the Community must include "the Community's immediate neighbors, from the Baltic to Morocco" (Commission of the European Communities 1992, p. 4). They envision a special role for the Maghreb within the wider Mediterranean policy, not only to promote stability but also to counterbalance the impact of the expansion to the East:

> *"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"* (Commission of the European Communities 1992, p. 5).

The paper advocates a "twin-track approach" in which agreements are reached separately with each of the three States (Morocco, Algeria and Tunisia) but with the long term goal of the economic integration of those three nations with each other and with the Community (Commission of the European Communities 1992, p. 12). There is also a bold statement on the integration of the Maghreb into the economy of the European Community that may be an example of the sort of rhetoric that was to create unrealistic expectations:

> *"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"* (Commission of the European Communities 1992, p. 21).

The comparison of proposed trade liberalization between the Community and the Maghreb to the advent of the Single European Market brought a sharp rebuke from the Economic and Social Committee of the European Parliament. In an advisory opinion on the Commission paper, issued in September 1992, the committee said that the Maghreb as it then stood was "not at all comparable to a European Community that had been in existence for nearly 30 years" when the Single European Market was scheduled, and that any portrayal of economic integration with Europe in that light would "appear to the population and to economic operators more as political agitation than as a genuine commitment to Euro-Maghreb integration" (Comité Economique et Social du Parlement Européen 1992, p. 21).

In October 1994, with Association Agreement negotiations with Morocco already well underway, the EU proposed "a broad economic and security plan for North Africa and the Middle East that would create a 40-country free trade area of some 800 million people by the year 2010". The plan had been promoted by France, Italy and Spain to counter both United States regional involvement and the enthusiasm of northern member

States for Eastern Europe. The Union was, in part, reacting to the consistently central and highly publicized role of the United States in resolving regional problems, a role that had made Europe appear diplomatically weak by comparison. That image hid the reality (according to the EU perspective) that US diplomatic solutions usually depended on programs and institutions paid for with EU money (Krause 1994, p. 18). Southern member States, for their part, were worried that the Union's heavy focus on Eastern Europe could even result in reductions in their own aid flows (Khader 1992, p. 122).

Nevertheless, the new European Union plan for the region was more than just the instrument of a power struggle between the EU and the United States, on the one hand, and the southern EU member States and their northern counterparts, on the other. It was also the result of an inclusive vision of European integration that had been signaled well before the first negotiations began. In a 1991 European Commission memorandum, the Mediterranean basin was described as "the natural extension of European integration" (the phrase is in bold text in the memorandum) and cooperation with the Maghreb is "conceived of as a long term undertaking as evidenced by the indefinite validity of the agreements" (a reference to the Association Agreements predating the Barcelona Declaration) (Camier 1991, p. 13).

On the 27th and 28th of November 1995, representatives of the 15 EU member States met with their counterparts from 11 Mediterranean nations – ranging from Israel and Jordan in the Middle East to Morocco and Algeria in North Africa – with the aim of operationalizing the "EuroMed" partnership. The result was the Barcelona Declaration, which included the following key commitments:

- Regular and strengthened political dialog to enhance peace and security
- Democracy and the rule of law
- Respect for human rights
- No direct or indirect interference by one country in the internal affairs of another
- Cooperation in the fight against terrorism, drug trafficking, and organized crime
- Support for the non-proliferation of nuclear, chemical, and biological weapons

- Accelerated and sustainable socio-economic development
- Progressive implementation of a regional free-trade zone, with industrial product flows to be liberalized according to a timetable agreed with each country, but with the liberalization of services flows and agricultural products to be subordinated to the Common Agricultural Policy, the General Agreement on Tariffs and Trade (GATT) and the General Agreement on Trade in Services (GATS)
- Adoption of rules of origin and certification, the protection of intellectual property, and an economic system based on the free market
- Economic and business upgrading coupled with development programs aimed at the poorest segments of the population
- The promotion of technology transfer and the removal of obstacles to national and foreign investment
- A "substantial increase in EU financial assistance to the partner countries"

(Euro-Mediterranean Conference 1995, pp. 120-147)

Both Morocco and Tunisia signed comprehensive Association Agreements with the EU in the months before and after the Barcelona Declaration. The free trade agreement contained in the Moroccan accord, which is very similar to its Tunisian counterpart, includes the following key features:

- Continued duty-free access to EU markets for Moroccan industrial goods, subject to a surtax on certain goods produced using agricultural inputs that are cheaper in Morocco than in the EU. Morocco may also impose a surtax on the same basis for certain products.
- Tariffs on capital goods imported from the EU were abolished on March 1st, 2000
- Tariffs on raw materials, spare parts, and goods with no local equivalent were phased out at a rate of 25% per annum from 2000 to 2003
- Tariffs on goods with local equivalents will be reduced by 10% per annum from 2003 to 2012

- The liberalization schedule can be varied in the case of severe difficulties for a given product, but no such variation can extend the life of a tariff beyond the 12-year implementation period
- Morocco can restore or increase tariffs of up to 25% for a period not exceeding five years in the case of infant industries or sectors in serious difficulty, but no such restoration or increase can extend the life of a tariff beyond the 12-year implementation period, nor can such measures cover more than 15% of industrial imports from the EU
- Reference prices applied by Morocco to textile and clothing imported from the EU were to be progressively eliminated from 2000 to 2003
- Agricultural products are effectively excluded from liberalization, but variations to agricultural access provisions can be considered during periodic review processes

(European Union and Kingdom of Morocco 1996, pp. 148-200; Upline Securities 2000, pp. 14-15)

Algeria did not sign its Association Agreement with the European Union until 22 April 2002, and did not ratify it until March 2005. The agreement, which took effect on 1 September 2005, immediately removed import tariffs on 2300 EU products (mostly raw materials) and provides for the progressive elimination of tariffs on 1100 finished industrial products from 2008 to 2014, and on 2000 other consumer goods over a 10 year period (Agence France Presse 2005).

Notwithstanding the decision to move forward with liberalization, many stakeholders remained skeptical that free trade by 2012 was realistic. Some who favored free trade believed that conditions were not yet right. Algerian Cabinet Minister Mohammed Salah Dembri claimed that the average annual income differential between North and South was so great – US$ 18,000 versus US$ 700 – as to make free trade difficult if not impossible (Pigasse 1995, p. 23). A high-ranking French Foreign Ministry official had previously described free trade as “the right direction but still a long way off”, and the

Moroccan Textile and Clothing Industry Association president had also made his reservations public:

> *"If Europe proposed a free trade zone for tomorrow, I'd have to say no. It would be the elephant confronting the fly"* (LaFranchi 1993e, p. 11)

Others were opposed outright to a free trade area that they believed would undermine national sovereignty and deepen existing social divisions through further worsening poverty, which they said had already been exacerbated by structural adjustment (Euzière 1995, p. 2). A more moderate view held that, in certain sectors where imperfect market conditions prevail, free trade is simply not optimal and strategically planned protectionist measures can reap major gains. Such measures might also be appropriate for nascent industries (Sid Ahmed 1993, pp. 775-776).

Free trade: the econometric evidence

Kébabdjian's (1995a) econometric simulation of Tunisia's economy under a free trade agreement with the EU found that the benefits to Tunisia would be highly uncertain. The simulation evaluated the effects of free trade for various combinations of tariff removal and macroeconomic policy, assuming constant public consumption and the removal of all European barriers to agricultural products – an offer that is not on the table and is unlikely to be made anytime soon. This is, therefore, a best-case scenario.

If free trade is introduced without any accompanying foreign capital influx, and if the government does not increase sales tax in an attempt to compensate for lost tariff revenue, then a recessive drop in government spending occurs and the overall growth generated by free trade is virtually nil (+0.7% total growth), with public finances declining sharply. The overall growth is the result of an expansion in some sectors that is nearly offset by a decline in others. If free trade is introduced without a foreign capital influx, and if the government raises sales tax in an attempt to compensate for lost tariff revenue, then the effect is even more recessive: higher prices depress demand and hence government revenue and growth. The overall growth generated by free trade is then

negative (–1.2% total growth), and becomes more so as sales tax rises. Thus, although it is critical to maintain government revenue and spending levels as free trade is introduced, attempts to do so by raising taxes will actually be counterproductive. Instead, the government must look to an influx of foreign capital as an indirect source of extra tax revenue and a motor of growth (a widening of the tax base was apparently not considered in this model). As foreign capital inflows rise (Tunisian Dinar 500 million, TD 1000 million, TD 1500 million), so does total GDP growth (+7.2%, +13.8%, +19.8%). Therefore, an unambiguously positive free trade experience for Tunisia assumes both large foreign capital inflows and agricultural free trade. Since the free trade agreements signed largely exclude agriculture and do not envisage massive EU aid increases, and since large private capital inflows can be neither predicted nor assumed, the direct benefits of free trade are highly questionable (Kébabdjian 1995a, pp. 753-754, 763-769). Further, it is not clear whether the model accounts for the negative growth impacts of Maghrebi business failures caused by direct European competition, as distinct from failures caused by the recessive demand impacts of lower government spending or higher taxes.

An econometric simulation for Morocco – similar to the Tunisian model just described but more rudimentary – showed a moderately positive growth effect (+1.5% total growth) for free trade with the EU alone, and a stronger effect (+2.5% total growth) for a complete abolition of all protection. The model assumed agricultural free trade, and the growth was generated almost solely in the agricultural and phosphate sectors. Most other sectors declined due to the end of protection (Kébabdjian 1995a, pp. 753-754, 763-769). A study conducted in 1994 found that Moroccan industry could be divided into three groups with respect to its ability to withstand free-trade: 40% would be competitive (phosphoric acid, fertilizers, paper, footwear, some food products, and electronic equipment), 20% would be competitive after upgrading (cloth, clothing, knitwear, and leather), and 40% would be severely affected (cereals, fats, milk products, chemicals, and others) (Jaidi 1994). It is important to note, with respect to both econometric models cited above, that the fiscal impact of free trade would be much smaller in countries with large oil incomes, since lost tariff revenue would constitute a much lower proportion of

government income (Oualalou 1996, pp. 90-97, 128). It is thus one of the ironies of the situation that although Libya and Algeria were in a stronger *fiscal* position to enter free trade, it was Morocco and Tunisia that pioneered the process given the full range of factors.

While it is clear that trade liberalization has significant costs, and that the costs generally long precede the benefits, it cannot be overemphasized that the studies presented here – that project a bleak image of free trade – are static in nature. They estimate the mechanical effect on growth of lost tariff revenue and compensatory tax increases or spending cuts, and of FDI inflows, as well as the net effect of lower input costs and heightened competition from imported finished products on the different economic sectors. What they do not show is the dynamic benefits of trade liberalization: a more efficient allocation of resources, competition-generated productivity increases, and technology transfer, *inter alia*. Such phenomena are much harder to quantify and model, and they evolve over a much longer timeframe than the negative consequences of liberalization.

A free trade agreement covering only non-agricultural products represents little *direct* gain for the Maghreb, because European markets were already largely open to the region's industrial goods. Furthermore, the often heavily protected Maghrebi industrial markets will be opened to advanced European competition, but the regional economies will still be prevented from exploiting their competitive strength in a range of agricultural crops (Kébabdjian 1995a, pp. 753-754, 763-769). The main benefits of free trade will be *indirect*: a resource allocation more in line with comparative advantage, competition-generated productivity increases, and technology transfer. The result is likely to be positive in the longer-term, but it is likely to be preceded by a lengthy and painful readjustment in the short and medium-term that will involve considerable business failure and worsened unemployment and poverty. The potential social and political consequences of such an economic shock have profound implications for the regional political economy, and they highlight the critical importance of Moroccan government economic reforms, of EU aid – in cash and in kind – and of private foreign investment in

cushioning the blow. Large-scale inflows have not yet been forthcoming, either as loans and grants or in the form of improved agricultural access or FDI. In fact, foreign investment in general remains low despite advanced structural adjustment, reasonably cheap labor, and improvements in the business environment (LaFranchi 1993e, p. 10; Talha 1993, pp. 932-934; Fontagné and Péridy 1997, pp. 83-84). FDI flows are also volatile, in the sense of being closely correlated with privatizations and government concession tenders, and the investment more often takes the form of equity stakes in existing ventures than the creation of new activities generating a significant number of jobs.

Within the Maghreb, the Moroccan case became unique – at least temporarily – with the signing in 2004 of a free trade agreement with the United States that covers agriculture (and services). For Morocco, then, the short to medium term disruption in non-agricultural sectors caused by the European Union and United States accords will be followed by a long term reconfiguration of the agriculture sector, given the agricultural provisions of the Morocco/United States agreement. Those provisions will impact only after unprecedented, lengthy transition periods ranging from 15 to 25 years for sensitive products, and the cereals sector, which accounts for the largest share of agricultural employment, will remain protected indefinitely. The lengthy transition could allow Morocco to reap some initial benefits from non-agricultural liberalization before facing the agricultural challenge, and it also provides a window of opportunity for far-reaching agricultural reform, but this advantage depends on bold and decisive action by the Moroccan government, in partnership with the private sector and international donors, to implement unpopular reforms that successive past administrations have sought to avoid.

One recent study that attempted to measure the initial impact of the EU Association Agreements on signatory country exports found that Moroccan exports to the United Kingdom and Spain had surged in the period 1991 through 2002, but that exports to most other EU countries declined. Tunisian exports to France, Italy, Belgium and Spain improved substantially, while exports to Germany receded (Söderling 2005, pp. 12-15). However, the improved export performances of both countries with respect to certain EU

member States was largely explained by rising textile and clothing sales. Since a large proportion of Moroccan textile and clothing exports take place under temporary admission customs duty exemptions (imported fabric is promptly re-exported to the country of origin after processing), the increase does not much reflect the reduced tariffs on EU-sourced inputs that had resulted from the association and free trade agreements during the period under study. Perhaps the most significant finding of the Söderling analysis is that Morocco and Tunisia are significantly under-exporting to the United States compared to their potential (pp. 11-12, 18, 20).

The fact that the Moroccan and other Maghreb governments proceeded with free trade agreements with the European Union, despite research and empirical evidence that the costs would impact well in advance of the benefits, suggests that elite leadership preferences for closer integration with Europe had much greater influence than domestic economic and political interests threatened by liberalization. It appears that the respective leaderships of the Maghreb countries were either prepared to pay the political price of transitional socio-economic damage, or believed themselves to be effectively insulated from the political consequences of such damage and therefore accorded them relatively little weight in deciding their course of action.

SECURITY RELATIONS BETWEEN THE EUROPEAN UNION AND THE MAGHREB: POLITICAL, ECONOMIC, AND MILITARY ASPECTS

The fall of communism and economic difficulties in Europe have refocused European security concerns on political and financial issues. Although potential military threats have not been forgotten, much attention is now focused on the protection of national identity and living standards in the face of perceived threats (Vandewalle 1996, pp. 97-98). The September 11, 2001 terrorist attacks have complicated the situation by blurring the line between social and political issues such as immigration, on the one hand, and military security concerns such as terrorism, on the other.

Migration

One perceived threat to European political and economic security is emigration from the Maghreb to the European Union countries. Maghrebi immigrants in Europe are often perceived both as a political threat to national identity – because of their different religious and cultural heritage – and as an economic threat to the employment prospects of host country nationals. This fear reaction, often combined with outright racism, has been especially strong in France. A 1990 French opinion poll showed that 60% of respondents associated Islam with violence and 71% associated it with fanaticism. A few months earlier, a controversy over allowing Muslim schoolgirls to wear the *hijab* (Islamic head scarf) had highlighted the gulf between strongly secular conceptions of French identity and the population's growing cultural and religious diversity (Spencer 1993, pp. 53-54). This sort of racial tension has fueled extremist right-wing movements such as the National Front of Jean-Marie Le Pen, who shocked France by surviving the first round of the 2002 presidential election – a result that is only partly explained by severe vote-splitting on the left of the political spectrum. Mr. Le Pen was defeated by incumbent President Jacques Chirac (with 82% of the vote) in the second round, but the very fact that he had reached that point was symbolic of hardening attitudes. For the immigrants, Islam is not only their religion but also an affirmation of their cultural identity in a foreign land; yet for many Europeans, it is poorly understood and seems distinctly menacing. The latter perception has been reinforced by the September 11, 2001, terrorist attacks, the May 2003 Casablanca bombings, and the March 2004 Madrid bombings in which a number of Moroccan nationals appear to have been involved. The Tunisian Secretary of State for International Cooperation, Salah Hannachi, speaking in 1993, well before the turbulence of the early 21st century, put it bluntly:

> *"In Europe, the advancing sentiment is that the Maghreb is a very foreign, even hostile world... and that we're back in the era of war between the cross and the crescent"* (LaFranchi 1993a, p. 4; 1993f, p. 13).

The rise of anti-immigrant sentiment across Europe had been linked to increasing unemployment within immigrant ranks. Known for their hard work and industriousness

during past periods of economic growth, Maghrebi immigrants have been hit desperately hard by recession and job loss. Immigrants without jobs may seem to have lost their social utility in the eyes of host country nationals, and worse, to be in competition with them for jobs. Immigrants thus undergo a "social delegitimization" (Khader 1992, pp. 182-183). French Maghreb specialist Rémy Leveau has questioned whether France has any compelling interest in further immigration, and has suggested that the country no longer needs immigrants for manual labor, yet French demographers predict a Europe-wide 30% labor shortfall in exactly that area of work by 2025 (Joffé 1994, p. 35; LaFranchi 1993a, p. 4). Nevertheless, European efforts to slow immigration continue, and are focusing on the economic development of North Africa as a means of reducing the attractiveness of out-migration (Ben Yahia 1991, p. 35).

While immigration may be a matter of both political and economic security for Europe, its importance in the Maghreb is more clearly economic. Maghrebi immigrants in Europe send money home to their families, and by 1990 these worker remittances had reached nearly $2 billion for Morocco alone and approximately $3 billion across the Maghreb. Figures for 2004 are $4.1 billion for Morocco and $1.32 billion for Tunisia; the official figure for Algeria peaked in 2000 at $151 million, but this amount was thought to represent only 5% of actual transfers, which might therefore be estimated at up to $3 billion (Khader 1992, pp. 112-114; Courbage 1994, p. 75; Pfeifer 1996, p. 63; Office des Changes du Royaume du Maroc 2005; International Monetary Fund 2002, p. 34; Libération 2002, p. 5; El Moudjahid 2002, Banque Centrale de Tunisie 2005, p. 146).

Immigration has also had an impact on Maghrebi political security. First, it has acted as a safety valve by reducing the unemployed population and therefore social conflict and political dissent. This role is not to be underestimated, since a large proportion of the Maghrebi population is both young and unemployed – a politically volatile combination (Vandewalle 1996, p. 106; IC Publications 1995, p. 7). Second, Maghrebi emigrants act as non-traditional opinion leaders for those who remain – they raise family consumption levels and economic expectations through their remittances, and they often assimilate relatively liberal western attitudes toward gender relations, reproduction, and family life

that are then popularized by their prestige. Such major shifts in attitudes and expectations could fuel political dissent and protest if the government fails to satisfy them (Courbage 1994, pp. 76-79). Thus, the domestic political impacts of Maghrebi emigration are dual and potentially contradictory.

Questions of migration may seem remote from the motivations of Maghreb governments and the EU in negotiating free trade agreements, but in fact, the presence of a large population of Maghreb expatriates in Europe may have played an important role in the decision of both parties to move forward. For the European Union, it may have seemed that the prosperity that trade liberalization is supposed to deliver to North Africa could reduce migratory pressures and their political and socio-economic consequences for member States, while for Maghreb governments, the expatriates represent a significant cultural and economic link to Europe that militates in favor of closer ties.

Energy resources

One of the European Union's economic security interests on its Southern flank is the increasing dependence of several member States on North African oil and gas imports – especially from Algeria. Italian natural gas dependence on Algeria was estimated at 32% in 2004, that of Greece at approximately 30% in 2003, and that of Spain at 57% in 2002 following the construction of a gas pipeline running from Algeria to Spain via Morocco in 1996. The European Union as a whole (EU 15) imported 26% of its natural gas from Algeria and Libya in 2001, and that figure could reach 40% by 2020. North Africa accounted for 17% of European oil imports in 2001 (split approximately two-to-one between Libya and Algeria for the EU 15) and 12.7% of total European oil consumption. Libya supplied 12% of Spanish oil imports and 24% of Italian oil imports in 2004. The United States is also heavily involved in energy resource exploitation in the region, with a number of major oil companies active in Algeria. The Algerian oil and gas sector attracted approximately $10 billion of investment in recent years, according to a statement in 2002 by Energy and Mines minister Chakib Khelil, allowing the country to double gas exports and boost oil production capacity. (Joffé 1994, pp. 22-23; LaFranchi

1993d, p. 11; Cohen 1996, p. 1; author's calculations based on BP 2002, pp. 10, 18, 25, 28; Elfetouaki 2002, p. 27; U.S. Department of Energy 2005).

A 1996 European Union study predicted that North African gas production would increase dramatically, and that despite rising domestic demand generated by population growth, the region would "become increasingly important as a supplier of gas to Southern Europe through the development of new export capacity" (Directorate General for Energy 1996, p. 8). Five years later, an EU green paper on energy supply noted that Europe's increasing demand for imported natural gas "will confirm the need for strong political and physical links to North Africa and Russia, and increase the attraction of suitable pipeline links to the Middle East and Central Asia" (European Commission 2001, p. 83).

The Algeria-Morocco-Spain gas pipeline, completed in November 1996, was constructed by a Spanish-Algerian joint venture for $850 million and covers 527 kilometers in Algeria, 545km in Morocco, 43km in the Strait of Gibraltar, and 156km in Spain. It has a capacity of approximately 10 billion cubic meters, with the possibility of extension to 20 billion cubic meters, and Morocco receives transit royalty payments of between 6% and 7% of gas value, payable in cash or in kind. The former option has prevailed to date, but a combined cycle electricity plant built recently at Tahaddart (Northern Morocco) is fueled by gas from the Euro-Maghreb pipeline. The new plant will help alleviate the dependence of the Moroccan national grid on expensive coal and on hydroelectric dams that are vulnerable to drought. Thus, the gas pipeline has increased not only European dependence on the Maghreb, but also Moroccan dependence on Algerian resources (Elfetouaki 2002, p. 27; Zerah 1996, p. 29).

The significance and increasing importance of Maghreb oil and gas exports for the European Union would clearly have been a factor in the European decision to pursue free trade and association agreements with the region as a whole, although it would not have constituted a bargaining chip for either Morocco or Tunisia: Morocco has discovered no oil to date (although intensive exploration is ongoing) and has little gas, while Tunisia

has only limited oil and gas resources used for domestic consumption. Algeria, on the other hand, is a major producer and exporter, although there seems to be no evidence that it has achieved higher levels of EU development assistance as a result. This may be attributable to inadequate progress on economic reform by a government still recovering from the crisis of the early and mid 1990s: absent a bold, successful economic reform program, Algeria may have been unable to leverage its role as energy supplier to Europe in negotiations. Algeria has, of course, been able to accumulate huge foreign exchange reserves due to rising oil and gas prices, and is devoting a considerable proportion of these funds to infrastructure development initiatives. Further progress on economic reform may also enhance the capacity of the government to extract favors from the EU.

Cultural hegemony

Cultural hegemony is a political security issue that has to some extent strained relations between the Maghreb and the EU. North Africa is awash in European and Western cultural images diffused via television, film, books and cassettes. These images of affluence and prosperity are easily accessible to most people, but not so the financial resources necessary to make the images a personal reality. An elite that can afford to participate in the Western lifestyle shown on television has turned toward Europe, while the frustration of the rest has turned into disgust and has fed into a resurgence of traditional values and fundamentalist Islam. Increased religious radicalism, in turn, has the potential to destabilize regional governments based on more open and secular worldviews. While North Africa is saturated in images of Europe, the reverse does not hold true. European exposure to Maghrebi culture is weak, and this has allowed negative stereotypes to prevail despite the presence in Europe of a large Maghrebi population (LaFranchi 1993f, p. 12; 1993g, p. 12).

Military threats

Although military security has been a less pressing concern since the Soviet Union collapsed, several regional North African conflicts continue to influence relations with

the European Union and its member States. The Moroccan takeover of the Western Sahara in 1975 after the Spanish withdrawal, a takeover which occurred despite a World Court opinion generally interpreted outside Morocco as having rejected Moroccan sovereignty, led to a protracted and costly war with the Algerian-backed Polisario Front. The armed conflict waned in the late 1980s as Algeria's internal problems prevented it from maintaining support for the Polisario, but disagreements between the two sides continued to stall the planned UN-supervised referendum on the future of the territory. Mediation efforts by former US Secretary of State James Baker during 1997 briefly appeared to revive prospects of a referendum, but progress on voter identification continued to be slow and eventually again stalled. Morocco subsequently offered to grant limited autonomy to the Sahara within Moroccan sovereignty, but the proposal was rejected by the other parties. The Western Sahara issue remained a live one, however, given the major troop deployments in the region and its impact on Maghreb economic integration. Even in the event of a definitive end to the Western Sahara conflict, the international political standoff might simply be transformed into domestic turbulence as large numbers of demobilized soldiers returned to an economy unable to absorb them (Joffé 1994, pp. 25-26; Spencer 1993, p. 58).

Two Spanish enclaves in northern Morocco, Ceuta and Melilla, have also been the cause of conflict – in this case diplomatic. Morocco demands the return of the enclaves, but Spain refuses, out of a reluctance to concede territory, and perhaps also because Spanish army officers, who serve there on a rotating basis, receive special financial benefits for an enclave posting. The Spanish armed forces remain influential in Spanish politics and are thought to be reluctant to surrender what amounts to a North African sinecure. The local population, for its part, is largely unwilling to accept the loss of EU membership and related passport and financial benefits that would result from transfer to Morocco. Even the late Moroccan King Hassan II found the occupied status of the enclaves useful as a nationalist rallying cry, and it has long been suspected that Morocco has agreed not to seriously challenge Spain on the issue in return for official Spanish neutrality on the Western Sahara and the allocation of development funds to Northern Morocco. There is,

however, no direct evidence for this hypothesis (Soudan 1994a, pp. 30-31; Cardenas 1996, pp. 120-122, 126-131).

Mounting tension between Rabat and the conservative Spanish government of José Maria Aznar exploded into a diplomatic crisis on October 27, 2001, with the recall of the Moroccan Ambassador to Spain and a reciprocal gesture by Madrid. Although Spain complained that Morocco had failed to give the reasons for its decision, it appears that relations had been soured by at least five major and longstanding issues of conflict: Spanish sympathies for the Polisario movement and Saharan independence, illegal immigration, drug trafficking, the non-renewal of the Morocco/EU fisheries agreement, and poor Spanish treatment of Moroccan immigrants. The mutual absence of contact at the ambassadorial level continued, with neither country prepared to break the stalemate, and was then eclipsed in July 2002 by a military confrontation over a tiny uninhabited island off the coast of Morocco. A group of Moroccan police officers planted two flags on the island of Tourah (also known as Layla to the Moroccans and Perejil to the Spanish), which is claimed by Spain despite an apparent lack of evidence for Spanish sovereignty. The Moroccan forces were quickly dislodged by an impressive but surreal display of Spanish military power, and it required the intervention of the U.S. Secretary of State to obtain a Spanish withdrawal and a return to the *status quo ante*. The initial EU support for the Spanish position, which was quickly replaced by a more neutral statement after angry protests from France and other member States, appears to have undermined the credibility of EU diplomacy in the Maghreb. Morocco and Spain decided to return their respective ambassadors to their posts in February 2003, and bilateral relations greatly improved after the election of the socialist government of José Luis Rodriguez Zapatero in 2004, but the principal issues of contention were still outstanding.

The Algerian conflict, a struggle between Islamic extremists and the military regime that canceled the near-certain election victory of the Islamic Salvation Front (FIS) in 1992, took the form of a bloody, low-intensity civil war for much of the 1990s. More than 150,000 people, many of them civilians, may have been killed during the most intense years of this conflict, and for some time, there were real fears that an extremist takeover

could destabilize neighboring governments and spark a new wave of emigration to Europe (Tempest 1993, p. D3). Algerian terrorist attacks in France and at home, as well as the 1994 Islamist hijacking of a French airliner in Algiers, placed real strain on trans-Mediterranean relations. More recently, a government amnesty convinced many Islamist guerillas to surrender, and the number of skirmishes, civilian massacres, and bombings has greatly diminished. Nevertheless, sporadic Islamist violence persists, and since 2001 there has been widespread civil unrest centered on the Berber-dominated Kabylie region, where the protest movement seeks greater recognition for Berber culture and better treatment from the government and security forces. The Algerian army has also faced allegations that it secretly perpetrated many of the civilian massacres blamed on the Islamists in order to justify its predominant role in Algerian politics. It denies the allegations.

The 1980-87 war between Libya and Chad over the disputed Aouzou strip resulted in heavy military support for the Chadian government from both France and the United States. After Libya's military defeat, Morocco and Algeria played a diplomatic role in persuading Libya to take the issue to the World Court for resolution, although Libya continued its interference in other forms (Joffé 1994, pp. 27-28).

The range of military conflicts outlined, past and present, reflects both transient and longstanding difficulties in relations within or between the Maghreb countries or between a given Maghreb country and an EU member State. One factor driving the Euro-Mediterranean partnership of the EU was surely the desire to increase the political and economic cohesion of the area and thereby avoid the militarization of political disputes. The European Union had its genesis in the post-World War II imperative to prevent any recurrence of that catastrophic event, so it is easy to understand European support for the structures of economic cooperation and diplomatic collegiality in the Southern Mediterranean.

CHAPTER FIVE

A Recent History of Relations between Morocco and the European Union

Morocco is the most open of the Maghreb economies, having pursued reform with relatively greater enthusiasm. It has worked hard to capitalize on that status by portraying itself as "the Mexico of Europe", and has sought much closer ties to the European Union – even going so far as to formally apply for membership in 1987 on the basis of strong cultural and trade relations and the progress achieved in economic liberalization and democratic reforms. The application was effectively rejected on the grounds that Morocco is not geographically a European State, but it had served its purpose of highlighting the Kingdom's status and ambitions (Bahaijoub 1993, pp. 239-240). This chapter offers a detailed analysis of the relationship between Morocco and the European Union, drawing on a range of American academic studies (including journal articles and contributions to edited volumes), the experience of the author, articles from specialized non-academic publications such as *Jeune Afrique*, the Moroccan economic daily *l'Economiste*, and the French publication *Le Monde Diplomatique*, a background paper of the Tunisian-American Chamber of Commerce, and the trade and FDI statistics of the Moroccan Foreign Exchange Service. One of the authors cited has a high-profile political role: Hicham Ben Abdallah Al Alaoui is a nephew of the late King Hassan II and a political analyst whose support for the reform of governance in the Middle East and North Africa has often strained his relations with the Moroccan royal family.

Trade flows and foreign investment

The first phase of contemporary Morocco-EU relations lasted from 1969 to 1976, and took the form of an association agreement providing for open access to European markets for Moroccan industrial goods. This advantage was offset by heavy restrictions on citrus fruit and vegetables. The second phase of relations began in 1976 with a cooperation

accord that included large-scale technical and financial assistance, commercial treaties, and social policies for Moroccan immigrants in Europe. These accords were extended in 1988 with the exemption of Moroccan agricultural products from the Common Agricultural Policy reference price, but agricultural exports were still subject to harsh quotas and seasonal limitations. The third phase, one of "partnership", began emerging in the early 1990s. Partnership with the European Union seemed a natural move for Morocco, since 60% of its exports went to the Union during the 1980s and 50% of its imports originated there. These figures had risen to 73% and 54% by 2004, and in that year Morocco's major EU trading partner was France, with 23% of total foreign trade, followed by Spain (14%) and Italy (6%) (White 1996, pp. 111-120; Amrani 1995, p. 25).

MOROCCAN FOREIGN TRADE BY LEADING REGIONS AND COUNTRIES IN 2004			
Partner	**Imports (%)**	**Exports (%)**	**Total Trade (%)**
European Union 15	54.3	73.3	61.0
Asia	18.2	8.5	14.7
Americas	10.0	8.3	9.4
Africa	4.0	4.2	4.1
Oceania	0.3	0.8	0.4
Others	13.2	4.9	10.4
Country	**Imports (%)**	**Exports (%)**	**Total Trade (%)**
France	17.9	33.1	23.3
Spain	12.0	17.4	14.0
Italy	6.6	4.7	5.9
Great Britain	3.3	7.7	4.9
Germany	6.0	3.1	4.9
United States	4.1	4.1	4.1
Source: Office des Changes du Royaume du Maroc (web site), Balance Commerciale 2004.			

TOP 10 MOROCCAN IMPORTS AND EXPORTS IN TRADE WITH THE EU IN 2004					
$1 = DH 8.75 on 20 July 2006					
Import Product	**Value** (million DH)	**%**	**Export Product**	**Value** (million DH)	**%**
Fabric	6584	7.8	Clothing	18059	28.5
Misc Machinery	3749	4.4	Knitwear	7449	11.8
Chemicals	3222	3.8	Electronic Components	5545	8.8
Petro-gas, hydrocarbons	2783	3.3	Electrical cabling	3362	5.3
Plastics	2425	2.9	Shellfish	2041	3.2
Tourism vehicles	2294	2.7	Phosphoric acid	1867	3.0
Diesel and fuel oil	2113	2.5	Tinned fish	1730	2.7
Medicine	1781	2.1	Natur. & chem. fertilizers	1525	2.4
Paper & cardboard	1695	2.0	Shoes	1409	2.2
Electrical cabling	1512	1.8	Fish (fresh, smoked…)	1223	1.9
Total Imports from EU	84,843		Total Exports to EU	63271	
Source: Office des Changes du Royaume du Maroc (web site), Balance Commerciale 2004.					

One of Morocco's most immediate and pressing needs is to attract private foreign investment, both to pursue social development objectives and to prepare the economy for free trade with Europe. The following table shows that in investment, as in trade, the dominance of the EU member States is remarkable.

TOP 5 SOURCES OF FDI IN MOROCC0 2000-2004			TOP 5 BENEFICIARY SECTORS OF FDI IN MOROCC0 2000-2004		
$1 = DH 8.75 on 20 July 2006					
Country	**Value** (Billion DH)	**%**	**Sector**	**Value** (Billion DH)	**%**
France	39.16	52	Telecommunications	29.36	39
Spain	20.46	27	Industry	24.93	33
Portugal	2.57	3	Property and Real Estate	6.93	9
United States	2.29	3	Other Services	3.80	5
Great Britain	1.83	2	Commerce	3.11	4
Total (all countries)	76.1		Total (all sectors)	76.1	
Source: Office des Changes du Royaume du Maroc (web site), Balance Commerciale 2004.					

The longstanding European domination of Moroccan trade and investment could not have failed to heavily influence the choice of the European Union as the partner for further trade liberalization, and it lies behind the path dependency concept advanced to partially

explain the course taken by the Moroccan political leadership. The choice of the EU had its costs in terms of foregone or delayed trade diversification, but also its advantages: Morocco knew its negotiating partner well, and there were relatively many shared interests and issues on which to build a negotiating strategy. The Morocco/EU fisheries agreement was among them.

Human rights, fishing fleets, and the Barcelona Declaration

In 1990, the French author Gilles Perrault published a book, *Notre Ami le Roi* (Our Friend the King), detailing alleged human rights abuses by the Moroccan State. Perrault's allegations drew much publicity, his book was banned in Morocco, and, in 1991, the green and socialist bloc in the European Parliament (EP) began to lead criticism of Morocco's human rights record. The EP linked an impending renewal of Morocco's financial aid package to progress on human rights, and King Hassan responded by releasing a number of political prisoners. King Juan Carlos of Spain visited Morocco in July, and was followed in December by a European Parliament delegation that evaluated the human rights situation as satisfactory. Despite this, in January 1992, the EP canceled Morocco's aid, citing human rights violations and inadequate cooperation in organizing the UN-sponsored Western Sahara referendum. Morocco responded by renouncing the aid package and closing its coastal fishing waters to Europe, with devastating effects on the Spanish and Portuguese fleets and up to 100,000 related workers. It also began to undermine the European Parliament by appealing to the European Commission, which was known to view Morocco's human rights record as no worse than that of many other aid recipients, and by enlisting the support of Southern member States. Those States had both an immediate and a long-term reason to support Morocco's position – they needed to put the fishing fleet back to work in the short term, and also to ensure Morocco's longer-term financial stability by restoring aid. The European Parliament ultimately reinstated Morocco's aid package and the fisheries agreement was renewed with increased compensation for Morocco (White 1996, pp. 121-125). This episode of extreme turbulence in Euro-Moroccan relations is a revealing demonstration of the interaction

between political and economic issues that in principle are unrelated but that unfailingly become intimately related in times of crisis, when nations seize on any available instrument of reprisal. The muffled echo of these crisis-driven interactions can be detected in the Euro-Moroccan negotiations for the free trade and association agreement, although in that context, it was the *prospect* of *greater or lesser* financial aid or market or resource access that influenced the parties rather than *actual* and *total* withdrawal of aid or access.

During 1992, the European Union began seeking a stronger framework for its relations with non-member Mediterranean States, a process that eventually led to the Barcelona Declaration of 1995 and Association Agreements with the three core Maghreb countries. Morocco was the first country to open negotiations for an Association Agreement, with the first rounds of talks occurring between May and October 1992. In December of that year, the European Commission approved draft negotiation instructions setting out the key features of the proposed agreement, and the instructions were subsequently debated and approved, in December 1993, by the Council of Ministers. The Moroccan response, contained in a February 1994 memorandum, was one of disappointment: the EU proposal offered no agricultural concessions, did not cover non-tariff barriers to trade, and offered financial assistance that Morocco considered inadequate. Rabat submitted a counter-proposal that went much further on all counts, and was expecting a point-by-point response from Brussels, but the Commission simply stated that it could go no further and suggested that any problems could be resolved during negotiations in the first half of 1994. The attempt by the Commission to secure the opening of negotiations was quickly overshadowed by the mid-term review of the 1992-1996 fisheries agreement, during which Morocco demanded a reduction of EU fishing activity in its waters and ultimately secured a shortening of the accord by one year. From that time onwards, Morocco sought to negotiate the proposed Association Agreement before discussing any new fisheries accord in the hope of leveraging its marine resources, while the EU insisted that the fisheries agreement be dealt with first (Damis 1998, pp. 96-100).

July 1994 saw the release of most of Morocco's political prisoners as part of Hassan II's ongoing efforts to establish the country's credentials as a democratic society (Soudan 1994b, pp. 10-11). This, and other signs of greater openness, seemed clearly influenced by a desire to strengthen ties to the EU, but the political progress was soon followed by an economic setback. In January 1995, a transitional trade agreement between Morocco and the EU, which was necessary to ensure compliance with the General Agreement on Tariffs and Trade (GATT), heralded the end of the few European access preferences enjoyed by Moroccan agricultural products under the 1976 Cooperation Agreement. Moroccan agricultural products became subject to high minimum entry prices, stringent quotas equivalent to only about half of potential Moroccan exports, and seasonal restrictions. Morocco reacted by formally linking European market access for Moroccan agricultural products to European access to Moroccan coastal fishing waters, prompting the European Union representative in Morocco, Marc Pierini, to lament that if Union member State relations had ever been so badly poisoned by sectoral disputes then the construction of Europe would never have progressed as far as it had. Yet Morocco was simply using its fisheries leverage in the same way as the European Parliament had used its financial leverage to encourage progress on human rights (Amrani 1995, pp. 25-26; Damis 1998, pp. 100-102).

The deadlock over the sequence of the Association Agreement and fisheries negotiations continued during 1995, as did the impasse over increased Moroccan agricultural exports to the EU, a prospect that was severely limited by the terms of the Common Agricultural Policy. The failure to renew the fisheries treaty led to the exclusion of the Spanish and Portuguese fleets from Moroccan waters beginning on April 30, for the second time in recent years. The EU insistence that there would be no Association Agreement before a new fisheries accord finally prevailed, and the negotiation of both deals took place from September through November. In the fisheries accord, reached in October, Rabat obtained harvest reductions of between 34% and 40%, the offloading of 30% of the cephalopod catch in Moroccan ports, and a 25% access fee increase. These significant gains nevertheless fell well short of Moroccan objectives. In the Association Agreement,

finalized in November, the EU made only minor concessions on agricultural products compared to the transitional trade agreement approved in January: an 11% increase in the tomato quota, an 11% decrease in the tomato minimum entry price, and a few extra weeks of market access for tomatoes, clementines, and oranges. However, the agreement did lead to a tripling of EU grant aid to Morocco under the new MEDA program, although disbursements were severely delayed by red tape in the first years of implementation. The Spanish and Portuguese fishing fleets were back in business after six months of crisis exacerbated by a Spanish boycott of Moroccan products (Damis 1998, pp. 102-109; Zniber 1995, pp. 36-37). Four years later, in late 1999, the new accord expired and was not renewed despite intense EU pressure. The Spanish and Portuguese fleets were then slated for downsizing and restructuring at enormous expense to Brussels, although the plan encountered serious difficulties in the implementation phase. In 2005, a substantially scaled-down new fisheries agreement was finally signed, prompting complaints from the Moroccan industry that no consultation had taken place.

The amount of funding allocated to Moroccan business upgrading under the new Association Agreement was destined to disappoint, although European Commission External Relations Directorate official Marc Pierini issued a clear warning in this regard at a conference held in December 1996. He told participants that the EU was "not Father Christmas" and that funding for the private sector was "top-up assistance… Europe wants to offer support, but not to provide massive aid" (Mossadaq 1996).

A new diplomatic initiative and a move toward democratization

Immediately after negotiating the association and fisheries accords in 1995, Morocco was hit by a public relations disaster. A leaked report on drug production and trafficking in Morocco, commissioned by the EU, accused the country of being the world's biggest marijuana exporter, and included a list of alleged top producers and traffickers that featured several high-ranking members of the elite. The leak occurred shortly after publication of a World Bank report that described corruption as endemic in Moroccan governance, and the combined effect of the corruption and drug allegations led to a

massive crack-down on smuggling, drug trafficking, and illegal immigration. Large numbers of arrests on smuggling and drugs charges followed, including those of the chief of the Customs Service and his predecessor, and torture was allegedly used widely to extract information. The consequent trials received enormous media attention (Massou 1996, pp. 44-45). Domestic reaction to the clean-up campaign was mixed, with many Moroccans expressing indignation over the Government's justification of the crack-down by the need to develop economic relations between Morocco and Europe. After suffering under corruption for so long, it was a bitter pill for many Moroccans to see action taken apparently only at the insistence of a foreign power (Ben Abdallah El Alaoui 1996, p. 6). Six years later, debate in the Moroccan media suggested that many commentators regard the 1996 "clean-up" campaign as a settling of scores between rival business and political networks that claimed a considerable number of innocent victims but ultimately failed to achieve its objective.

The apparent crack-down on drugs and illegal immigration heralded a renewed Moroccan effort to strengthen its relationship with the European Union, using France as its chief advocate. In early April 1996, Crown Prince Mohammed represented Morocco at a Paris conference on the Moroccan economy that was also attended by royal advisor André Azoulay, the Moroccan Ministers of Finance, Agriculture, and Commerce, various Moroccan business leaders, and French Prime Minister Alain Juppé. Also present were two French Ministers and European Commissioner Emma Bonino, who had represented the Union in fisheries negotiations with Morocco. The conference proved to be, in part, a vehicle for the expression of Moroccan concerns over the nature of its future relationship with the EU. The Crown Prince emphasized publicly that Morocco's desire for closer relations was a matter of choice rather than necessity, and that the relationship would have to be one of equality rather than any form of neo-colonialist economic domination. Prime Minister Juppé, for his part, reaffirmed the critical importance of continued economic, educational and administrative reform to consolidate Morocco's structural adjustment process. He noted that Morocco could not be expected to achieve such a transformation alone (Pigasse 1996a, pp. 22-23).

One month later, Hassan II himself arrived in France amid unprecedented media attention for his second summit with President Jacques Chirac. The summit's main outcomes were an annual heads-of-government meeting between the two countries similar to those between EU member States, a concrete plan for France's "Year of Morocco" in 1999, a cooperative effort to improve the Moroccan education system, a FF 1.5 billion development loan, a FF 1 billion debt write-off, and FF 1.2 billion in investment over two years to expand the formal economy of cannabis-producing Northern Morocco. It is clear that, for Morocco, all roads lead to Brussels – via Paris. Morocco needs France to advocate its interests within the European Union and to protect Moroccan immigrants, while France needs Morocco's cooperation on drug trafficking, illegal immigration, terrorism, and foreign policy initiatives in North Africa and the Middle East (Pigasse 1996b, pp. 21-24).

In 1997, Morocco held Parliamentary elections that yielded the customary fragmented legislature and were rejected as fraudulent by the major opposition parties. Two Socialist Party (USFP) candidates who were declared elected in their respective Casablanca constituencies immediately resigned, stating publicly that their seats had been won by fundamentalist candidates. Nevertheless, the nationalist Istiqlal Party and the USFP, along with their coalition partners of the *Koutla* (a loose and eclectic grouping of political allies), subsequently agreed to a request from King Hassan to form a "Government of Change" led by USFP Secretary General Abderrahmane Youssoufi. Despite the unprecedented nature of the new government, four key Ministers (Interior, Justice, Foreign Affairs, and Islamic Affairs) continued to be appointed directly by the King, and the Interior Ministry remained in the hands of the widely disliked Driss Basri, whose presence had derailed an earlier bid to bring the opposition into government.

In July 1999, after 38 years in power, Hassan II died of heart failure and his eldest son acceded to the throne as King Mohammed VI. In a series of highly symbolic decisions, the new King released fundamentalist leader Abdeslam Yassine from house arrest, allowed the return of exiled dissidents such as extreme left-wing activist Abraham Serfaty, and dismissed Interior Minister Basri in October 1999. Three years later, many

commentators felt that these early measures had not been followed by the more substantive political and economic reforms that they implied, and this perception increased the extent to which the Parliamentary elections of September 2002 – heralded as free and fair – were seen as a critical test for the democratization process. The government, despite real progress in some policy areas, was widely seen as having failed to increase the credibility and power of the Executive branch relative to the Palace because of its fragmented nature and an alleged lack of political will. A number of major reforms – including a new Labor Code and a compulsory health insurance scheme – were not achieved, and the operational budget deficit (excluding privatization revenue) widened because public sector hiring increased recurrent expenditure while tariff reductions under the Morocco/EU free trade agreement diminished recurrent income. The use of privatization revenue to finance the deficit drew criticism regarding the sustainability of such an approach.

The elections of September 2002 were held under a system of proportional representation (a first in Morocco), used a single ballot paper to reduce fraud, and were closely monitored by international observers and by the police. The poll, which at the time was generally acknowledged to have been mostly free and fair, has since been the subject of allegations that the results were "managed" by agreement between the Royal Palace and some political parties. Results gave a plurality to the USFP (but with only 50 seats out of 325), followed by the Istiqlal (48 seats), the Islamists of the PJD (42), and the Rassemblement National des Indépendants (41). Newly formed parties with roots in the country's vibrant civil society fared very poorly: Morocco has seen a multiplication of non-governmental organizations and community groups in recent years, a development regarded as good news for the democratic transition, but attempts by some of those associations to enter electoral politics have so far met with failure. After royal consultations with the leaders of the major parties and considerable inter-party maneuvering aimed at building a viable coalition, King Mohammed VI surprised observers by appointing Interior Minister Driss Jettou as Prime Minister. Mr. Jettou is widely regarded as honest and efficient, and his private sector background was thought to augur well for economic reform, but his status as a royal appointee with no political party

affiliation was interpreted by many analysts as a false note in the democratization process.

Efforts to fight corruption – when properly conducted – form part of the business environment improvements that are essential to attracting the foreign direct investment needed for a successful free trade experience. Democratization reforms play an even more fundamental role, since a democratic polity in which international agreements face a real prospect of defeat at the ratification stage can use domestic political constraints as a powerful argument at the negotiating table. In Morocco, initial moves against corruption appear to have been substantially driven by external pressure and a desire to cement closer relations with Europe, although this may also be a case of a national leadership leveraging external pressure, in the form of an international treaty, to justify desired reforms for which it may have been reluctant to accept sole responsibility. The Moroccan democratization reforms did not begin until after the conclusion of the free trade and association agreement with the EU, so Moroccan negotiators were unable to use domestic political constraints as a bargaining chip given the absence of a credible ratification process.

The United States role

The European Union is not alone in having a vested interest in the future of Morocco. Morocco was one of the first countries to recognize the independence of the United States, and the two nations share over 200 years of friendship. The United States under Bill Clinton placed special emphasis on promoting Morocco as a source of stability and economic opportunity in North Africa, in large part to counter Algerian fundamentalism. In 1994, US Ambassador to Morocco Marc Ginsberg set out the "four-pillar foundation" of US policy toward Morocco: promoting the country as a Middle East peace conciliator (a role already familiar to Hassan II), promoting trade (including military equipment sales) and US private investment, resolving the Western Sahara dispute, and encouraging democratization within Morocco (LaFranchi 1994, p. 7).

In 1998, a visit to the region by Undersecretary of State Stuart Eizenstat resulted in the U.S.-North Africa Economic Partnership (USNAEP, also known as the Eizenstat Initiative). This plan can be summarized as an attempt to promote trade between the U.S. and North Africa on a regional basis through private sector networking. The main goals of the partnership are the promotion of Maghreb economic integration with a leading role for the private sector, and structural reforms aimed at improving the business environment, encouraging privatization, and achieving greater transparency (Belarbi 2001, p. VI, in a background paper of the Tunisian-American Chamber of Commerce). The USNAEP highlighted the stark contrast between the European and American approaches to trade promotion: the European Union makes relatively large financial commitments in its trade promotion efforts and tends to work with governments, whereas the United States offers relatively less funding and seeks out its partners in the business world. The (false) impression that the United States provides minimal financial support for its trade liberalization pacts is exacerbated by the fact that EU aid is committed in the same treaty that includes trade measures (the Association Agreements), while US technical assistance is provided separately through the U.S. Agency for International Development, the Middle East Partnership Initiative, the Millennium Challenge Account, and other mechanisms. The U.S. preference for sector-wide or economy-wide policy support, rather than upgrading funds for individual firms (which can be seen as potential competitors for U.S. companies), also reduces the public visibility of American aid. The USNAEP appears to have made little impact, largely because it requires close regional cooperation among countries that have consistently failed to work together, and it may thus have fallen victim to its own laudable ambitions for Maghreb unity. Another factor may have been the lack of any one coordinating agency in the region with sole responsibility for the program.

In 2002, the United States decided to negotiate a free trade agreement with Morocco that would, in general terms, be similar to the accord with Jordan that was already in effect. The U.S. government has historically preferred relatively “pure” free trade agreements that allow only a minimum of exceptions and that cover both agriculture and services,

and this clearly sets it apart from the more restrictive EU model. The decision to seek an agreement with Morocco indicated clearly that, even in the absence of a unified market in the Maghreb, the U.S. sees strategic value in unfettered trade access to a nation at the intersection of Europe, the Middle East, and Africa. The prospect of U.S. firms using Morocco as a platform for duty-free access to the European Union, subject to compliance with the local value-added requirements of the Morocco/EU free trade agreement, may be considered especially attractive, both for the United States and Morocco. The Morocco/U.S. free trade agreement was signed in 2004 and implemented on January 1, 2006.

Conclusion

Morocco made a clear and conscious economic choice in the 1990s to orient itself towards Europe rather than towards the more distant Middle East or a Maghrebi trading bloc. Given that a clear majority of its trade is with Europe, and virtually none with the other Maghreb countries, this may seem an inevitable choice. It is a decision reinforced by the presence of a large and economically important Moroccan population in Europe, especially France, and by France's role as Morocco's primary aid donor and political advocate. Morocco (like Tunisia) signed a free trade agreement with the European Union that is phasing in from 2000 to 2012, but the deal largely excludes agricultural products and services. The econometric evidence suggests that, in terms of direct benefits, any agreement excluding agriculture and unaccompanied by massive financial aid should have been rejected. However, the indirect and dynamic benefits of free trade – competition-generated productivity increases and private foreign direct investment – can radically alter the analysis, although both phenomena are difficult to predict. Morocco's economy has been strengthened by economic restructuring, but it is still substantially protected and many firms remain ill-prepared for open competition with established European industry that is well-adapted to free trade. There is much to be done in the areas of bureaucratic streamlining, capital market reform, private sector management skills, new product development, and reorientation of existing products toward the European (and now the American) market. Morocco is not alone in this process. It is

receiving substantial, if inadequate, aid and investment from Europe and elsewhere, and the free trade agreement with the United States should accelerate improvements in the business environment and could transform Morocco into a trade platform for Europe and the United States. Both European and American companies could produce in Morocco to take advantage of the local business environment, and could then export to either the European Union or the United States tariff-free providing that the relevant rules of origin were satisfied.

Morocco as a priority for the European Union is clearly secondary to Eastern Europe, and the psychological distance between the Union and both Morocco and the Maghreb has increased because of four factors: first, Algerian fundamentalist terrorism in France and at home, followed by North African involvement in Al Qaida operations; second, the flow of illegal immigrants and anti-immigrant sentiment in Europe; third, continued drug flows from the Maghreb to Europe; and fourth, the economically disastrous shutdowns of the Spanish and Portuguese fishing fleets forced by Morocco in recent years, as well as diplomatic conflict between Morocco and Spain. The combined impact of these factors has been to strain relations and make it more difficult for the European Union to translate words into action regarding the Maghreb. As Moroccan political scientist Khalid Naciri said:

> *"It may appear that dialogue is going on between the two shores, but it's often two dialogues that fail to meet. We have never talked so much about our relations as we have since the two sides began moving apart"*. (LaFranchi 1993b, p. 14).

This statement, made in 1993, seems even more relevant today in the aftermath of the September 11th attacks and the leading role apparently played by individuals of North African origin in later terrorist plots. Nevertheless, although the latent tension between Morocco and the EU *does* constitute an obstacle to the construction of a true partnership, it is unlikely to prevent it. The common bonds and mutual interests of the two sides of the

Mediterranean are simply too great, and the very real advances in democratization and the business environment in Morocco should help consolidate relations.

CHAPTER SIX

Identifying the Moroccan Elites

The Moroccan elite of the early to mid-1990s was a constellation of social groups that was as much criticized as it was ill defined. For the average Moroccan, the elite would probably have been defined in terms of extreme wealth, a penchant for Western and especially West European culture, and a close relationship with the central source of protection and patronage: the Royal Palace. The elite would also have been closely associated with the names of certain prominent families. The latter phenomenon reflects the extent to which wealth was concentrated in the hands of a very limited number of families – many of which had been in the ascendant for generations – in a country that was otherwise afflicted by widespread deprivation and a high rate of absolute poverty. Yet the popular definition of the elite tells us nothing about the differences in origins and interests among its members, and for this we must turn to the academic literature.

Ali Benhaddou, in the 1997 sociological study *Maroc: Les élites du royaume* (based on his French doctoral dissertation), identifies three main types of elite:

The business elite. Within the business elite, which is drawn from the great bourgeois families, status is determined by lineage rather than educational qualifications, the substantive involvement of non-family members is rejected, and the main goal is the acquisition of existing profitable markets rather than the development of new markets or the expansion of existing ones (which would require substantial investment and, therefore, risk). The business elite is thus generally characterized by a closed, family-based structure and a rentier mentality. Two company directors quoted by Benhaddou (p. 57) highlight the process by which each new generation replaces the last:

> *"I began my professional career in my father's business. At 20, I was put in charge of purchasing, then external finance. Ten years later, I founded a new*

> *company in the chemical products sector with my brother and brother-in-law".*

> *"I come from a wealthy family. My grandfather was a fabric merchant, and my father plied the same trade in his youth before buying a textile company. Now I run the company with my brothers and cousins".*

Benhaddou's survey of 131 top managers drawn from the business elite found that 61 had the equivalent of a U.S. community college degree (two years of study after the university entrance qualification or *baccalauréat*), 30 held only the baccalauréat, and 40 had never entered the modern education system at all (although some may have attended religious schools). Most of those with some level of education held positions that were unrelated to their studies. One 45-year-old company director, who had inherited his industrial group, told Benhaddou that he was a graduate of the "school of practical experience" and that formal qualifications would have added no value to his commercial activities (p. 56).

Another characteristic of the business elite is an insistence on family control and an aversion to any external participation in the capital, even when such collaboration would clearly be very lucrative. The primary goal of the company is to preserve family wealth and collect the returns on family assets, rather than to increase profits through an expansion that would require outside investment and thus undermine family control. At best, a company may seek external technical assistance in return for a salary rather than partial ownership. The CEO of one electrical equipment company explained that school had never interested him, but that making money, which did interest him, required ideas. He therefore started his business (using family funds) in partnership with two associates, a Frenchman and a Spaniard, who added their commercial vision to the Moroccan's capital (pp. 58-60). Benhaddou's description of Moroccan entrepreneurial timidity is lucid:

> *"Only yesterday, they were fabric wholesalers, craftspeople or civil servants. Today, they have become entrepreneurs after noticing various flourishing*

> *examples of success and imitating them, but they copy their western counterparts without sharing their entrepreneurial spirit… It is generally the success of competitors that forces them to act, rather than the spirit of capitalism…" (pp. 58-59)*

The experience of the author confirms this finding of Benhaddou. The risk aversion that permeates the Moroccan economy is plain to see: cafés and public telephone centers have sprung up like mushrooms in recent years as capital owners have sought to imitate the success of others, often without undertaking basic market research that would have highlighted concerns such as market saturation or the local appeal of an imported concept. The result is often failure. It would appear that innovation is avoided because it involves risk, yet the poorly researched duplication of observed success often proves riskier still. At the same time, a genuinely entrepreneurial class of businesspeople has been slowly emerging and, although still in the minority, represents an important model of alternative behavior.

According to Benhaddou, one of the means by which the business elite attempts to preserve its interests is the creation of professional associations, and, since each association generally corresponds to a network of family interests, there may be multiple associations representing the same overall industry. Benhaddou noted that in the early 1990s, tinned food producers were represented by as many associations as there were products on the market (pickles, capers, olives, etc.) and that there were no less than three associations representing soap manufacturers: hard soap, soft soap, and toilet soap. Any given president of such an association was often related to numerous counterparts by blood or marriage (pp. 62-64).

The business elite is also identified as a category by Saïd Tangeaoui in the key 1993 sociological study *Les entrepreneurs marocains : pouvoir, société et modernité* (based on his doctoral dissertation). For Tangeaoui, the business elite bases its strategy on five types of capital: know-how, income from a business activity, rent derived from land or property holdings, political or administrative power, and educational qualifications. The business elite is weakened by the rivalry between its two main components, the Soussis

(the inhabitants of southern Morocco) and the Fassis (families that are originally from the city of Fès), and it is also split between a handful of family-based business empires and a vast mass of small and medium-sized firms. Tangeaoui finds a similar disunity amongst other elite groups. As a result, lobbying efforts are fragmented and tend to focus on relatively narrow interests, with the government or King often called upon to resolve disputes that might have been avoided in a more collegial environment. This culture of arbitration, encouraged by the dependence on a central source of patronage, extends to the response of some large industries to the prospect of increased foreign competition, which is often to seek protectionist measures from the government. As Tangeaoui puts it, companies faced with greater competition often seek not an economic response (modernization and improved quality) but a political response (protection by the State)(Tangeaoui 1993, pp. 34, 205, 265-268). Such behavior appears to echo the dual relationship that prevailed between the early merchants and the Sultans of Morocco: on the one hand, the merchants were dependent on the central authority for the protection of their assets against pillaging tribes, and on the other hand, they cooperated with the State by undertaking diplomatic missions and managing public finances (pp. 130-131).

The technocratic elite. As defined by Benhaddou, the "technocratic" elite is also drawn from the great bourgeois families but has built its influence in the public service and the Royal Palace over the generations. Members pass from the elite French schools of public administration to the senior civil service and on to the directorships of major private and public companies. The key to entering the cycle, above and beyond family origins, is a prestigious degree or other type of diploma. The survey data indicate that 44% of the technocrats hold qualifications in such fields as civil engineering, mining, or atomic engineering, while 36% are graduates of the IEP or the HEC (elite private tertiary institutions), and 20% attended the schools of medicine or agricultural engineering. Fully 89% of the CEOs of major Moroccan companies were hired directly from the senior civil service, and 25% of them were Cabinet Ministers, Ministerial Chiefs of Staff, ambassadors, provincial governors, or highly-ranked military officers before entering the private sector (pp. 71-73). They have a tendency to prefer control to change and innovation (p. 79).

Benhaddou finds that individual career promotions within the technocratic elite are decided at the highest levels, and that what he calls the "diploma aristocrats" seek to protect their interests using much the same techniques as the business elite. The latter operates as a series of family clans with patriarchal succession, while the former is based on a caste system within the civil service and major public and private businesses with succession by cooption (p. 76). Yet the similarities between the two groups do not result in cooperation between them:

> *"Like two parallel lines, they lead a completely separate existence. None of them engage in the slightest professional cooperation, exchange of economic information, or collective action… Confined to their respective organizations, they refuse to communicate, not on principle but out of the arrogance of power… Because of their different mentalities and contradictory interests, they do not constitute a ruling class but rather confederations of dominant families".* (pp. 76-77).

For Saïd Tangeaoui, the "techno-bureaucratic bourgeoisie" has arisen from the network of patronage and alliances created by the authorities to reinforce the State. Members of this group build their influence and contacts in the senior civil service before moving into the private sector, where they focus on making money but still regard the State as their guarantor and the driving force of economic modernization and management (Tangeaoui 1993, pp. 269-270).

The political elite. The political elite receives much less attention from Benhaddou than the other two groups and it is not a central focus of his study. The politicians have effectively been confined to the legislature (which has little power) by the business and technocratic elites, which battle each other for the key positions (appointed by the senior civil service or the King) to the near-total exclusion of political leaders. The few political leaders to reach top civil service positions have generally belonged to conservative parties such as the Rassemblement National des Indépendants (RNI) and the Istiqlal, and are better known for their family pedigree than for their political affiliation (pp. 80-81). Tessler (1982, pp. 63, 67), an American university professor specialized in the region,

confirms that political party roles and affiliations are secondary in determining the influence of a given politician, although they do structure a considerable amount of elite interaction. He finds that political competition within the elite is "one of style rather than substance, pertaining to the pursuit of personal gain and not to the accomplishment of a political program." In the 2002 general elections, a new political party created by former Employers Federation President Abderrahim Lahjouji won only two of the 325 Parliamentary seats, and Lahjouji himself was not elected. Lahjouji's party was often identified with business interests, whether rightly or wrongly, and its poor result illustrates the difficulty faced by such interests when they attempt to enter the realm of electoral politics as a distinct group in the face of entrenched established parties.

According to Benhaddou, the technocrats have been in the ascendant for the last two decades due to the marginalization of the political parties and the failure of the business elite to fulfill its capitalist vocation (pp. 116-117).

The origins of the two principal elites can be traced back to several historical and hereditary social structures, each of which is considered to possess qualities allowing it to play a specific and prestigious social role that confers legitimacy:

1. The *chorfa*, the descendants of the Prophet Mohammed, who are revered for their status and whose direct role of faith healing and blessing is supplemented by an indirect political role: the promotion of certain elite individuals or families through marriage. Historically, the chorfa were exempt from all taxes and benefited from various favors of the State in addition to gifts from the general public. The current Alaoui royal dynasty is among the chorfa, a fact that lends great credibility to the King's religious role as Commander of the Faithful (Benhaddou 1997, pp. 17-23). Tangeaoui points out that the chorfa, in addition to their spiritual and political roles, also own vast tracts of agricultural land and hold sway over a large rural workforce (Tangeaoui 1993, pp. 228-229).

2. The *oulema*, the highly trained religious scholars who have emerged as guarantors of political and cultural traditionalism and who fill many key posts in the universities and the government. It is they who formally proclaim the enthronement of each new King, who is both a political and religious leader (Benhaddou 1997, pp. 17-23).

3. The merchants, whose power derives from money and the religious legitimation of their economic role. The merchants were historically crucial to the spread of Islam because of their contribution to economic growth, which acted as both a beacon of success in the eyes of potential converts and a source of funding for wars of expansion. Among the sayings of the Prophet Mohammed is this: "the trustworthy merchant will be seated in the shadow of the throne of God on the Day of Judgment" (Benhaddou 1997, pp. 17-23).

Among 285 leading figures in the fields of administration, politics, economics, and management surveyed by Benhaddou in 1990, 53% were of merchant origin and 47% were of chorfa or oulema origin (p. 26). One of the key techniques guaranteeing the preservation of these lineages was that of intermarriage: among 339 men aged from 30 to 70 and drawn from the 50 richest families, 17% had married cousins, 69% had married within their extended families, and only 15% (mainly those of chorfa origin) had married outside their entourage (the partner was a Frenchwoman in half the cases) (p. 28). The importance of intermarriage could not be better exemplified than by the following statement of a 73 year old entrepreneur:

> *"I married my first cousin. My eldest son married his paternal cousin and my youngest daughter married her first cousin. As the head of the family and director of a group of family companies, I decide the focus of their studies and their choice of husband or wife. Their education and their marriage must contribute to the economic development objectives of our businesses... I cannot imagine that any of my daughters would marry beneath our social status…"* (p. 29).

In a stinging rebuke to the mentality of the various elites, Benhaddou surveys their world view:

> *"The men of faith, of administration, and of commerce consider themselves destined to play an extraordinary role. Convinced that they have been anointed by God, they present themselves as the inventors of the nation and the defenders of the faith, of capital, and of civilization. They confuse the genealogical history of their families with that of the country, and they identify themselves with history and power. They assimilate themselves with the State and take on its dignity and authority. Genealogical identity… serves as a point of reference for the achievements of the older generations… and heralds the qualities of the younger generations, who, because of their family origins, rise to the most senior positions without being required to prove themselves. The forms taken by this deference to paternalist authority range from complete submission, almost a domesticity, through to a vague respect and acknowledgement of credibility… it produces men who are bereft of all independent judgment and are therefore incapable of influencing their own destiny. That destiny is already written."* (pp. 24-25).

In another study of Moroccan elites, *Maroc : L'espérance d'Etat moderne*, the political scientist Abdallah Saaf (who is also a center-left politician and former Education Minister) reports the existence of three clearly distinguishable groups within the State bureaucracy: civil servants of aristocratic origin, those of merchant origin, and the military. He traces most of the aristocratic bureaucrats to the great Andalusian families that settled in Morocco in the 14th century, and suggests that the merchant classes were absorbed into the civil service to fulfill a need for expertise in commerce with the European nations. The latter group is credited with a leading contribution to the rationalization of the tax system, the customs service, and the army. The bureaucrats drawn from the military have held key positions within the royal palace since the pre-colonial period and have often served as intermediaries between the King and the various factions of the elite (Saaf 1999, pp. 28-29). Just as Benhaddou describes a Moroccan elite riven by conflict, Saaf finds that the civil service is marked by struggle between the groups he identifies, and by alliances through marriage and affiliation with religious orders (pp. 36-37).

Although Benhaddou apparently sees little sign of renewal within an elite "stricken by authoritarianism, favoritism, and corruption" (Benhaddou 1997, p. 222), Abdallah Saaf is more optimistic. He sees a decline in "neo-patrimonialism," a system of authoritarianism based on strong personal relationships and weak formal institutions that is destined to preserve a ruling elite and in which the leader plays one faction off against another to maintain his position. For Saaf, neo-patrimonialism in the Moroccan context is "a projection of the family and of patriarchal authority on to the organization of the State and the method of government… with the addition of religious legitimation" (Saaf 1999, pp. 129-130). He cites growing evidence that the phenomenon is being eroded by strong tendencies toward institutionalization, the expansion of judicial power, and recentralization. Although large parts of the ruling elite still see themselves as the exclusive repository of statesmanship and regard that role as hereditary, the need to respond to population growth, increasingly complex social structures, and greater professionalism in administrative tasks has reduced the number of officials drawn from the great families and led to the rise of younger and more technically skilled managers as well as an increase in bureaucratic autonomy (pp. 142-144). Saaf believes that despite continuing neo-patrimonial characteristics such as a dominant monarchy and various failures to respect democratic institutions since independence, it is "difficult to accept that the dominant aspect (of the system) today is non-institutional," and he points to the spread of modern institutions and procedures as well as to the central political importance of democratization. The increasing use of the legal system by the public and the reduction of discretionary police powers are cited as notable examples. In this mixed and evolving environment, the legislator is depicted as a sort of home handyman who brings a range of vital improvements to a nation born of neo-patrimonialism (pp. 147-150).

The same move away from neo-patrimonialism is found in the economic realm. Saaf identifies three phases in the economic history of post-independence Morocco: in the first, the merchants move into industry and then agriculture, while the farmers begin to invest in real estate; in the second, professionals such as lawyers and accountants spurn the civil service in favor of the private sector. They take advantage of their growing wealth and tertiary education to become part-time agricultural entrepreneurs and develop

lucrative new market segments such as kiwifruit and roses (one such segment resulted from a prohibition on banana imports). In the third phase, young graduates of the prestigious engineering schools, who have neither capital nor much commercial experience, target sectors (such as information technology) that are out of reach for the traditional industrialists and part-time entrepreneurs (pp. 169-171).

> *"A large part of economic activity now appears to have escaped neo-patrimonial power. The constraints of the system, its arbitrary and irrational aspects, and the obstacles to an authentic market economy that it generates, are increasingly unacceptable"* (p. 169).

Tangeaoui appears to agree with Saaf's contention that neo-patrimonialism within the public service is meeting with increasing opposition. He identifies two distinct groups within the civil service, one rational and modern in its outlook, and the other based on highly coded symbolism rooted in personal and family relationships. According to Tangeaoui, an increasing number of senior managers are leaving the public sector in a quest for greater autonomy and the pursuit of new ideas based in economic rationality. Nevertheless, the existence of the two identified worldviews (in both the public and private spheres) should not be taken to mean that there is no intermingling of the practices in which they result; in fact, very often, both "rational" and patrimonial considerations are in play simultaneously, and apparently rational (merit-based) processes may hide latent patrimonialism (Tangeaoui 1993, pp. 178-184). Overall, the rational approach does appear to be gaining ground, in large part due to the rise of a younger generation of public servants and entrepreneurs who are focused on managerial and technical skills in addition to the personal relationships so important to their elders. This younger generation is distancing itself from the traditional structures and practices without breaking away from them altogether, because their influence remains considerable (pp. 52-53, 67-69, 88-89).

One of the most striking recent illustrations of the tension between the neo-patrimonial world view and its opponents was the anti-contraband campaign of late 1995 and early 1996, which, according to Ignace Dalle (a former French Press Agency chief in Rabat

and prolific researcher on Morocco), was marred by widespread abuses of power, arbitrary arrests, and the jailing of innocents alongside the guilty (Dalle 2001, pp. 160-166). The campaign, which ultimately had to be abandoned after fear paralyzed economic activity, is described here by the Employers Federation (CGEM) Director Mouhcine Ayouche:

> *"It began as an entirely political operation run by the Customs Department, which rightly believed that there was too much smuggling and illegal activity going on. Ali Amor, the Director of the Customs Department, would have compromised, but Interior Minister Basri got involved and everything changed. What he was basically trying to say was: 'not just anyone can get involved in smuggling'. It was also a political message from the makhzen* (the central authorities that monitor and constrain the elites) *to the businesses, which wanted more freedom and were demanding more democracy and the rule of law. They had to be put in their place. In Morocco, nearly all the rich became wealthy in the recent past and they owe their success to the makhzen.*" (p. 165)

At the summit of the Moroccan elite structure, and of the *makhzen*, sits the King. The monarch acts as the guarantor of the political order on the basis of his religious legitimacy, his ability to confer patronage, and his coercive powers (Tessler 1982, p. 67), the latter generally wielded through the powerful Interior Ministry. The central role played by the monarchy in creating and maintaining the patrimonial structure of the elites is lucidly portrayed by Guy Sorman (a French international affairs analyst) in his recent work *Les Enfants de Rifaa : musulmans et modernes*. Sorman seeks to demonstrate that the under-development of most Muslim countries results not from the presence of Islam but from the system of government practiced. Malaysia is taken as an example of economic success by a Muslim nation, while Morocco is presented as a case in which economic stagnation results not from Islam but from a semi-feudal system of government.

> *"The primary reason for the stagnation of Morocco is its feudal structure; this ever-strengthening feudalism centered on the monarchy is enough to neutralize the social, economic and cultural forces of development. In a feudal system, the monarch does not allow competition from other centers of power, much less from autonomous groups, and prefers a set of dependents*

to a national middle class. This constellation of dependents is characterized more by its devotion to the palace than by its economic efficiency.

So it was that the King confiscated the colonial lands after independence, either for the Crown itself or for redistribution to its clients. It was immediately obvious that the main source of wealth in the new Morocco would be proximity to the palace and loyalty to the Royal Court, not innovation. In the 1960s, this nationalization of the economy could have appeared justified, because it was the dominant ideology of the time, especially in France: the State was seen as more rational than the market. But even after the passing of the fashion, nationalization was strengthened by the "Moroccanization" of the economy, which took place in 1973. In the name of national sovereignty and productivity, the King forced the last remaining foreign investors and the Moroccan Jews out of the economy, and this cosmopolitan elite was replaced by the royal family and its network of dependents.

Senior civil servants and Cabinet Ministers took over the nationalized companies in the same way as the Soviet nomenklatura 'privatized' State-owned enterprises in the 1990s. Morocco lost a large part of its entrepreneurs in the process – an economic catastrophe for the Kingdom – and, since then, a courtesan bourgeoisie has controlled the economy, quickly excluding any new local entrepreneur who might undermine its monopoly… To reinforce its authority, the monarchy has replaced market dynamics with a system of special favors…" (Sorman 2003, pp. 116-118)

"Corruption is not an accidental phenomenon but a regulating factor within the system. Since the enforcement of the law depends on the identity of the person to whom it is applied, corruption is an indispensable tactic for survival in an environment of subjective rules; without corruption, no project big or small would come to fruition. Only the powerful and the captains of the courtesan economy can avoid it, since their influence is sufficient to bend the rules without paying". (Sorman 2003, p. 121)

The accession of Mohammed VI in 1999 has given the political role of the monarchy a decidedly more democratic and reformist cast, and the replacement of provincial governors and an Interior Minister with backgrounds in security and surveillance (a control function) by businessmen and technocrats dedicated to economic development (a growth function) is highly significant. Political obstacles to entry to the business world seem to have lessened at the margins, although significant projects may still encounter the pressures described by Sorman. The strengthening of women's rights through the promulgation of a revised Personal Status Code is another symbol of greater openness and equity. Nevertheless, the King remains the cornerstone of the elite structure

described above, and the apparent desire of Mohammed VI to reduce patrimonial elitism in favor of a merit-based approach has placed him under intense pressure from more conservative forces. Those same forces are also necessarily in conflict with the broader societal drift away from patrimonialism identified by Abdallah Saaf, although the extent of their capacity to obstruct the phenomenon remains unclear.

As discussed in the introduction, Ronald Rogowski, in his 1989 work *Commerce and Coalitions*, demonstrated the impact of comparative advantage on the political reactions to free trade in a given economy. Basing his analysis on the Stolper-Samuelson theorem, which found that trade liberalization benefits the owners of abundant factors of production and harms the owners of scarce factors, Rogowski profiles the possible factor allocations in a given economy and the consequent political reaction to liberalization. His treatment of the Moroccan case – abundant land and labor but relatively scarce capital – is as follows:

> *"In a capital-poor economy with abundant land and labor, change in exposure to trade… mobilizes a coalition of red and green… Expanding trade… benefits farmers and workers but harms capitalists; and the mass coalition – or, where agriculture is dominated by a few large landowners, a coalition of gentry and labor – pursues a wider franchise, free trade, and a general disempowerment of capital."* (1989, p. 15).

The elite categories outlined in this chapter can be linked to Rogowski's approach based on land, labor and capital. The larger-scale farmers, who have access to dam irrigation water and thus the ability to grow export crops, could be seen as part of the business elite, while the smaller farmers (mostly subsistence) would not figure in any elite group. Trade union leaders would be part of the political elite, while the rank and file workers would fall outside of the elite structure. The larger capitalists would be in the business and/or technocratic elite, the mid-sized capitalists (who would be characterized as small by U.S. standards) would be in the mid-level of the business elite, and the small businesspeople would be out of the picture.

CHAPTER SEVEN

Testimony from Key Stakeholders in Negotiations for the Morocco/EU Association and Free Trade Agreement of 1995

One of the most striking phenomena to emerge from this research is the very small number of key players in the Morocco/European Union trade negotiations on either side of the Mediterranean. For Morocco, only four or five government officials can be considered to have been influential across the full range of issues, drawn essentially from the Foreign Affairs and Foreign Trade Ministries and from the Royal Palace. For the European Union, a similar number of European Commission officials wielded equivalent influence, and only three member States appear to have been closely and consistently involved in the process: France, Spain, and Italy. On both sides, of course, a much larger number of public and private sector officials were influential with respect to various subsets of the issues under negotiation, but the top-level drivers of the process were very few.

The meaning of free trade

Asked to define the meaning of free trade, Moroccan respondents spoke of two main themes: a motor of economic reform and integration, and a strengthening of the historic relations between Morocco and the European Union. One Moroccan government official described the free trade provisions of the Association Agreement as a new phase of a process that had already been ongoing for 30 years and that was expected to result in increased integration between the two partners across the board:

> *"I have always considered the progress that we have been making… as a sort of transition to something larger and more institutional and more balanced. I personally don't believe that the objective of this process is purely mercantile – it wouldn't make sense – because I'm certain that if we were limited to a hard and fast commercial logic of free trade, it wouldn't be Morocco that would gain substantially, it would be the European Union. And*

> *I would say the same of any FTA that did not also have political, strategic, institutional, cultural and human objectives."*

Another Moroccan government official echoed these sentiments, regretting the limitation of the agreement to industrial products due to the unwillingness of the EU to make agricultural concessions, and emphasizing that the accord is not an end in and of itself, but rather "an initial instrument of economic integration with the European Union that… must evolve into a wider integration… including economic relations with other partners." A third Moroccan government official traced the origins of the FTA to the structural adjustment program begun in 1983 and cast it as the result of a sovereign decision by Morocco to profoundly restructure its economy:

> *"The form of trade that we had at the time with the European Community… was based on the unilateral granting of preferences by Europe. We wanted to change from an inward-looking strategy to an outward-looking strategy, we knew that the charitable approach of unilateral preferences achieves nothing. It doesn't confer negotiating power relative to the European Union."*

A colleague from another Ministry saw the trade liberalization provisions as a way to introduce competition and so encourage protected and complacent industries to invest and raise product quality. A more skeptical view was adopted by another Moroccan government official, who felt that free trade was a misnomer, that trade barriers continued to exist and always would, and that the free trade provisions of the Association Agreement were simply "an agreement on economic and financial relations, full stop." The Moroccan private sector representatives interviewed saw the FTA as a path to greater economic integration between the two partners that would be achieved through a process of economic and business upgrading.

The European Union officials interviewed, like their Moroccan counterparts, saw the Association Agreements and the FTA component of the Moroccan agreement as a means of encouraging reform in the Moroccan economy as well as greater integration between the Moroccan and European economies and strengthened political and cultural ties across

the Mediterranean. Yet they also saw them as a tool of greater integration between the Moroccan and other Southern Mediterranean economies, and as a reaffirmation of the place of the Maghreb and the Southern Mediterranean in the European vision as the Union expanded to the East. Rivalries between EU member States with interests in the region also played a significant role.

One EU official characterized the FTA as an element of the Association Agreements that was essential to the credibility and impact of the political provisions of the accords, which aimed to create a vast zone of stability and well-being in the Mediterranean, including a free trade zone, by 2010. One means to this end was greater economic and commercial integration among the Southern Mediterranean countries:

> *"Given that the Southern Mediterranean countries don't trade amongst themselves… it was very difficult to do a regional deal like Mercosur. So we decided that it was better to sign nearly identical North/South agreements with each country… and this would lead to integration through provisions such as cumulative rules of origin: we were going to promote the integration of the South by accepting products that were produced in one country and processed in another. Without North/South investment and South/South industrial cooperation, it's no use providing openings for trade, there won't be an increase in trade. Example: the Lomé Convention. The Lomé Convention offers preferences like no other agreement… what good has it done? What is the trade between the Lomé countries and Europe? Nothing! If there's nothing, you can offer anything you like. It's very demagogic to say 'we're going to offer free trade'. What's the point if there's nothing to trade?"*

Another EU official was very critical of the Morocco/EU FTA, suggesting that it was not real free trade because the Europeans had been much less forthcoming than they should have been, and that the Dutch had become as protectionist on cut flowers as the Spanish had on tomatoes during the negotiations. He highlighted the EU desire to recognize the importance of the Southern Mediterranean States even as it gave priority to Eastern neighbors following the collapse of the Berlin Wall, and concurred with several colleagues that the accord sought to encourage intra-regional trade flows and generate

pressure for economic and political reforms in Morocco and the upgrading of Moroccan businesses.

Conflicts of interest between EU member States also played a role in the formulation of the new Mediterranean policy, according to one senior EU official, who evoked the accession of Spain to the European Union in 1986 as a watershed in Mediterranean relations. Spanish nationals took over several key EU positions responsible for the region, both on the Commission itself and within its permanent staff:

> *"They discovered that the Mediterranean policy was being run very much in the interests of France, taking advantage of the very heavy French presence in the Mediterranean and trying not to undermine that presence, which meant that there hadn't been much progress on the Mediterranean policy. Which was based on financial protocols… it wasn't very transparent, and the companies of the best-positioned countries were the ones that benefited. The Commission didn't have much involvement, the Community even less."*

Strengths and weaknesses of the agreement

Moroccan officials and private sector representatives questioned about the strengths of the FTA emphasized its role as a catalyst for accelerated economic reform and greater efficiency, but above all they highlighted the social, political and institutional partnership referred to in the provisions of the wider Association Agreement. That partnership appears to have been seen as the true compensation for the opening of the Moroccan market to European competition, given that the European industrial markets were already accessible to Morocco, although the prevailing sentiment today is that it has never been implemented. EU interviewees rated the strengths of the FTA as first and foremost its potential as a catalyst for economic reform and for regional economic integration – both between Morocco and the EU and between Morocco and the Maghreb countries – and its potential to attract foreign direct investment. Moroccan perceptions of weaknesses in the agreement revolve around the non-implementation of the wider partnership promised in the Barcelona Declaration, the absence of significant increases in Moroccan access to EU

agricultural markets, and the poor record of both the EU and the Moroccan government on company upgrading initiatives. EU subjects felt that the main weakness of the accord was the failure to achieve its potential strengths: regional economic integration and investment promotion.

One Moroccan official identified the key strength of the Association Agreement as being the intention stated in the preamble of the Barcelona Declaration to construct a balanced partnership including not only free trade but also strategic, political, institutional and social considerations. Having said that, the official in question was clearly skeptical about the implementation of such provisions:

> *"I say to myself that one day we will succeed in making the strategic, institutional and political aspects of the agreement a reality, just as we did with the free trade agreement. This is not yet the case. We talk about a new strategic partnership and the Europeans talk of a "new neighborhood" policy, and these are concepts that remain theoretical and academic for the moment. I'm convinced that if the Europeans ultimately failed to respect the informal, indicative commitments they made in the preamble to the Barcelona Declaration, the situation would be very serious, because the deal would not have been honored… The free trade zone, if it remained a solely commercial phenomenon, would not necessarily be to Morocco's advantage. And Morocco would not benefit as much as the Europeans".*

Another Moroccan official felt that the strength of the FTA was to give increased visibility to Moroccan operators, firstly by confirming the existing tariff exemption for industrial exports, and secondly by setting a detailed timeline for the elimination of tariffs on industrial imports from the EU. Another Moroccan official said that the smaller and less developed partner in a free trade arrangement tended to benefit more than the "senior" partner, and that Morocco could expect greater economic efficiency and a more rational allocation of resources. The FTA was perceived as an external catalyst for continued domestic economic reform intended to reduce the prevalence of rentier behavior and eliminate special economic privileges, he said. One senior Moroccan negotiator indicated that the main benefits of the FTA were increased quotas for certain

Moroccan agricultural exports and the development assistance provided by the EU under the MEDA program in the form of grants and low-interest loans.

The Moroccan private sector representatives interviewed believed that the FTA would contribute to a greater integration of the European and Moroccan economies through a process of business upgrading and improvements to the business environment, including commercial law and its enforcement.

Asked to identify the weaknesses of the FTA, Moroccan government officials cited, in addition to concerns about the implementation of the non-commercial aspects of the Association Agreement, the absence of provisions relating to services and the very limited concessions on Moroccan agricultural exports. One private sector representative was more specific on agriculture, citing tomatoes, flowers, green beans, and courgettes as products in which Moroccan export potential is directly limited by the provisions of the accord. Another private sector interviewee was harshly critical of the EU for seeking to expose the "young and fragile" Moroccan economy to greater competition while continuing to heavily subsidize European firms. He lamented the absence of a "vision of strategic partnership" and was especially disappointed by both EU and Moroccan government efforts to assist Moroccan economic and commercial reform:

> *"We were talking about free trade over a 10 year period… but the economic upgrading process was undefined. And I would say that it's still not defined today, most unfortunately! Businesses or sectors were feeling worried… The European Union… had suggested during negotiation the possibility of contributing to Moroccan reform efforts, but at the time, the amount of funding required was not well quantified and the specifics of the process were even less well determined… The European Union took a long long time to open an office responsible for the program, which was known as Euro Maroc Entreprises, they took three years to launch the program and it started with a basic operating budget that was only just enough to pay the salaries… I would say that the first three years were wasted years. I feel now that the European Union has not really met the expectations of Moroccan businesses, to the point that we decided that the reform process should become a purely Moroccan concern. The EU representatives… showed us the European business upgrading model, which was very attractive, and they led us to believe we would get the same treatment, which was not the case.*

> *So we would have liked to see the Moroccan government take over the upgrading process… it's in the process of doing so, but very late in the piece, because there's a lack of resources. I understand that, I don't think it's a question of bad faith, but it's running very late… it's only recently that one or two company upgrading funds were announced by the Prime Minister and they're still not operational! Eight years have gone by…".*

These criticisms were echoed by a Moroccan government official, who said that the government had expected to receive EU funding for business upgrading during the three year grace period before the start of tariff elimination on European products with Moroccan equivalents. Slow bureaucratic procedures within the EU meant that nothing was received in that timeframe, and the Moroccan budget was unable to fill the gap, so the upgrading program was delayed, according to the official:

> *"The weakness was that we didn't negotiate a deadline for the aid package. We could have said to the European Union: 'not until the aid arrives'… we could have gained enormously."*

The extent of assistance was also held to be inadequate:

> *"The European Union had asked us what aid we required. We prepared a report… that was sent to the European Union, but we didn't receive the funding… as requested… It was too little, too late. The Moroccan government thought that the EU was going to help and so made no budgetary provision for upgrading… Unlike Tunisia, which did release funds to begin its restructuring program."*

One senior EU official said that the fundamental strength of the FTA, above and beyond the provisions of the Association Agreement relating to economic reform assistance and investment promotion, was its role as "shock treatment" in the face of a strong protectionist tradition:

> *"These countries prospered behind heavy trade barriers until the FTA, but those barriers never protected them from international competition. In Morocco, the emblematic case for reform was the closure of the Thomson television set factory. It was a French company assembling television sets and they were beaten by the South Koreans; they had to close the factory*

> *with its hundreds of jobs. The South Korean televisions were smuggled into the country – not on donkey back over the mountains, since South Korea is a long way away, but by the container load thanks to bribery. The price differential was so great that they could buy as many customs agents as they liked, and they got away with it. And all this showed very clearly that international competition… was unavoidable".*

Another EU official echoed this analysis of the benefits of the FTA, describing it as preparation for a globalizing world, and confirming the inefficacity of trade barriers as an alternative:

> *"The Moroccans were addressing the problem of customs fraud and trafficking. They told us: 'listen… so many goods are getting in without us being able to inspect them, why not opt for free trade: problem solved'."*

Asked to identify the weaknesses of the FTA, an EU official emphasized the increasing bureaucracy of the European Commission, saying that he would no longer want to work there, and that the excessive bureaucracy and monitoring procedures were due to a multiplication of lines of accountability: the member States, the European Parliament, the Auditing Authority, and the trade unions. He also felt that the increasing number of member States led to more extensive conflicts of interest that made the negotiation of agreements with a third party much more difficult. One of this interviewee's colleagues was blunt regarding these points:

> *"My successor wasn't that interested, he wasn't an economist and knew nothing about the region or the social context. I and another top official left almost at the same time, the entire team changed, and the spirit of the place just wasn't the same. Now it's a new order: four or five years ago… within the Commission, the bean counters took control from the political types. Me, I have a political orientation, and I think that financial packages are a means of achieving certain objectives. I'm not sure that our successors have seen it the same way…"*

Another failure of the FTA was felt to be the absence of an effective mechanism to promote European private investment in countries like Morocco, and several EU officials said that the stagnation of that investment had led such countries to seek public European

funding to compensate for lost tariff revenue. The Commission had always maintained that there was no direct link between MEDA program assistance and lost customs receipts, and that direct investment should make up the difference, so the failure of that investment to materialize was described by one European interviewee as "somewhat of a missing link in the chain". Another EU subject felt that in the first 10 years of the agreement, the Maghreb countries had been increasingly marginalized as private investment flooded to eastern European nations, and as the Maghreb failed to increase its exports to non-European markets in the same way that many of those eastern European nations had done. Yet another EU official also identified the lack of growth in FDI as a problem, but laid much of the blame at the door of the Moroccans:

> *"The foreign direct investment factor didn't materialize. We perhaps naively overestimated the catalytic role that free trade could play, especially with this deadline of 2015* (sic) *that was too distant for a company that wants to invest somewhere, that runs into problems in-country with things as simple as going to court to resolve a dispute. And this is a court that's not like a court… here in Europe, there are government rules that are not transparent, there's a lot of bribery, you have to know someone in the system… it was too much for us and our projects."*

The same EU official said that the FTA had been weakened because the Moroccans, by their own admission (according to the interviewee), had insisted on too much protection for their vulnerable sectors and had rejected the European preference for a balanced phase-out of tariffs in favor of back-loading (delaying the most potentially damaging tariff elimination until the latter part of the implementation period):

> *"As a result, the deadline for businesses to restructure was too distant to incite them to take prompt action. So we missed out on the catalyzing effect of friendly external pressure. We didn't insist on it because it was a Moroccan affair and we had no cards up our sleeve to impose a faster rhythm…"*

The minimal EU concessions on agriculture were also cited by this interviewee, who blamed the Spanish agricultural lobby for insisting on export calendars that were extremely limited in order to protect Andalusian farmers, especially regarding flowers,

strawberries and potatoes. He identified two further weaknesses of the FTA and the wider Association Agreement: its failure to sufficiently accelerate democratization in Morocco, which was described as falling far short of a constitutional monarchy, and its failure to strengthen the economic integration of the Maghreb region. The nature of the dialog that occurs in the framework of the agreements also came in for criticism:

> *"The dialog that takes place is a dialog between civil servants who are afraid to make commitments, who have their instructions… it's formalistic, that really struck me. In order to achieve far-reaching reform, it's not the money that's missing, it's the will and the understanding… and for that, there has to be a dialog between political leaders…"*

The origins of the free trade agreement and the motivations of the parties

Moroccan officials emphasized the long history of the 1996 Association Agreement and FTA, which were the latest in a long line of less far-reaching accords that began in the 1960s. One interviewee traced the genesis of the FTA to 1983, a watershed year in Moroccan economic history marked by the implementation of structural adjustment policies (such as tariff and subsidy reduction and debt rescheduling), and to the imminent accession of Spain and Portugal to the European Union. For that Moroccan official, the trade liberalization begun in coordination with the World Bank in 1983 was intended not only to respond to the macro-economic problems for which structural adjustment is habitually prescribed, but also to increase Moroccan bargaining power with the EU. Portugal and Spain, two countries with an agricultural export profile similar to that of Morocco, were already negotiating their accession, and their incorporation in 1986 would clearly disadvantage their closest southern neighbor. Morocco, for its part, was preparing for membership of the General Agreement on Tariffs and Trade (now the World Trade Organization) and was involved in exploratory talks with the EU on how to manage the impact of Spanish and Portuguese accession on Euro-Moroccan trade. It was during these talks, in 1983, that the idea of an FTA was first raised by Morocco. The EU response to the Moroccan free trade proposal was initially unenthusiastic, according to the official,

and remained so until the controversy surrounding the 1992 European Parliament rejection of aid packages for Morocco and Syria due to concern over human rights.

> *"It was after the rejection of the financial protocol by the European Parliament that the European leadership became concerned, because for them, Morocco is a cornerstone of their regional strategic relationships: the fisheries for the Spanish, the Middle East role, etc. They couldn't afford to isolate a country of such political and geographic importance. Europe was looking to restore its relations with Morocco, because Morocco had… slammed the door, including with respect to the fisheries issue. The crisis… began to be resolved by the revival of the free trade proposal… and this coincided with the first terrorist attacks in Europe, especially in France. There was a political context – Islamic extremism – and people at the Commission began to say… that the best way of fighting terrorism was to envisage a great initiative to support the southern Mediterranean and reinforce the Middle East peace process, Oslo, etc."*

The suggestion that the EU took up the Moroccan free trade proposal in order to restore relations damaged by European Parliament criticism of the Moroccan human rights record was denied by one leading EU official, who did not even remember the controversy, 13 years later. He did not think that the issue "played any role at all in the reflections to propose an FTA with Morocco plus Maghreb… and don't forget, we never did want an FTA with Morocco only, the FTA was part of a more strategic approach covering the whole region". This view appears to be corroborated by testimony tracing the advent of European Commission interest in the Moroccan free trade proposal to a visit to Rabat by the European Commission President, Jacques Delors, in 1991; the first Commission documents on the subject also carry that date. What is not in dispute, however, is the Moroccan origin of the free trade request, as the Moroccan official just cited recounts:

> *"And that's how the idea of free trade began, it wasn't imposed by Europe, it was a Moroccan idea. The historical truth is that we are the architects of the end of the neo-colonial era, the end of charity in the form of preferences."*

A senior EU official cited regional prosperity and stability as the primary motivation of Brussels in entering negotiations for the Maghreb (and Mediterranean) free trade and

Association Agreements, given the small size of the commercial markets involved. He also confirmed the Moroccan origins of the FTA proposal, which was quickly pursued by Tunisia (Tunisia ultimately signed several months before Morocco), and gave the measure of the Moroccan commitment to liberalization

> *"When we sat down for the first session of the exploratory dialog in May 1992, the first substantive presentation was that of a senior Moroccan official, and he said 'we want to impose free trade on ourselves as a vector of competitiveness'. And he said it with such force and in such a radical way that our own people… from Brussels were shocked. We said 'be careful, you're going to destroy all your industry.'… We accepted the request while taking care to accompany it with a phased tariff elimination schedule, exemption clauses, and financial assistance."*

A Moroccan official who was heavily involved in the FTA negotiations from 1992 to 1995 described the agreement as a joint decision in response to the accession of Spain and Portugal, over and above the 1988 adaptation protocols that protected Morocco's traditional agricultural export flows. He also saw the FTA as a mechanism employed by the EU to overcome the crisis in its relations with Morocco caused by the 1992 European Parliament rejection of the financial protocol. One EU official traced Maghreb enthusiasm for free trade to the eastward expansion of the Union and a desire to avoid marginalization as the attention of Brussels turned to its future recruits, many of which were signing free trade deals as a prelude to accession.

A question regarding the choice of the European Union as free trade partner – a question to which the answer may seem obvious given the Moroccan trade profile – nevertheless drew a revealing response from one Moroccan official:

> *"The natural market of Morocco is the European Union! Who are we supposed to trade with? Africa? They don't need the products we manufacture… Who are we supposed to trade with? The Maghreb Arab Union? There has never been a Maghreb Arab Union! And I can assure you that there are at least 150 agreements between Morocco, Algeria and Tunisia, and not one of them is enforced. Who are we supposed to trade with? The Arab countries? They get everything from the United States!... We*

> *didn't think of the United States because… it* (bilateral trade) *is not even the turnover of a supermarket… "*

Another Moroccan official, the then Commerce and Industry Ministry Secretary General Abderazzak Al Mossadaq, told the Moroccan economic daily *l'Economiste* in 1995 that "the free trade zone is an act of faith for reasons of geopolitics, geostrategy, and geo-whatever-else. We didn't make a success of the free trade zones with Tunisia and the Maghreb Arab Union, but we didn't ask ourselves why" (Belyazid 1995).

Given the obviously strong motivations on both sides to go through with a free trade agreement, and the long history of political and economic ties that lay behind them, it is appropriate to wonder why the EU made – and Morocco accepted – an offer that largely excluded agriculture and excluded services, and was therefore less likely to achieve the highly ambitious goals of the initiative. Moroccan officials interviewed attributed the lack of progress on agriculture to the Common Agricultural Policy of the European Union, which protects and subsidizes European farmers, but also to the newness of agriculture as an international trade negotiation topic. At that time, one Moroccan official pointed out, agriculture was being negotiated within the Uruguay Round talks of the General Agreement on Tariffs and Trade for the first time, and it was "new for everyone". He did not see that as a cause for concern:

> *"At one point, Morocco would have liked negotiations to include agriculture, but frankly, looking back after 10 years, I think that Morocco would probably not have been ready to negotiate free trade in agriculture either. The agricultural negotiations with the United States* (nine years later) *highlighted the differences, and I think it's ultimately something that should be dealt with from the perspective of strategic development… Ultimately, it suited everyone to have an agricultural negotiation that focused not on immediate free trade but on a progressive move towards greater reciprocal liberalization…"*

Nevertheless, if gradual reciprocal concessions were seen as a more feasible option for agricultural liberalization, the extent of the concessions granted fell far short of expectations. A Moroccan private sector representative complained of restrictive quotas

and inflated reference prices on some products (such as tomatoes) of which Morocco could export large quantities to the EU, generous quotas and reasonable reference prices for other products (such as citrus fruit) for which Moroccan producers often target non-EU markets in any case, and very limited time periods for the export of certain crops. He blamed the unsatisfactory result on Spanish pressure, but also on the absence of countervailing pressure from Moroccan producers, who he said were not involved in the negotiations by the government.

It should be noted that agro-industrial products *were* included in the free trade provisions of the Morocco/European Union Association Agreement, but any tariff elimination applied only to the industrial value-added of the product and not to the agricultural inputs.

The fortress aspect of the Common Agricultural Policy was highlighted by an EU official, who likened it to the Augusta golf club:

> *"It's a system in which members commit to reduce production, to produce certain crops and not others, to receive subsidies and to make certain contributions. It's a system closed to outsiders, like a golf club. You're either a member of Augusta or you're not. If you're not a member of Augusta, you don't play. You can be invited from time to time, but not often, and you have to have a low handicap: we can offer certain agricultural concessions, but under the right conditions in terms of quality, packaging, and calibration."*

One EU official strongly defended the agricultural provisions of the agreement as conferring improved quotas and export calendars on the Moroccans, but this appears to be an isolated viewpoint. Several other EU officials regretted the minimal nature of agricultural concessions, and identified competition between similar products from southern EU member States and the Maghreb countries as the main reason for them; the intention was to protect the farmers of those Mediterranean EU member States from North African rivals. This protectionism is nevertheless softened by such practices as the occasional Spanish importation of additional Moroccan produce to meet shortfalls in local supply, according to one interviewee. Another EU source blamed the Spanish

agricultural lobby for insisting on export calendars that were extremely limited in order to protect Andalusian farmers, especially with regard to flowers, strawberries and potatoes:

> *"We caved in to Spanish political pressure and the result was a minimal offer, and in normal circumstances the Moroccans should not have accepted it. They accepted it because there was a Royal vision at the highest levels of the State of a closer relationship, and so they said 'OK, maybe we can't export everything, but we'll be able to improve on this thanks to the five-year revision clause'."*

Above and beyond the question of protectionism, there may have been another, more disinterested consideration involved in the lack of European agricultural generosity. According to one EU official, the Union is convinced that agriculture does not have a large role to play in Moroccan economic development in the medium to long term, due to the scarcity of water, recurrent drought, and the water intensive nature of many leading cash crops. He acknowledged that this analysis can be seen as a disguised argument for protectionism, but felt that it was a genuine and valid belief.

Both Moroccan and European interviewees agreed that the services sector received little attention in the FTA because it was a relatively new feature of international trade negotiations, and the European Commission was not yet mandated to negotiate in that field. One EU official also stated that he and his colleagues were not very aware of the potential of the Maghreb countries in the area of services at the time of the negotiations.

The negotiations: the State perspective

The genesis of what was to become the Barcelona Declaration and the new generation of association and free trade agreements can perhaps be traced to the official visit paid to King Hassan II in 1991 by the then European Commission President, Jacques Delors. One of the EU officials interviewed, who was destined to play a crucial role in the process from that time forward, described the sequence of events:

> *"Upon his return to Brussels, Delors asked me… if we should and could enter into a free trade agreement with Morocco. I put together a one page memo for Delors during the weekend – that was how we worked back then – to say that I found the idea interesting, for Morocco more than for us, but on condition that the Union go beyond a bilateral accord to encompass the entire Maghreb, so as to create a single, strong, harmonious partner for the Union among the three Maghreb countries."*

The one page informal memorandum led to the publication by the Commission of a paper on the European Community and the Maghreb countries that proposed a partnership with the three nations, and it was this initial vision that formed the basis of exploratory discussions with Tunisia, Morocco (beginning in May 1992), and, much later and at a lower level of commitment, Algeria. In the meantime, on January 17th, 1992, the European Parliament had rejected the fourth EU/Morocco financial protocol due to concerns over human rights abuses, and diplomatic crisis was in the air. The negotiating mandate of the Commission was not adopted by the European Council (of Ministers of Foreign Affairs) until December 6th, 1993, after two rounds of exploratory discussions that reportedly left Moroccan officials disappointed that the European offer – especially in agriculture – fell far short of the ambitions of the agreement (Taarji 1993, in the Moroccan economic daily *l'Economiste*). This disappointment appears to have been exacerbated by the visit to Morocco of Manuel Marin, the European Commissioner responsible for non-member Mediterranean States, on December 16th and 17th, 1993. Mr. Marin, who had come to launch the formal phase of negotiations, was personally criticized in a *l'Economiste* report in extraordinarily direct terms:

> *"The meetings have been somewhat rough. This was because the Moroccan side was 'disappointed' in the negotiating mandate, but also because of Mr. Marin's stormy nature. His reputation is well established within the European Community bureaucracy, and during the two days of his visit to Rabat, every effort was made not to provoke this aspect of his personality"* (Triki and Salah 1993).

Obtaining a mandate for negotiations from the European Commission is never easy, and the case of the Maghreb was no exception. As one EU official said, the most difficult task

is not negotiating with the external party but settling the terms of the negotiating mandate within the Commission:

> *"You spend months and months getting the mandate, because everyone defends their specific little interests… In Europe, there is not yet an acceptance that what's good for Europe is good for you as a matter of principle… People want a measure to be good for their particular interests, then they say 'OK, then this is for the general good'… It becomes very complicated to get the mandate, and then the mandates are very limited. There's no flexibility."*

The phenomenon of divergent interests underlying a theoretically unified EU negotiating position was also noted by a Moroccan official. He contrasted the official single negotiating partner, the European Commission, with the 15 member States that formed the Commission and of which the sometimes disparate interests did influence the talks – in parallel to the Commission mandate, and sometimes even in contradiction with it. As a result, a number of issues in the negotiations with the Commission were in fact dealt with on a bilateral basis:

> *"Quite often, when there was a problem, there were bilateral consultations with certain capitals, the President of the Union, Paris, Madrid, Rome, London, Berlin… because in any case, the problem had originated in one of these capitals… Rather than always go through the Commission, we sometimes went directly to the source of the problem."*

The Moroccan government was also not monolithic in its approach to the negotiations, and the Finance Ministry in particular was known to be concerned about the loss of tariff revenue, which had been estimated at approximately $1 billion per year according to one official. Another Moroccan official described a process in which negotiators had considerable autonomy and periodically made progress reports on the main issues to King Hassan II, who followed the talks closely.

> *"When a progress report was submitted to the King, we would say 'this is the state of play, this is where we're at, we think we can proceed on this basis… and he would give his benediction, he would say 'OK', for example*

> *he would say 'regarding this fisheries agreement, so long as you manage to protect such and such a species…', and it was up to us to do it. Everything came back to the King, who followed developments very closely. He was very interested because he had a good grasp of the issues."*

Once the mandate for negotiations with Morocco had been obtained, the formal negotiations undertaken by the Commission under the close supervision of the member States were supplemented by bilateral contacts between Morocco and Spain, France and Italy. The initial rounds of formal negotiations with Morocco were characterized, according to an EU official, by a Moroccan insistence that EU agricultural markets be opened to Moroccan produce. This was seen as a means of balancing, through agriculture, an agreement that would otherwise be lopsided given that EU industrial markets had long been open to Morocco. Moroccan negotiators were even described as "obsessed" by agriculture, especially citrus fruit and tomatoes, by a European interviewee who claimed that if Morocco had chosen its crop varieties more wisely, seasonal restrictions would be less of a problem. But a Moroccan private sector representative said that Moroccan producers had in fact adapted in exactly that way, only to see further restrictions applied to new varieties that were being harvested during what was supposed to be open season for exports to the EU.

The tension in parallel negotiations over GATT agricultural provisions boiled over in late 1994, and led to the first public statement by Morocco linking its access to EU agriculture markets with the renewal of the fisheries agreement between the two parties. New GATT provisions taking effect on January 1st, 1995 standardized EU reference prices for imported agricultural products at the expense of Morocco, which had been exempted from the reference prices, and the EU offer of preferential access for tomatoes – intended to partially offset the Moroccan losses – was seen as inadequate. On December 22nd, 1994, European Commission President Jacques Delors received a letter from Moroccan Prime Minister Abdellatif Filali described by EU sources as "very undiplomatic", in which agricultural access problems were directly linked to the fisheries agreement and to Morocco/EU relations more generally (de la Guerivière 1995a, in the

French daily *Le Monde*). The letter spoke of a European "diktat" and referred to the offer on tomatoes as a "proposition that undermines our dignity and our sovereignty" (El Banna 1995a, in *Le Monde*). The dispute led to talks in Brussels on January 11th, 1995, and an agreement – signed the following day – that brought limited improvements to Moroccan access to European agriculture markets. These improvements were presented as significant by Moroccan government officials but were criticized as minimal by the Fruit and Vegetable Producers and Exporters Association (APFEL) (Salah 1995, in *l'Economiste*).

In addition to agricultural access, Association Agreement negotiators for Morocco sought, at the outset, a radical version of free trade, in a proposition that surprised even their EU counterparts, who were themselves hammering the theme of free trade as a catalyst for economic competitiveness.

> *"We* (EU negotiators) *were confronted with a very strong position of principle… supported by the government… that was a quite radical position at the outset, and it was basically – I'm exaggerating the terms a little – 'subject us to the most comprehensive free trade possible in order to generate the strongest possible incentive for competitiveness'. The initial position was also very demanding of Europe in the sense that Morocco as an agricultural country was convinced… that agricultural exports were a motor of development, and we are not convinced of that, quite apart from the question of our contingents."*

On an institutional level, the negotiations appear to have been influenced by a conflict regarding agricultural concessions between two directorates general of the European Commission: the External Relations Directorate and the Agriculture Directorate. The latter appears to have taken a more protectionist line, while the former was more focused on developmental objectives that would be well served by increased Moroccan exports, as this EU official testimony (from the External Relations Directorate viewpoint) indicates:

> *"We believed that the danger to European agriculture was quite limited… The European position was often very restrictive on quantities… there was a*

> *courgette quota that was ridiculously low in the initial offer, it was the equivalent production of 10 hectares, it was absurd. It was truly absurd in development terms, if you compare that mechanical limitation with the political objective of the agreement, which was the prosperity of Morocco and therefore the stability of rural areas. All that was absurd."*

The dominance of protectionist considerations in the EU negotiating position appears to indicate that the Association Agreement was destined from the very beginning to disappoint Moroccan and European hopes of a genuine partnership for development. Those hopes were articulated clearly by Taieb Fassi Fihri, the Chief of Staff of the Moroccan Foreign Affairs Minister, just before the start of exploratory conversations in 1992. According to the Moroccan economic daily *l'Economiste,* Mr. Fassi Fihri called for "an expression of political will in which calculations of quotas and tonnages must make way for a strategic commitment that transcends mere calculations" (Taarji 1992).

European access to Moroccan fisheries was another key issue in the negotiations, since the renewal of a separate quadrennial fisheries agreement between the two parties was being negotiated simultaneously with the Association Agreement. The previous fisheries agreement expired on May 1st, 1995, and Spanish fishermen, who found themselves barred from their zone of operation, began attacking and destroying Moroccan produce transiting via Spain in protest. In the fisheries talks, Morocco was seeking catch reductions of between 30% and 65% over three years, depending on the species, a measure that would have sidelined approximately 400 of the 650 to 750 EU vessels (Richard 1995, in *Le Monde*). The European counter-offer on catch reductions had risen from 17% to 22% and then to 25% before the negotiations appeared to fail altogether on August 28th, 1995 (de la Guerivière 1995b, in *Le Monde*). EU officials spoken to made no attempt to hide their irritation at the role played by the fisheries issue in the Association Agreement talks. One said:

> *"It was a role of pollution! It was a subject of irritation for four years. We did the exploratory talks and the negotiations, and in the same period we did two fisheries agreements, which were horribly emotive subjects for very bad reasons related to the colonial experience with Spain. Fishing in Spain is a very important sector for historical reasons, and the attitude of the Spanish*

> *fishermen was always one of established rights: 'we've been fishing there for centuries, so it has to continue'… And the Moroccans had the exact opposite attitude of sovereignty over their waters. It was a point of political disagreement so violent that it obstructed the agreement. Moreover, in September, October, November 1995, the two negotiations were proceeding in parallel and the conclusion of the Association Agreement was on hold pending conclusion of the fisheries agreement… In September 1995, the President of the Commission sent a letter to the King guaranteeing a reduction in the Spanish fleet, and the King told us: 'make it clear to the President that if these commitments are not respected, this will be the last fisheries agreement'. And after that, the negotiations for the subsequent accord* (in 1999) *did in fact fail."*

Another EU official confirmed that Spain did not restructure its fishing fleet in a timely manner, despite having committed to do so in an internal EU agreement, and that as a result, the fisheries issue had continued to "hang like a dark cloud over the relationship" well beyond the 1995 talks. While the political interaction between the fisheries and Association Agreement negotiations in 1995 is obvious, they were dealt with separately in administrative terms by the European Commission, and this appears to have yielded a quite narrow commercial perspective on the fisheries issue, according to one EU official:

> *"The fisheries agreements were always separate from the EU/Morocco cooperation framework and were managed by the Fisheries Directorate General in Brussels, which had a representative in the European Commission Delegation in Rabat who reported directly to that DG. I thought… that we should have increasingly seen… the fisheries agreement in its wider context, which would have required greater awareness of the need to move beyond a narrow vision of securing fishing licenses for mainly Spanish boats, which was the thinking of the Fisheries Directorate General, at least initially. The Spanish fishermen lost access to Moroccan waters, partly due to their inability – and that of their mainly Andalousian political representatives – to move towards greater integration with the Moroccan industry."*

Most Moroccan officials interviewed confirmed the trade-offs between the association and fisheries agreements, and all emphasized the role played in resolving the impasse by a Royal announcement that the 1995 fisheries accord would be the last. That announcement was also echoed at a press conference by European Fisheries Commissioner Emma Bonino. One Moroccan negotiator described the fisheries

agreement as the only bargaining chip Morocco had had in seeking increased agricultural quotas and more favorable rules of origin for industrial exports. He said that Morocco had obtained significant concessions thanks to the fisheries agreement, including, with respect to earlier accords, the facilitation of Moroccan export transit via Spain. His account of the 1995 Association Agreement talks is revealing and confirms the intertwined nature of the issues:

> *"I was very clear with them: 'this is my only bargaining chip to bring you to your knees in negotiation'. I often said to them: 'it's either that or I take off boats'. Just like that! Clearly! I used the Anglo-Saxon negotiating style, that way it's clear. And I was facing… the French, the Italians, and so on, and as soon as they took something away from me, I said 'I'm removing 10 boats'."*

A Moroccan private sector representative highlighted the EU tactic of playing Tunisia off against Morocco with respect to the Association Agreement:

> *"To compel Morocco to sign, they went and signed with Tunisia very rapidly. That was a show of force by the Europeans, who were saying 'if you're not interested, well look, Tunisia is going to benefit from X'. Morocco would have signed the Association Agreement a year before Tunisia, but Morocco preferred to first discuss other outstanding problems, including fisheries and agriculture, and the European Union refused to yield."*

In September 1995, a number of Moroccan business leaders publicly and privately called for a speedy resolution to the deadlock over the fisheries and association agreements, for fear of losing market share to Tunisia, which had already signed its Association Agreement with the EU (El Banna 1995b, in *Le Monde*). These concerns were also evident in comments by a Moroccan government official, who suggested that Morocco would have "lost practically everything" to Tunisia and other competitors had it not moved to sign the Association Agreement. The tactical decision by the European Union to sign with Tunisia before Morocco appears to have cost Morocco its potential first-mover advantage:

> *"We based our approach on the Tunisian agreement. We tried to make changes relative to the Tunisian deal, some items were changed… but there was a baseline that had to be followed."*

One EU official identified two contrasting phases in the negotiations, the first lengthy and "rather sterile," focusing on exemptions and transition periods, and the second, which was extremely rapid, precipitated by Royal intervention:

> *"I would say that they stopped negotiating at all at a certain point, after the King's edict, they stopped negotiating. They signed everything. It took six weeks, two months maximum, between the King's decision and the initialing of the agreement. We wrapped everything up in one or two sessions, only very trivial issues came up".*

Another EU official confirmed this version of events, tracing it to the success of efforts to resolve the fisheries impasse and the political imperative of the then imminent Barcelona conference:

> *"The sequence was that beginning in June or July, the fisheries negotiations went into crisis. In July, Tunisia signed its association and free trade agreements, and in September we tried to eliminate the obstacles. The fact that the External Relations Commissioner was Spanish didn't help the situation, in addition to the fact that the King had a difficult relationship with him, so we got around the problem by bringing in Emma Bonino* (the Fisheries Commissioner, an Italian, on September 14th, 1995) *to talk to the King about fisheries, and in the end she also discussed the Association Agreement. And the fact that the King had the letter from Santer, the European Commission President, on the reduction of the fleet – an honorable exit strategy for the fisheries agreement – meant that he wanted no more delays on the Association Agreement. It was important to wrap it up and avoid a long period of crisis. You mustn't forget that at the end of November there was the Euro-Mediterranean Conference* (the Barcelona Conference)*, which was THE launch of the Euro-Mediterranean Partnership, and it would have been difficult to proceed with a dispute unresolved. These are political considerations. To have a Barcelona process with Morocco… not having obtained the fisheries agreement and the Association Agreement was unthinkable. It would have looked very bad."*

One Moroccan official confirmed the impact on the talks of the intervention by Hassan II:

> *"We left to negotiate and we were told: 'don't come back without initialing the agreement'. I can't tell you how much pressure we were under. The Ambassador with the negotiating team had His Majesty on the telephone, and he said: 'initial it!' There was real political pressure. Most of the work had been done… but we were planning to refine it further… but we had instructions…"*

Another Moroccan official flatly denied that Moroccan Association Agreement negotiators had at any point ceased to negotiate and begun "signing everything," and suggested that the EU officials making the claim did not have a good grasp of the issues. But another Moroccan negotiator related an incident that may explain the European perception of a "cave-in". According to him, one of the Moroccan negotiators had become concerned that the conclusion of the agreement would result in the loss of his regular access to the King, which was necessary to discuss progress in the talks, and he therefore deliberately prolonged them. The King had been informed of this situation and had also been provided with a document setting out the EU negotiating strategy in detail, drafted by a Moroccan negotiator based on a combination of solicited leaks from European capitals and analytical deductions. The King then decided to replace the allegedly stonewalling negotiator by two others, one from the Royal Palace, one from the government, and both aligned with the author of the document describing EU strategy, according to the interviewee. The result was a greatly increased pace in the final phase of the talks, although any suggestion of unreasonable concessions by Morocco is emphatically denied. The change in the composition of the lead negotiating team, three months before the initialing of the Association Agreement and the Fisheries Agreement, took place as both parties to the talks were becoming increasingly frustrated with the lack of progress, according to this source. It was a psychological watershed that improved the atmosphere and prompted several extra concessions from EU negotiators, and these, along with the letter from the European Commission President regarding Spanish fleet reductions, greatly facilitated the resolution of the fisheries impasse and the completion of both treaties. The imminence of the Barcelona Conference did not influence the Moroccan negotiators, according to the interviewee.

When the draft agricultural provisions negotiated by the Commission reached the European Council, Spain withheld its approval and insisted that the terms be renegotiated in favor of Spanish farmers. An EU official described the Spanish position as procedurally legitimate but "not very reasonable", and suggested that Morocco signed the final agreement – despite that additional setback – because of its political importance, and because the lengthy delay over agriculture and fisheries had allowed Tunisia to sign its own association and free trade deal ahead of Morocco, the regional originator of the concept. The Tunisian agreement had been signed on July 17th, 1995.

At the same European Council meeting of October 30th, 1995, the German and Dutch Foreign Ministers – usually free trade champions – refused to accept the proposed increase in the Moroccan cut flower import quota from 2000 tons to 5000 tons, and Belgium rejected a 15,000 ton increase in the Moroccan tomato quota. Both Belgium and Holland accused the European Commission of exceeding its negotiating mandate, and another Council meeting had to be called for November 10th in order to resolve the issues (Lemaître 1995, Bourgaux 1995b). A revealing paragraph from the account of the French daily *Le Monde* gives the peculiar flavor of the last days of the process.

> *"The Germans are accusing the Moroccans of 'blackmail'. The French consider the behavior of the Germans to be 'abnormal' and that of the European Parliament to be 'scandalous'. The European Parliament, acting on one of those irrational impulses that seem to be its specialty, has just passed a motion denouncing the overly generous concessions made to Morocco. The French Foreign Affairs Minister finds the whole episode 'mediocre' and is 'irritated'. And the message of the European Union to the outside world remains hopelessly confused."* (Lemaître 1995).

Following the conclusion of the association and free trade agreements between the European Union and Morocco in November 1995, parliamentary ratification (unanimously, on July 5th, 1996) and Royal approval by Morocco came relatively swiftly, but not so ratification by the EU member States. Indeed, long delays in ratification by the Italian parliament pushed back implementation of the agreement by two years, such that the date for full implementation of 2010, which is still often cited in public debate, is in

fact now 2012. The Italian brinksmanship left a sour taste in many mouths, as one EU official attests:

> *"The agreement was ratified late, it took almost three years, I believe… and it seems that the Italians used their power as a ratifying country to obtain a few bilateral concessions… and I find that scandalous".*

The negotiations: winners, losers, and interest groups

The Moroccan and European interviewees, asked to identify the winners and losers of the free trade agreement, gave a wide variety of responses. One Moroccan official claimed that "everyone" would benefit from increased EU market access, be it in agriculture, textiles, or fisheries, or from the aid package accompanying the Association Agreement. But he quickly pointed to losers as well: a certain number of large, heavily indebted fishing companies that were counting on non-renewal of the fisheries agreement to evict Spanish competitors; and small-scale industry:

> *"And then there was small-scale industry, which could be overwhelmed by quality products and forced to close down. In that regard, we requested what's known as business upgrading (la mise à niveau) for some industries, but… what is business upgrading anyway? It was just a name, it was only on paper! How am I going to… determine that such and such a number of industries are below standard…? Based on what criteria? So it was an invention, we talked about business upgrading, but it was really an invention. Business upgrading is a vague expression!"*

Moroccan officials and private sector representatives agreed that beneficiaries would include the consumer, due to lower import prices and increased purchasing power, and companies for which lower imported raw material prices would offset increased competition. Other firms capable of responding to increased competition with higher quality and productivity were also seen as winners. Several Moroccan officials felt that the losers of free trade would not be confined to particular sectors of the economy, but

would be all those companies that had been sheltered by trade barriers and did not succeed in the transition to competitiveness in a liberalized environment. One of them put it more bluntly:

> *"The bourgeois minority built on privileges inherited from the French protectorate. But they're not going to be unfairly disadvantaged, they're simply going to stop profiting from the consumer."*

Another pointed to protected, undiversified and poorly structured family businesses in which one person occupied all the key roles despite, in many cases, having no relevant formal training.

One Moroccan official claimed that all interest groups had been regularly consulted, including farmers, exporters, and the fishing and textile industries, and that during the final phase of the talks he had personally been in contact with all agricultural producers and had received their benediction for the negotiated quotas. Nevertheless, he acknowledged that the institutional culture of the Moroccan government had caused some friction:

> *"There was a lot of contact, but in Morocco we have an administrative style that doesn't release all the available information. And you know, when you don't release all the information, that upsets the producers a little, and yes, go figure, they came knocking at the door of the Ministry because there was no frankness. But then, there was a negotiation in progress, so there was a certain secrecy. But there was no openness. Still, very often they got all they wanted. They were a little bit lost because they weren't informed. But Minister Fassi Fihri very often called them in and briefed them, and they left genuinely very happy and satisfied with what we were seeking. In any case, the new generation of negotiators… we were working for those people, so we had to have as much information from them as we could. But one thing was that these pressure groups, these federations, lacked the intellectual firepower to draft thoroughly prepared submissions, so for agriculture it was the Ministry of Agriculture that did the work, for fisheries it was the Ministry of Fisheries, for financial issues it was the Finance Ministry, and then the Foreign Affairs Ministry organized all this data… into memoranda of negotiation."*

Another Moroccan official also said that the negotiations had been transparent, and that three main interest groups were involved: the CGEM (Employers Federation), the farmers, and the government. He said that the tariff elimination schedule had been negotiated with the CGEM, that a negotiating platform had been signed with all branches of agriculture, and that regular meetings had been held with the government and Members of Parliament.

> *"We negotiated the rules of the game… line by line, product by product… and everyone signed. I had a negotiating mandate that was clearly established with the farmers well before the end of the negotiations… they were all informed, without exception… before, during and after the deal was done."*

A third Moroccan official echoed the statements of his colleagues regarding the close consultation of the industrial and agricultural sectors, and described farmers as having all but participated in the negotiations. While acknowledging that agricultural exporters were unhappy with the agreement, he attributed that discontent to the Common Agricultural Policy rather than the quality of the Moroccan negotiating effort or any lack of consultation. Some industry associations were more effective than others, according to the same interviewee:

> *"In Morocco, some sectors are better organized than others. The textile and clothing industry, for example, is very well organized thanks to a very efficient and dynamic association, and that means a lobbying of the negotiating team that is more effective and better researched than when it's simply a company taking a position almost on an individual basis… But in general, businesses did lobby the government… to influence the course of events in their favor, through the industry associations, the CGEM, and the Chambers of Commerce."*

A fourth Moroccan official confirmed the predominant role of the CGEM as a channel of consultation in the eyes of the government, and raised concerns about its effectiveness, assigning the blame to a lack of participation by the CGEM membership:

> *"When we started holding meetings to explain our position to industry, no-one came. No-one came. Because for them, it was death… Europe was going to walk all over us, the factories were going to be closed down… The private sector didn't want to be involved, and said 'so long as we're not involved, they won't do anything'… so we held meetings at the CGEM with only five or six people. But there was no going back… I… did a tour of the regions to explain what we intended to do, but participation was not so high… people were saying: 'it's not going to happen'. We signed the agreement, and people thought it wouldn't be implemented, that's the extent to which they didn't expect implementation… The private sector was there… to provide us with information, but the decisions were taken by the Ministry of Industry and the CGEM, which represented all the sectors… A lot of people say the CGEM was involved but wasn't very representative. It's not surprising, because the member firms didn't participate. And at a certain point, the President of the CGEM had no choice but to follow the government."*

The view of Moroccan officials that the private sector, including farmers, was fully consulted remains highly controversial, and is flatly rejected by many private sector operators. One interviewee, in the agriculture sector, was asked who represented the various interests affected by the Association Agreement before and during the negotiations. He replied: "No-one! For Morocco, for agriculture, no-one!," and suggested that Moroccan interests suffered dramatically as a result:

> *"The European Union was trying to protect its agriculture under essentially Spanish pressure, and for us, there was no-one to exert pressure, because at the time we were not involved in the negotiations. By the time we were involved, it was too late, the major decisions had already been taken. There was no going back. The tomato issue, which was crucial for Morocco, was… overlooked. I don't think it was done deliberately, but the result was that we were neither consulted nor defended. During all these negotiations, we had a feeling of despair and abandonment. I'm convinced that we would have had a much better agreement if the sector had been involved from the beginning… but they didn't even bother to inform us. As a sector, we believe our interests have been damaged."*

This interviewee reported that the producers of his sub-sector had hired a lobbying firm in Brussels over a period of several years, because the Moroccan agricultural attaché in Brussels was severely limited by budget restrictions and was competing against a large Spanish presence. He said that the lobbying in Brussels had been useful, and had shown

the Moroccan government that producers were prepared to put cash on the table and make a commitment.

Complaints over a lack of consultation by Moroccan negotiators were also rife at a joint meeting held on February 9th, 1994, by the industry associations representing citrus fruit, early fruit and vegetables, and flower producers, as well as a cooperative fruit marketing agency. The meeting had been called in response to concerns over the European Union offer in the GATT round, which was perceived as a severe threat to Moroccan access to European markets, and the participating firms expressed a lack of confidence in Moroccan trade negotiators. They claimed that the Moroccan response to the EU GATT proposal had been slow and timid, that it did not reflect their concerns, and that their active involvement in the talks was essential. One participant said that producers had a better grasp of the issues than the negotiators, while another, a Member of Parliament, claimed that the government was completely detached from the concerns of farmers (Berraoui 1994, in *l'Economiste*). These criticisms were repeated by agriculture sector representatives nearly two years later, after the completion of Association Agreement negotiations:

> *"We regret not having participated in the negotiations between Morocco and the EU, as technical experts and as the most heavily affected operators in the sector, despite the agreement in principle by the government that we would do so and despite our active involvement in preparing the technical papers regarding the various classes of product. Even without sitting at the negotiating table, we could have provided technical support behind the scenes or even from our hotel rooms. We don't understand why we've been somewhat forgotten"* (Oudghiri 1995, in *l'Economiste*).

A former president of the Industry Section of the Moroccan Employers Federation (CGEM), Abdellatif Bel Madani, had told *l'Economiste* three weeks earlier that no real debate had taken place:

> *"We are now obliged to proceed; but the debate has been avoided and has never been opened. In Europe, the accession of a country has always been*

> *preceded by studies, major discussions, and even a referendum"* (Belyazid 1995).

A Moroccan official indicated that the input of the trade unions had largely occurred at the final stage of the process, during the ratification of the accord in Parliament, where unions were represented. Their input was less significant during the negotiation phase, because the Moroccan political system was less well adapted to civil society lobbying at the time of the agreement than it is today, and the interest groups themselves were less well prepared for the task, he said. One trade union, the UGTM (aligned with the conservative Istiqlal Party), staked out its position in November 1995, days before the Barcelona Conference, in an article published by *l'Economiste*:

> *"Unfortunately, the 'partnership' offered by the European Union carries, as in the past, the same connotations of exploitation of the southern countries by those of the North. This shows that Europe does not, for the moment, want to envisage a partnership. It instead prefers to expand its market through competition based on a very lopsided balance of power… This escalation* (in the European battle against American and Asian competition) *is dragging us towards an increasingly savage liberalism that is devoid of all humanity and is worsening the social divisions of the Maghreb countries. It runs counter to the security interests of Europe… Remember how much had to be spent on the economic upgrading of Spain and Portugal: our own upgrading process will not be taken care of by the European Union. The 'partnership', as proposed, is nothing other than the destruction of our businesses in order to ensure total control of North Africa by the EU"* (Afilal 1995).

According to a Moroccan official, most interest group lobbying occurred through formal channels, as opposed to informal opportunities such as cocktail receptions and dinners, and especially via Members of Parliament aligned with particular interests, the relevant Ministries, the professional associations, the news media, and, above all, seminars:

> *"I especially remember the upsurge in the number of colloquia and seminars that were organized around the negotiations, mostly in Casablanca. And I think that that was perhaps part of the birth of civil society in Morocco, not a week would go by without a seminar or colloquium at the Royal Mansour or the Hyatt or the Sheraton, and that ultimately… paved the way for a smoother preparation of future negotiations…"*

A private sector representative said that trade unions initially opposed the FTA, along with the Socialist Party (USFP), but he felt that the latter position was motivated by ideological considerations rather than the national interest. Businesses were not opposed to free trade in principle, but were concerned about the level of support that would be provided for economic and company upgrading, he said. The Employers Federation (CGEM) worked closely with the government, participating in "pre-meetings" with negotiators and serving on various consultative committees, as well as raising awareness of the issues among trade unions. The CGEM also lobbied counterpart organizations in Europe and EU officials for the elimination of European agricultural subsidies that prejudice Moroccan market access, he said.

The CGEM position on free trade with the EU was stated clearly in a report submitted to the government in late 1992 and published in its entirety in the local press:

> *"We have consistently affirmed our support for all policies of liberalization while drawing the attention of officials to the extreme vulnerability of some sectors. We have above all sought a coherent policy to evaluate, with the sectors concerned, the negative consequences for them of liberalization and the measures required to prepare them for foreign competition… There is no doubt that the EEC and the Maghreb Arab Union represent considerable opportunities for growth"* (L'Economiste 1992).

European Union officials identified the European winners of free trade as the manufacturers of small-scale industrial and household equipment, vehicles and consumer goods, given that exports of heavy machinery and infrastructure were already occurring prior to the agreement. France was also cited as a winner, due to its heavy commercial presence in Morocco and well-developed bilateral trade flows. Potential losers on the European side included southern European farmers likely to be hurt even by the limited agricultural concessions ultimately granted. One EU official described those concessions as having been imposed through political will in the face of stiff opposition from farmers,

and with lukewarm support for the agreement from the industrial sector, which had many potential markets other than Morocco.

Another group of potential European losers were Spanish fishermen facing reduced catches under the renewed EU/Morocco fisheries agreement. Francisco Mayor Parede, of the Almeria Fishermen's Guild, told *l'Economiste* in 1995 that neither the Spanish government nor the European Union were defending his members. He expressed an uncompromising view of the divergent interests at stake:

> *"If the Moroccans want to keep their waters and their fish for themselves, then let them, and we'll keep our market to ourselves! Everyone will stay home. If that's what they want, Europe will have to close its borders to all Moroccan products and give us the financial compensation instead of giving it to Morocco!"* (Bourgaux 1995a).

May 1995 was the first month in which Spanish and Portuguese fishing vessels were excluded from Moroccan waters, after the expiry of the previous fisheries accord and in the absence of a new deal, despite ongoing talks. Spanish fishermen in the various southern ports imposed an embargo on all Moroccan exports arriving by sea, attacked the trucks and destroyed the merchandise (Richard 1995, in *Le Monde*). One year later, and six months after the conclusion of the fisheries and association agreements, European Commissioner Manuel Marin accused "certain" agricultural groups of having mounted campaigns intended to spread panic and convince the public that the agreement would lead to disaster in the Spanish countryside. He said that this had resulted in a climate of tension in which dialog had been replaced by lies and insults, making the negotiations extremely difficult (Bourgaux 1996, in *l'Economiste*).

European officials recalled approaches from federations of chambers of commerce rather than from any more specific groups, as well as the direct protest actions of Spanish farmers who, like the fishermen, attacked and obstructed trucks carrying Moroccan produce, and demanded financial compensation for lost income. EU officials noted a

generalized fear within the Moroccan private sector that centered on the free trade agreement but in fact stemmed, in their view, from globalization in general and an increasingly competitive world economy. This fear was muted in its expression given that the negotiation of the accord was a Royal priority. Moroccan private sector representatives met with EU officials, in Rabat and in Brussels, and conveyed their views in seminars and private meetings. The Moroccan government position was put in the formal negotiations, but the official talks were also supplemented by bilateral contacts with Madrid, Paris and Rome, according to EU interviewees.

CHAPTER EIGHT

The Politics of the Lowest Common Denominator in Europe and Democracy Deficits in the Maghreb

The picture of Morocco that emerges from the interview data is that of a country that saw no alternative to the European Union in generating new foreign trade and investment flows, because of the overwhelming EU dominance of existing flows, its geographic and linguistic proximity, and the close bilateral political ties that link Morocco with a number of EU member States. This situation of path dependency appears to have reinforced the conservatism of decision-makers in a political system that is naturally conservative, and precluded serious consideration of options for diversification until many years later. Yet in contrast to this early failure to think beyond the obvious in choosing partners for deepened economic relations, Morocco was strikingly bold in its degree of commitment to the deepening process itself and to the higher level of integration with Europe that it implied. The initial Moroccan enthusiasm for free trade as a motor of economic reform and competitiveness that should be adopted in a radical version to maximize benefits, although clearly excessive, does show a remarkable desire to innovate *within* the main traditional commercial relationship. The regrettable failure to apply that same innovative spirit to the diversification of trade flows *away* from that primary relationship is exemplified by the fact that the Moroccan-American free trade agreement, signed nearly 10 years later, was to be initiated by the United States, although the Moroccan government has become much more pro-active in recent years with respect to other partners. The Moroccan commitment to free trade with the EU appears to have been driven by the convictions of a handful of top officials and Royal advisors rather than by any domestic political constituency or by any specific external factors, apart from the general process of globalization and trade liberalization; for the European Union, however, the willingness to negotiate trade liberalization and a strengthened Association Agreement with Morocco (or other partners) seems to have resulted from a number of geopolitical imperatives as opposed to the policy agendas of activist EU officials.

The European Union of the early to mid 1990s, as described by the officials interviewed and the various secondary sources, was already contemplating the dramatic transformation of eastwards expansion in the post-Soviet era. There was a natural diplomatic desire to find some way of signaling to Southern Mediterranean countries that they would not be forgotten in the new European order, and this diplomatic need was given a sense of urgency and policy substance by the questions of illegal immigration and drug trafficking, and by several terrorist incidents with North African connections. As a result, European declarations about a vast zone of economic prosperity stretching from Morocco to Israel were not entirely empty rhetoric, even though the resources devoted to the plan were inadequate and the results have been disappointing. On a bilateral level, the Moroccan free trade proposal proved a timely vehicle for reconciliation with the EU after European Parliament criticism of the Kingdom's human rights record, although renewed EU interest in the proposal appears to date from the previous year and so cannot be considered a response to that episode. The Moroccan free trade proposal subsequently evolved into the Euro-Med partnership heralded by the Barcelona Declaration and the new generation of Association Agreements: the Moroccan initiative became the core of a much broader Euro-Mediterranean response to the economic and political challenges of the moment.

The interview data can be analyzed on the basis of two main approaches, the negotiation perspective (drawing on negotiation and game theory, and especially Putnam) and the interest group perspective (drawing on general theories of economic interests such as Rogowski and analysis of the Moroccan elite structure).

Putnam (1988) conceived of international negotiations as a two-level game. The national level is characterized by intense competition between political actors who seek power by building coalitions of domestic interest groups, while at the international level, in negotiations, governments seek to satisfy domestic pressures and obtain the best possible deal on the issue at hand, given the state of international relations. The national political leader interacts, on the international level, with his foreign counterparts and his own

advisors, and on the national level with party and parliamentary actors, interest group representatives, and again with his own advisors. An action that may be rational for the national leader at the international level may be dangerous to his political survival at home, and in that case he/she is caught between the desire for a more favorable international agreement (or the avoidance of negotiation failure) and the need to maintain domestic political support. But as Putnam says, "on occasion, clever players will spot a move on one board that will trigger realignments on other boards, enabling them to achieve otherwise unattainable objectives" (p. 434). The instrument by which the national political leader triggers this realignment and reconciles the two levels of interests, national and international, is the process of agreement ratification.

Even assuming that initial Level II (domestic) discussions take place to determine the Level I (international) negotiating position, as well as broad parameters for compromise, and further, that consultation with domestic interests occurs throughout the negotiations, any Level I agreement must ultimately be ratified (without amendment) at Level II. Putnam defines ratification as "any decision-process at Level II that is required to endorse or implement a Level I agreement, whether formally or informally" (p. 436); he stresses that ratification may include, in addition to parliamentary approval, the accord of bureaucratic agencies, interest groups, social classes, or public opinion, and that this need not occur in a democratic context. The need for Level II ratification requires that any Level I agreement fall within the Level II "win-set", defined as "the set of all possible Level I agreements that would gain the necessary majority among the constituents when simply voted up or down" (p. 437).

Putnam holds that win-set size is determined by:

(1) Level II preferences and coalitions (as a function of actors' perceived cost of no-agreement, their relative influence and propensity to lobby, and their willingness to trade-off across multiple issues),
(2) Level II institutions (the difficulty of ratification requirements as reflected in minimum majorities, the level of party discipline and authoritarianism, etc.), and

(3) Level I negotiator strategies (the use of side-payments and general domestic political popularity ["generic good will"] to increase the possibility of ratification) (pp. 441-452).

The fact that Level I negotiators often have a poor knowledge of the domestic politics of other parties (and thus the size of their win-set) allows those parties to exaggerate the smallness of their win-set in hopes of getting a better deal, but it may also lead to fears that they will be unable to deliver on the agreement reached (pp. 452-453). Governments may also try to "restructure" each other's win-sets through lobbying and aid packages, or by creating international pressures (such as the policy momentum generated by a summit meeting) that "reverberate" in domestic politics and allow an agreement to be ratified where before it could not have been (assuming that there is no backlash against the international pressure) (pp. 454-456). Synergistic linkages (trade-offs across different issue areas) are thought likely to multiply with increased economic interdependence, which in turn increases the range of possible trade offs (pp. 447-448).

The Moroccan case clearly brings a new twist to the Putnam framework. The range of level II preferences and coalitions appears to have been extremely limited, due to a longstanding authoritarian tradition based on submission to the Monarchy and its representatives. Moroccan civil society, which by 2005 was relatively well-developed, albeit far from wielding decisive influence, was barely nascent in the early to mid 1990s and was in no position to obtain a significant role in the negotiation and ratification processes. Civil society groups ranging from industrial associations to trade unions to NGOs both organized and participated in informational seminars and debates, and some industry groups were occasionally consulted and briefed by public officials in general terms during the negotiations, but their only specific and detailed input seems to have been sectoral data used by negotiators in preparing position papers. The general sentiment of non-governmental actors, especially in the agriculture sector, appears to be that they were denied the intensive and detailed involvement in the Morocco/EU talks to which they aspired, and which they believed would have better safeguarded their interests and those of their country.

Yet in striking contrast to this viewpoint, several Moroccan government officials insisted that industry representatives were fully involved in the negotiations and in some cases even approved the negotiating mandate "line by line, product by product." Even the Moroccan official who acknowledged the prevailing government tradition of information retention and secrecy also claimed that all interest groups had been regularly consulted. At the same time, Moroccan officials spoke of a lack of openness and consultation on the part of the government, and identified the weak institutional capacity of economic interest groups as a factor that led negotiators to regard those groups as sources of information rather than full partners in the negotiating process. This testimony suggests a complete contradiction between those Moroccan government officials who believe that full consultation occurred, and those Moroccan government officials and private sector representatives who believe that very little consultation took place at all. The likely key to this apparent contradiction is a narrow government definition of "consultation" that mostly involved only general and occasional briefings for economic interest groups and the gathering from them of sectoral data that was subsequently incorporated into formal negotiating positions – usually without their involvement at that crucial stage. This approach was encouraged, if not justified, by the very real lack of institutional capacity within many economic interest groups. To the extent that any industry representatives saw and approved detailed negotiating positions, they are likely to have represented a small group of players chosen by the government and Palace rather than any broad-based consultation exercise. In Morocco in the 1990s, government consultation with industry mostly took place through the leadership of the Employers Federation (CGEM), an organization that itself suffered from a tradition of authoritarianism and inadequate consultation, and which has since embarked on an internal restructuring program intended to eliminate such problems.

It is clear, then, that Moroccan economic interest groups had little influence on the negotiations with the EU, and the role of Parliament and the political parties was even less consequential given the subservience of these institutions to the Royal Palace, *a fortiori* on an issue that was a priority of the King. The latter point is of critical

importance, given that Parliamentary ratification, a mere formality in this authoritarian context, was the only institutional mechanism by which economic interest groups might have threatened approval of the negotiated agreement after realizing that they would be unable to sufficiently influence its content. The government, having failed to adequately involve such groups in the talks, might at least have capitalized on their discontent as a threat to ratification tending to reduce the Moroccan win-set, but the absence of a credible ratification process eliminated even this possible advantage at Level I. Neither level II interest group coalitions nor level II institutions were in a position to threaten ratification, to such an extent that level I negotiators were not obliged to implement strategies intended to promote ratification. In a very real sense, the win-set of the domestic interest groups was replaced by that of a handful of top government officials and the King, and it can be supposed that the latter win-set was relatively large, given the strong – and initially excessive – commitment of that group to free trade as a motor of reform and competitiveness. The ideological nature of that commitment may have insulated it from the concerns of interest groups and further discouraged the government from involving them closely in the negotiations.

Given their large win-set, the Moroccan negotiators might have been tempted to misrepresent it as relatively small in an effort to extract concessions from the European Union, but the long historical relationship between the two parties and the heavy presence in Morocco of the EU and its member States meant that the European negotiators had a very good understanding of the Moroccan polity. Morocco did attempt, with some degree of success, to widen the EU win-set in the Association Agreement negotiations by linking concessions in those talks to renewal of the fisheries agreement, but the EU was successful in containing the phenomenon.

Within the European Union, the mathematics of the win-set were infinitely more complicated than on the Moroccan side. Level II interest group coalitions included the North/South split between member States favorable to a large aid package as part of the Association Agreement but hostile to agricultural concessions that would damage their farmers, and other member States unwilling to approve heavy expenditure and unaffected

by possible Moroccan agricultural exports. Other critical interest groups were Spanish farmers, Spanish fishermen, protectionist EU institutions (the Agriculture Directorate General), economically liberal EU institutions (the External Relations Directorate General), and the governments of the three member States most involved in Mediterranean affairs: Spain, France, and Italy. All of the member State governments were fully aware of their ability to block any agreement containing unacceptable provisions when it reached the European Council, or to delay subsequent ratification by their domestic parliament in an effort to obtain unrelated concessions, and several of them exercised that power. Spanish farmers and fishermen proved to be active and persuasive lobbyists: European Commissioner Manuel Marin publicly stated that agricultural groups had created a climate of tension that had obstructed the negotiations, and angry protests by fishermen – including the destruction of Moroccan produce – forced side-payments from the European Commission in the form of compensation for lost earnings during the period of exclusion from Moroccan waters. Regardless of the rights and wrongs of the tactics employed, both groups succeeded in making their sectors critical to the outcome of the talks and in narrowing the EU win-set.

Protectionist EU institutions reinforced the position of Spanish farmers and fishermen: the Agriculture Directorate General through its direct involvement in the negotiations, the Fisheries Directorate General by choosing to interpret its mandate in parochial terms (licenses for the Spanish rather than development of the industry by Morocco and Spain in partnership), and the European Parliament by denouncing the "generosity" of concessions made to Morocco. The Spanish government also threw its weight behind its agriculture and fisheries sectors, and the resulting "grand coalition" was too powerful to be overcome by the External Relations Directorate General, which saw increased agricultural access for Morocco and the growth of the Moroccan fishing industry as critical to the development objectives of the emerging EuroMed partnership. The EU found itself offering Morocco a relatively unattractive set of proposals on agriculture and fisheries, but tried to "restructure" the Moroccan win-set with a substantial aid package, by signing with rival Tunisia while the Moroccan talks were ongoing, and by playing on the imminence of the Barcelona Conference – a major international summit to consecrate

the EuroMed partnership in which Morocco naturally wished to participate with full Association Agreement status. Because the Moroccan win-set was relatively large, and because free trade and the wider strategic partnership apparently on offer was so important to the Moroccan leadership, Morocco ultimately signed an Association Agreement of which the free trade component was so unfavorable that even European Union officials believed it should have been rejected.

The application of the two-level game model to the EU/Morocco negotiations yields greater insights on the Moroccan side, in the sense that the Morocco of the mid 1990s did not correspond to the liberal democratic context common to most previous applications of the model. It appears that in Morocco, a significant proportion of domestic interests did diverge from those of political leaders and negotiators: the concerns of fruit and vegetable growers anxious to protect EU market access, those of manufacturers vulnerable to European competition, and those of trade unionists wary of neo-colonialist exploitation all contrast starkly with the ideological commitment of leaders and negotiators to free trade as a motor of economic reform and competitiveness. Nevertheless, the highly autocratic nature of the Moroccan polity and the underdeveloped state of Moroccan civil society at that time seems to have prevented interests opposed to the free trade and association agreement from exerting significant influence over the bilateral talks. The resulting frustration among groups that felt their voices had been ignored may well have played a key role in accelerating the growth of the lobbying culture and civil society in Morocco. Within the European Union, domestic interests clearly had a direct and decisive impact on the EU negotiating position and therefore on the provisions of the final agreement. Spanish farmers and fishermen were able to instrumentalize the electoral weight of their communities, the cost to Brussels of compensation payments for exclusion from Moroccan waters, and the diplomatic fallout from the obstruction and destruction of Moroccan produce shipments. The agriculture and fisheries issues were intense: they affected relatively few people but they affected them greatly. The Spanish farmers and fishermen were a well-organized, bold, and sometimes violent and patently unreasonable minority, and in the European Union

political system their concerns could not be ignored, as those of many Moroccan interest groups appear to have been in Morocco.

The ratification process for international treaties is relatively easy to define in liberal democratic polities such as the European Union and its member States, partly because it is highly codified and formalized, and partly because even the informal aspect of the process is made more accessible given that the various State and private interests tend to be well-known and publicized, and their representatives familiar to the public, journalists, and researchers. This high degree of exposure creates a sort of "road map" for analysts and commentators that had no equivalent in countries such as Morocco. The formal ratification process in Morocco, involving Cabinet approval of the final agreement and a vote in Parliament, was essentially meaningless, since both institutions were without popular legitimacy and were subservient to the Royal Palace (the party seeking ratification). The "real" ratification process took place between the King, his top advisors and negotiators, and a very limited number of interest group representatives who may have been genuinely consulted rather than simply briefed. With respect to the free trade and association agreement talks between Morocco and the European Union, informational briefings for economic interest groups appear to have been scarce, and even a Moroccan official who insisted that the government did engage in full consultation also admitted that "there was no openness" and that producers "weren't informed". This sort of confusion and contradiction among government officials, and between government officials and interest group representatives, reflects a fundamental gulf of understanding about the nature of consultation. Consultation seems to have been defined variously as (1) simply providing information, (2) providing information and seeking feedback, and (3) engaging in a dialog to arrive at a joint position. To the extent that the latter form of consultation took place at all, the main partner appears to have been the Moroccan Employers Federation (CGEM), and the CGEM appears to have adopted a position of full support for the principle of free trade while focusing its anxiety on the question of company and business environment upgrading funds. Given the large and diverse membership base of the Moroccan Employers Federation, such a position seems unlikely to have been fully representative of the organization's constituency.

Indeed, the internal tension created by the CGEM role in the Morocco/EU free trade and association agreement may have contributed to several membership revolts against the Federation leadership in the ensuing decade; the rallying cries of the dissidents have usually included charges of autocracy, information retention, and a low priority for small and medium-sized businesses. In 2003, the latest such campaign brought together an eclectic alliance of small businesses and large corporations that fell 20 votes short (out of 2200 cast) of unseating incumbent CGEM President and former Cabinet Minister Hassan Chami.

The weight of evidence, then, appears to support Putnam's contention that "entrenched" authoritarian regimes are often in a weaker negotiating position due to their perceived or actual greater ability to obtain ratification. Although Evans *et al.* found that ratification was actually *more* difficult when a small authoritarian elite was opposed to an agreement, or was composed of only a small number of discordant factions offering little margin for coalition building, the Moroccan case – a process controlled by a handful of officials with an ideological commitment to the agreement and backed by the King – seems to be the exception to this logic. Authoritarianism in Morocco <u>did</u> facilitate ratification, because the tiny core elite in a position to harness that authoritarianism was unified behind the agreement. It was neither divided nor opposed to the accord. If we were to conceive of a spectrum of ease of ratification, one extreme would be occupied by small authoritarian elites (divided or opposed to ratification), the other extreme would be occupied by small authoritarian elites unified behind ratification, and the middle ground would be taken up by liberal democracies differentiated by the extent to which factional diversity made coalition building in favor of the agreement a realistic possibility.

A Spectrum of Ease of Ratification of International Agreements (IA)

Probable ratification (no potential for coalition building)	Uncertain ratification (significant potential for coalition building/win-set restructuring)			Improbable ratification (limited/no potential for coalition building)	
Authoritarian elite unified behind IA	Pluralistic liberal democracy with majority of interest groups favoring IA	Pluralistic liberal democracy with no clear majority of interest groups for/against IA	Pluralistic liberal democracy with majority of interest groups opposing IA	Authoritarian elite divided over IA	Authoritarian elite unified in opposition to IA

It is probable that Morocco paid a high price in the Association Agreement talks for the absence of a democratic culture that would have given a voice to threatened domestic interests, made ratification more difficult, and strengthened Moroccan bargaining power. In that case, Morocco may have been able to negotiate a more favorable tariff elimination schedule and a more comprehensive aid package for business environment improvements and company upgrading, although any gains on agriculture and fisheries would have been limited given the critical status of these sectors in the EU political landscape. The implication is clear: the Moroccan position in future international negotiations would be strengthened if Morocco evolved into a credible Parliamentary democracy and fully integrated critical interest groups into its negotiating efforts. Alternatively, it would also be possible for Morocco to attain a greater level of difficulty of ratification, and therefore improved negotiating power, by somehow restructuring its elite to create a balance of opposing factions relative to a given agreement. However, this approach would be very difficult to engineer, and it would deprive the country of broad interest group participation that would guarantee a hearing for the full range of perspectives and the involvement of a maximum of skilled individuals in reaching an optimal solution.

The behavior of European Union bureaucratic and private sector interest groups tends to undermine rational theories of negotiation in which States act according to autonomous national interests unrelated to the preferences of any particular group or officeholder. Instead, the EU negotiating position seems to have resulted from the interplay of the competing interests of different public institutions and agencies, private interest groups, and public opinion, just as Hopmann suggested. The Agriculture Directorate General of

the European Commission and Spanish farmers were strong voices for protectionism, the External Relations Directorate General took a less protectionist approach focused on socio-economic development objectives, the Fisheries Directorate General adopted a commercial perspective that failed to incorporate joint Spanish/Moroccan development of the industry, the European Parliament led a campaign against alleged human rights abuses in Morocco and "overly generous" trade concessions, and various member States used their influence in the European Council to block unwanted provisions in the agreement. Far from representing the autonomous "national interest" of the European Union, the European negotiating position in talks with Morocco reflected the lowest common denominator of conflicting member State interests and was largely driven by only three of the then 15 members. It seems to have resulted not from any real process of compromise – which implies dialog and mutual sacrifices among member States – but from a series of vetoes exercised by various member States against proposals deemed unacceptable. As one European official reported, the Commission had "caved into Spanish political pressure, and the result was a minimal offer." Kaarbo's distinction between power and influence in bureaucratic politics is also relevant to the European Union case, as one key EU negotiator had considerable formal power but had so little influence with the Moroccans due to personality conflicts that another EU official had to be dispatched to Rabat to overcome a period of deadlock. In terms of Habeeb's model of power in negotiations, the EU clearly had a massive advantage in aggregate structural power over Morocco, and held considerable tactical power (the ability to use power resources to attain objectives). The latter category includes power plays such as the early signing of an Association Agreement with Tunisia, the use of the Barcelona Conference as a critical deadline, and the refusal to sign the Association Agreement before the fisheries agreement. Although Morocco held issue-specific structural power on such questions as fisheries access, illegal immigration and drug flows, it lacked the tactical power to capitalize on them because its perceived need for the Association Agreement was intense; the EU aggregate structural power advantage therefore prevailed by default.

The Moroccan negotiating position was, in a sense, perhaps closer to the rationalist idea of autonomous national interest than that of the EU: the Moroccan position was driven by

an ideological commitment to trade liberalization, and factional interests appear to have played a limited role. Nevertheless, this formulation of the national interest resulted not from compromises among interest groups, citizens, and public stakeholders striving for a consensus, but from a small group of public officials; in other words, the Moroccan position may have been genuinely motivated by a desire to advance the national interest (and this appears to be so), but it had no popular legitimacy. Indeed, had full public consultation occurred, the resulting position may in fact have been much less coherent and heavily influenced by competing factions and interests. The distinction between bureaucratic power and influence was also evident in Morocco, with certain negotiators acting by virtue of their association with powerful officials despite holding no formal position, and others using privileged personal access to the King to achieve a change in the composition of the negotiating team. Ultimately, though, the political power of the King was the lynchpin of the entire process.

The data on the negotiation of the free trade and association agreement on the Moroccan side shows that the technocratic elite was in full control of the process and involved the business and political elites to the minimum extent possible, an approach facilitated by the norms of consultation prevailing at the time. A handful of senior civil servants and Royal advisors were the driving force behind the Moroccan quest for free trade, and the subsequent negotiations with the European Union in the context of the Barcelona process, and they were able to protect their policy agenda from the restraining influence of sectoral concerns through a highly restrictive form of consultation. The leadership of the Moroccan Employers Federation (CGEM) appears to have had considerable input into the Moroccan position, although there are questions regarding its representativeness and therefore its effectiveness as a conduit for the various sectoral interests within its membership. The influence of other industry associations and groups (many of which are also members of the CGEM) appears to have been limited to media coverage of their information seminars and debates, technical data supplied to the relevant Ministries, and occasional meetings with the negotiators that were more informational briefing than policy dialog. In summary, there appears to have been a limited flow of information in both directions between government negotiators and private sector interest groups, but

not an in-depth policy dialog leading to a negotiating position fully informed by professional expertise. Trade unions, civil society groups and parliamentarians seem to have been even further removed from involvement in the process.

It does not appear that Moroccan government officials adopted an approach of limited consultation out of any desire to exclude or damage the interests of a given group or groups. Instead, their behavior seems to be consistent with a longstanding political culture of authoritarianism that was still very prevalent in the early 1990s and has been only slowly diminishing since that time. This slow progress has been accompanied by setbacks. On one hand, the relatively extensive consultation surrounding the Morocco/U.S. free trade agreement, eight years after the European Union talks, shows that at least some Moroccan trade negotiators have come to better understand the value of private sector input into their work. On the other hand, the conclusion in 2005 of a scaled-down fisheries agreement with the European Union – the first since the 1995 treaty expired – caught the Moroccan fisheries industry by surprise: the Secretary General of the Moroccan Deep Sea Fishing Officers and Seamen's Union told a local newspaper, *Le Journal Hebdomadaire*, that "although the accord was publicly debated in Europe, in Morocco it was subject to a total blackout" (Tounassi 2005, pp. 62-63).

Moroccan export farmers appear to have been extremely active in attempting to protect and extend their access to EU markets under the Association Agreement, as Rogowski's red/green coalition analysis would suggest, but there is no evidence that the mass of workers was active in the debate over free trade with the European Union, and the leadership of at least one major trade union was ideologically opposed to the Association Agreement as an instrument of neo-colonial domination. The lack of worker enthusiasm for "free trade" with the EU is logical, given that Morocco had long since obtained access to EU industrial markets and therefore the potential benefits of the arrangement, whereas the extension of the principle to the Moroccan domestic market raised the prospect of a significant contraction in the workforce in the short to medium-term as competing European products gained access. The prospect of more jobs in the medium to long-term thanks to lower input costs and competition-generated productivity increases is of little

appeal to the worker who becomes a casualty of the transition. The capitalist (CGEM) leadership – the business elite – supported free trade in principle and was primarily concerned about financial support for company upgrading, although the CGEM position may have omitted the concerns of the companies most vulnerable to European competition, concerns that would be more consistent with Rogowski. The Rogowski model is of marginal applicability to the Moroccan context, partly because of the limited nature of the trade liberalization measures adopted, and partly because of low interest group power in the Moroccan political system of the time.

The expected research findings stated at the outset were:

1. That the European Union proposed a free trade agreement that was unnecessarily disadvantageous to Morocco under the influence of sectoral pressure groups seeking to protect their interests, and.

2. That Morocco accepted an unnecessarily disadvantageous free trade agreement under the combined influence of:
   (1) an elite/business coalition that stood to gain from the deal and had extraordinary influence over the decision-making process, and
   (2) a generalized belief among the political elite that Morocco could not afford to be excluded from the longer-term development benefits of trade liberalization – whatever the short-to-medium term costs – and that existing patterns of trade and cultural relations made Western Europe the inevitable partner.

The first expected finding appears to be correct, since the data indicates clearly that inadequate participation in the EU negotiation and ratification process by member States allowed narrow sectoral interests to take precedence over the objectives of economic development for Morocco and the Maghreb set out in the Barcelona Declaration.

The first statement of the second expected finding appears to be correct, since the data indicates that the Moroccan position was determined and pursued by a small group of

senior officials and business leaders that was unified behind substantial trade liberalization. Opposing viewpoints seem to have carried little weight because they originated in groups that are generally disenfranchised by the authoritarian Moroccan political tradition. The second statement also appears to be confirmed by the data: the political elite (in fact, the technocratic elite, according to Benhaddou's typology) did clearly see the longer-term development benefits of trade liberalization as outweighing the costs (which will fall disproportionately on non-elite sections of the population). Their calculations were, however, based on full implementation of the moribund social and political provisions of the Association Agreement, and it is interesting to speculate as to whether they would have been so enthusiastic had the free trade agreement alone been on the table. The choice of Western Europe as the main partner for trade liberalization seems to be clearly explained by the initial path dependency supposition.

CHAPTER NINE

Conclusion

The decade that began in 1995 and ended in 2005 was a period of enormous challenge and change for the Kingdom of Morocco. It straddled the last years of the reign of Hassan II and the advent of Mohammed VI; it covered the first ten years of the Euro-Mediterranean partnership arising from the Barcelona Declaration; and it coincided exactly with the progressive elimination of the Multifiber Agreement, which had protected the Moroccan share of EU textile and clothing markets. That decade also saw the signing of a free trade agreement between Morocco and the United States, and increasing turbulence in international geopolitics as nations sought to respond to an upsurge in terrorism and other forms of extremism.

The Euro-Mediterranean partnership had germinated from the seed planted by the Moroccan quest for bilateral free trade, and it went on to become the European Union policy vehicle for achieving stability and prosperity in North Africa and the Middle East, even as the primary focus of attention shifted to accession in Eastern Europe. The recomposition of global alliances in the post-Soviet era and growing fears related to terrorism, drug flows, and uncontrolled immigration were clearly important factors driving this regional initiative, which is an integral part of worldwide economic and political developments. The Euro-Mediterranean plan was highly ambitious, particularly given the resources that would have to be devoted to the expansion eastwards, and it may well be, as one commentator recently suggested in a French academic journal, that the European Commission lacked the imagination to rise to the challenge:

> *"Europe has appeared to lack confidence in its Mediterranean partners in implementing the Euro-Mediterranean partnership. The European Commission… makes the rules, which are often draconian, imposes conditions… sets the agenda and monitors the process. In that sense, the arrangement is hardly a partnership. The point is not to stigmatize the European Commission, without which the Barcelona process would certainly*

> *have been stillborn, but to make the observation that the Commission employed standard methods and operating procedures that were inadequate for an unprecedented political and institutional experiment"* (Morin 2005, p. 164).

Ten years after the Barcelona Declaration, the overwhelming sentiment of those most closely involved with the Euro-Mediterranean partnership – on both sides of the pact – is one of disappointment. In Morocco, financial assistance is seen as woefully inadequate, business upgrading as a failure for which the partners bear joint responsibility, and the social and political clauses of the Association Agreement as never having been honored. Within the European Union, there is regret that a strong mechanism to promote European direct investment in the Southern Mediterranean partner countries was not created – and this is perceived as a strategic error on the part of the European Union – but there is also frustration that corruption, inefficiency, and resistance to change has made implementation of vital reforms in the Maghreb extremely difficult.

With respect to the terms of the Association Agreement between Morocco and the EU, a central finding of this study is that a truly democratic polity in Morocco, including a broad-based ratification process for international treaties encompassing the full range of interest groups, may have considerably improved the outcome for the Kingdom. Such an open, broad-based process would have created a perception that ratification in Morocco could well prove difficult, encouraging the European Union to make supplementary concessions to ensure the adoption of its new vehicle for regional stability and prosperity. An "open, broad-based ratification process" could take a number of different forms, including a referendum or an up-or-down vote by a credible and representative national parliament.

The use of referenda seems unlikely to find favor with the governments of the Maghreb, even assuming that they become fully committed to the introduction of a credible ratification process, because of the risk that a given treaty might be rejected not on its merits but on the basis of a constellation of unrelated grievances and popular misconceptions instrumentalized by pressure groups. Many commentators perceived

exactly this scenario in the failure of the French referendum on the European Union constitution in 2005, and the subsequent dramatic weakening in the political position of French President Jacques Chirac, who campaigned for a yes vote, has not gone unnoticed in the Maghreb. Political elites in the region may feel that such an outcome is considerably more likely in North Africa than in Western Europe, given relatively high rates of illiteracy and the presence of religious movements enjoying mass support that may choose to stigmatize a proposed agreement and seek its rejection as a show of political force. This perspective, which boils down to the idea that the people are not ready for democracy, may be valid in certain contexts and at certain moments in time, but it should not serve as a justification for the absence of determined moves to progressively introduce a democratic process. If it is misused in that way, it becomes a self-fulfilling prophecy: the people are deemed unready for democracy and so are denied the chance to participate in any democratic process, and they therefore continue to lack the skills needed to do so (analytical reflection on public policy options, research skills, the evaluation of the achievements of incumbent officials seeking reelection, etc.).

In the case of an up-or-down vote by a credible and representative national parliament, an effective model would be the United States Congress, where the separation of the legislative and executive functions and the eclectic nature of political party constituencies reduces party discipline and allows a relatively full range of interest groups to wield influence. Members of Congress can vote against bills sponsored by the President and administration without fear of bringing down the government, since the government derives its legitimacy from a Presidential election and not from Parliamentary votes of confidence. This freedom is not much limited by discipline within the Parliamentary caucuses, since with only two major parties representing a very diverse electorate, frequent defections from the party line are essential to the survival of party representatives in constituencies that may be vehemently opposed to it on certain issues. As a result of this very fluid legislative process, interest group power is considerable. Unfortunately, the adaptation of this model to a region characterized by a highly fragmented political scene, based on regional and clan affiliations and other cleavages, would be very problematic. Constitutional amendments providing for the separation of

the executive and legislative branches would be a simple task compared to the challenge of building a small number of "big tent" political parties able to survive in an environment of lax party discipline. Not only would there be a constant risk of schism based on a kaleidoscope of discordant factions, but history suggests that such schisms would periodically be encouraged by the central source of power in order to ensure that competing institutions with strong popular legitimacy did not emerge. In that sense, the construction of broad-based parties able to brook dissent implies a powerful Parliament that cannot be manipulated or cowed by the executive branch. Despite all these pitfalls, the adoption of some form of genuine ratification process, against a backdrop of greater democracy across the board, would logically strengthen the hand of Morocco, Algeria and Tunisia in international negotiations.

The European Union negotiation and ratification process was very open and democratic in contrast to the Moroccan case, but its effectiveness as a vehicle for the partnership and development objectives at the heart of the Barcelona process was neutralized by an extraordinary lack of participation. Only three EU member States – France, Italy, and Spain – were intensively involved in the development of relations with the Maghreb, either during the negotiation and ratification process or over the longer term, and all were nations that had significant interests to protect in the region. Had there been a similar degree of participation by other member States with relatively little to lose by making a more generous offer to the Maghreb countries, the Euro-Mediterranean Partnership might have come much closer to meeting expectations. In Europe as elsewhere, open and democratic processes that are skewed by a lack of participation can be likened to an empty shell – the process itself functions correctly but is deprived of critical input – and such a mechanism is very unlikely to yield a balanced and representative outcome.

Since 2003, the European Commission has been developing a new concept known as the European Neighborhood Policy (ENP) that offers post-enlargement border nations – including the EuroMed countries – participation in the single European market (free movement of goods, services, capital and workers) and increased financial aid in return for harmonization with EU laws and regulations. The Barcelona process would be

subsumed in this much broader initiative, but the extent of participation in the single European market by ENP partner countries has not been defined (it would not necessarily include agriculture or services), and the degree of economic and political reform needed to qualify for any such participation is vast indeed. What is interesting about the proposal is the fact that it has been explicitly cast by the European Commission as a means of achieving the unrealized potential of the Barcelona process with respect to the EuroMed countries. It is at once an admission of failure and a reaffirmation of the original objectives in the form of a new initiative (Escribano 2005). One can but hope for the success of the new proposal, which will require major resource commitments and bold new investment promotion mechanisms from the European Union, as well as an appetite for radical economic and political reform among the Maghreb countries, all elements that were singularly lacking during the first decade of the Barcelona process.

Among the Maghreb countries, Morocco has shown by far the greatest capacity for economic and political reform, Tunisia has maintained a strong economic performance while making no real progress towards democratization, and Algeria has belatedly embarked on a promising agenda of macro-economic reform and infrastructure investment that was delayed by the upheaval of the 1990s. Since the signing of its free trade agreement with the United States, Morocco has been on the verge of occupying a privileged position as an export platform for the European Union and United States markets. American firms will be able to locate production facilities in Morocco, benefit from cheaper local labor and duty-free inputs from the E.U. and the U.S., and then export their finished products duty-free to either market provided that minimum local value-added requirements (at least 35%) are satisfied. The same logic applies to European Union and other firms. The platform effect is strengthened by existing free trade agreements with Tunisia, Egypt, Jordan and Turkey, and if it proves to be a decisive factor in boosting FDI flows to Morocco, then it may be the key to further business environment improvements there. A substantial increase in foreign investment would reinforce existing private sector pressure for continued reform, in addition to European Union and United States pressure exercised through the European Neighborhood Policy and the U.S./Morocco free trade agreement. This particular aspect of the Moroccan

experience suggests that leveraging European Union FTAs by the addition of treaties with other economic powers could do much more to translate the FDI benefits of trade liberalization into reality in the Maghreb than any European Commission attempts to encourage investment in a given Maghreb country as an isolated market. The ultimate success of such an approach, however, depends not only on duty-free access to large and attractive markets but also on open, democratic governments in the Maghreb that listen and respond to expressed needs and desires: not only those of investors, but also those of ordinary citizens.

APPENDIX

The Questionnaires
(English and French versions)

EUROPE, MOROCCO, AND FREE TRADE: NEGOTIATING EUROPEAN INTEGRATION ON THE SOUTHERN PERIPHERY

Research Questionnaire
(EU Respondents)

Carl Dawson, Ph.D. candidate
Graduate School of Public and International Affairs
University of Pittsburgh

Confidentiality: *Interviews will be confidential. They will be tape-recorded and transcribed, with subjects identified only by sectoral affiliation in the dissertation.*

SECTION A: The Role of the Interviewee

1. What formal role did you play in the decision to seek an Association Agreement with Morocco?

2. What informal role did you play in the decision to seek an Association Agreement with Morocco?

3. What formal role did you play in the negotiations over the free trade component of the 1996 Morocco/EU Association Agreement?

4. What informal role did you play in the negotiations over the free trade component of the 1996 Morocco/EU Association Agreement?

SECTION B: The Personal Perspective of the Interviewee

5. In your opinion, what does the free trade agreement mean?

6. What are the strengths of the free trade agreement?

7. What are the weaknesses of the free trade agreement?

SECTION C: The Motivations of the Two Parties

8. Why did the European Union decide to seek a free trade agreement?

9. Why did the European Union decide to seek a free trade agreement with Morocco?

10. Why did the European Union offer a free trade agreement excluding agriculture and services, and why did Morocco accept that exclusion?

11. Why did Morocco accept a free trade agreement, given its disadvantages?

12. What role did the question of the Morocco/EU fisheries agreement play in the free trade agreement?

SECTION D: The Role of Interest Groups

13. Who in the European Union stood to gain from free trade?

14. Who in the European Union stood to lose from free trade?

15. Which individuals and groups represented each of these interests prior to and during the negotiations?

16. What formal and informal procedures were used in decision-making and negotiating relative to the free trade agreement?

17. How did each interest group representative attempt to promote its point of view?

18. What impact did each interest group representative have on the negotiations?

19. What constraints were faced by the negotiators as they sought an agreement that was acceptable to the European Union and Morocco and also acceptable to domestic interests on both sides?

20. On each side, whose approval was required for changes in negotiating position and for the signature of the final agreement?

SECTION E: Wrap-Up

21. Is there anything that you would like to add?

22. Who else should I interview regarding this subject?

23. Can you direct me to any documents relevant to this topic?

L'EUROPE, LE MAROC, ET LE LIBRE-ECHANGE : LA NEGOCIATION DE L'INTEGRATION EUROPEENNE A LA PERIPHERIE SUD

Questionnaire de recherche
(Sujets de l'Union Européenne)

Carl Dawson, Candidat doctoral
Graduate School of Public and International Affairs
University of Pittsburgh

La Confidentialité : *Les entretiens resteront confidentiels. Ils seront enregistrés par magnétophone et transcrits, mais les personnes interviewées ne seront identifiées dans la thèse doctorale que par leur affiliation sectorielle.*

SECTION A: Le Rôle de l'interviewé

1. Quel rôle formel avez-vous joué dans la décision de solliciter un accord d'association avec le Maroc ?

2. Quel rôle informel avez-vous joué dans la décision de solliciter un accord d'association avec le Maroc ?

3. Quel rôle formel avez-vous joué dans les négociations portant sur le volet libre-échange de l'Accord d'association entre le Maroc et l'Union Européenne de 1996 ?

4. Quel rôle informel avez-vous joué dans les négociations portant sur le volet libre-échange de l'Accord d'association entre le Maroc et l'Union Européenne de 1996 ?

SECTION B: La Perspective personnelle de l'interviewé

5. A votre avis, que signifie l'accord de libre-échange ?

6. Quels sont les points forts de l'accord de libre-échange ?

7. Quels sont les points faibles de l'accord de libre-échange ?

SECTION C: Les Motivations des deux parties

8. Pourquoi l'Union Européenne a-t-il décidé de solliciter un accord de libre-échange ?

9. Pourquoi l'Union Européenne a-t-il décidé de solliciter un accord de libre-échange avec le Maroc ?

10. Pourquoi l'Union Européenne a-t-elle proposé un accord de libre-échange excluant l'agriculture et les services, et pourquoi le Maroc a-t-il accepté ces exclusions ?

11. Pourquoi le Maroc a-t-il accepté un accord de libre-échange, compte tenu de ses inconvénients ?

12. Quel rôle a été joué dans la négociation de l'accord de libre-échange par le dossier de l'accord de pêche entre le Maroc et l'Union Européenne ?

SECTION D: Le Rôle des groupes de pression

13. Qui, dans l'Union Européenne, devait profiter du libre-échange ?

14. Qui, dans l'Union Européenne, devait être lésé par le libre-échange ?

15. Quelles personnes et quels groupes représentaient chacun des ces intérêts avant et pendant les négociations ?

16. Quelles procédures formelles et informelles ont été employées dans la prise de décision et dans la négociation relatives à l'accord de libre-échange ?

17. Comment est-ce que chaque représentant de groupe de pression a tenté de promouvoir le point de vue de son groupe ?

18. Quel impact est-ce que chaque représentant de groupe de pression a eu sur les négociations ?

19. Auxquelles contraintes les négociateurs ont-ils dû faire face lorsqu'ils cherchaient un accord qui serait acceptable à l'Union Européenne et au Maroc et également acceptable aux intérêts politiques internes des deux parties ?

20. En ce qui concerne chaque partie, qui avait le pouvoir d'autoriser des modifications dans l'offre de négociation ainsi que la signature de l'accord définitif ?

SECTION E: La Conclusion de l'entretien

21. Avez-vous d'autres commentaires à propos du sujet de cet entretien ?

22. Qui sont les autres personnes avec lesquelles je devrais m'entretenir à ce sujet ?

23. Pourriez-vous me recommander des documents pertinents à ce sujet ?

EUROPE, MOROCCO, AND FREE TRADE: NEGOTIATING EUROPEAN INTEGRATION ON THE SOUTHERN PERIPHERY

Research Questionnaire
(Moroccan Respondents)

Carl Dawson, Ph.D. candidate
Graduate School of Public and International Affairs
University of Pittsburgh

Confidentiality: *Interviews will be confidential. They will be tape-recorded and transcribed, with subjects identified only by sectoral affiliation in the dissertation.*

SECTION A: The Role of the Interviewee

1. What formal role did you play in the decision to seek an Association Agreement with the European Union?

2. What informal role did you play in the decision to seek an Association Agreement with the European Union?

3. What formal role did you play in the negotiations over the free trade component of the 1996 Morocco/EU Association Agreement?

4. What informal role did you play in the negotiations over the free trade component of the 1996 Morocco/EU Association Agreement?

SECTION B: The Personal Perspective of the Interviewee

5. In your opinion, what does the free trade agreement mean?

6. What are the strengths of the free trade agreement?

7. What are the weaknesses of the free trade agreement?

SECTION C: The Motivations of the Two Sides

8. Why did Morocco decide to seek a free trade agreement?

9. Why did Morocco decide to seek a free trade agreement with the European Union?

10. Why did the European Union offer a free trade agreement excluding agriculture and services, and why did Morocco accept that exclusion?

11. Why did Morocco accept a free trade agreement, given its disadvantages?

12. What role did the question of the Morocco/EU fisheries agreement play in the free trade agreement?

SECTION D: The Role of Interest Groups

13. Who in Morocco stood to gain from free trade?

14. Who in Morocco stood to lose from free trade?

15. Which individuals and groups represented each of these interests prior to and during the negotiations?

16. What formal and informal procedures were used in decision-making and negotiating relative to the free trade agreement?

17. How did each interest group representative attempt to promote its point of view?

18. What impact did each interest group representative have on the negotiations?

19. What constraints were faced by the negotiators as they sought an agreement that was acceptable to the European Union and Morocco and also acceptable to domestic interests on both sides?

20. On each side, whose approval was required for changes in negotiating position and for the signature of the final agreement?

SECTION E: Wrap-Up

21. Is there anything that you would like to add?

22. Who else should I interview regarding this subject?

23. Can you direct me to any documents relevant to this topic?

L'EUROPE, LE MAROC, ET LE LIBRE-ECHANGE : LA NEGOCIATION DE L'INTEGRATION EUROPEENNE A LA PERIPHERIE SUD

Questionnaire de recherche
(Sujets marocains)

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La Confidentialité : *Les entretiens resteront confidentiels. Ils seront enregistrés par magnétophone et transcrits, mais les personnes interviewées ne seront identifiées dans la thèse doctorale que par leur affiliation sectorielle.*

SECTION A: Le Rôle de l'interviewé

1. Quel rôle formel avez-vous joué dans la décision de solliciter un accord d'association avec l'Union Européenne ?

2. Quel rôle informel avez-vous joué dans la décision de solliciter un accord d'association avec l'Union Européenne ?

3. Quel rôle formel avez-vous joué dans les négociations portant sur le volet libre-échange de l'Accord d'association entre le Maroc et l'Union Européenne de 1996 ?

4. Quel rôle informel avez-vous joué dans les négociations portant sur le volet libre-échange de l'Accord d'association entre le Maroc et l'Union Européenne de 1996 ?

SECTION B: La Perspective personnelle de l'interviewé

5. A votre avis, que signifie l'accord de libre-échange ?

6. Quels sont les points forts de l'accord de libre-échange ?

7. Quels sont les points faibles de l'accord de libre-échange ?

SECTION C: Les Motivations des deux parties

8. Pourquoi le Maroc a-t-il décidé de solliciter un accord de libre-échange ?

9. Pourquoi le Maroc a-t-il décidé de solliciter un accord de libre-échange avec l'Union Européenne ?

10. Pourquoi l'Union Européenne a-t-elle proposé un accord de libre-échange excluant l'agriculture et les services, et pourquoi le Maroc a-t-il accepté ces exclusions ?

11. Pourquoi le Maroc a-t-il accepté un accord de libre-échange, compte tenu de ses inconvénients ?

12. Quel rôle a été joué dans la négociation de l'accord de libre-échange par le dossier de l'accord de pêche entre le Maroc et l'Union Européenne ?

SECTION D: Le Rôle des groupes de pression

13. Qui, au Maroc, devait profiter du libre-échange ?

14. Qui, au Maroc, devait être lésé par le libre-échange ?

15. Quelles personnes et quels groupes représentaient chacun des ces intérêts avant et pendant les négociations ?

16. Quelles procédures formelles et informelles ont été employées dans la prise de décision et dans la négociation relatives à l'accord de libre-échange ?

17. Comment est-ce que chaque représentant de groupe de pression a tenté de promouvoir le point de vue de son groupe ?

18. Quel impact est-ce que chaque représentant de groupe de pression a eu sur les négociations ?

19. Auxquelles contraintes les négociateurs ont-ils dû faire face lorsqu'ils cherchaient un accord qui serait acceptable à l'Union Européenne et au Maroc et également acceptable aux intérêts politiques internes des deux parties ?

20. En ce qui concerne chaque partie, qui avait le pouvoir d'autoriser des modifications dans l'offre de négociation ainsi que la signature de l'accord définitif ?

SECTION E: La Conclusion de l'entretien

21. Avez-vous d'autres commentaires à propos du sujet de cet entretien ?

22. Qui sont les autres personnes avec lesquelles je devrais m'entretenir à ce sujet ?

23. Pourriez-vous me recommander des documents pertinents à ce sujet ?

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