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TESE DE DOUTORAMENTO  
SOUTH-SOUTH AGREEMENTS IN THE  
FRAMEWORK OF NORTH-SOUTH  
INTEGRATION: THE CASE OF MOROCCO IN  
THE EURO-MEDITERRANEAN PROCESS



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### **South-South Agreements in the framework of North-South integration: the case of Morocco in the Euro-Mediterranean process**

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integration: the case of Morocco in the Euro-Mediterranean  
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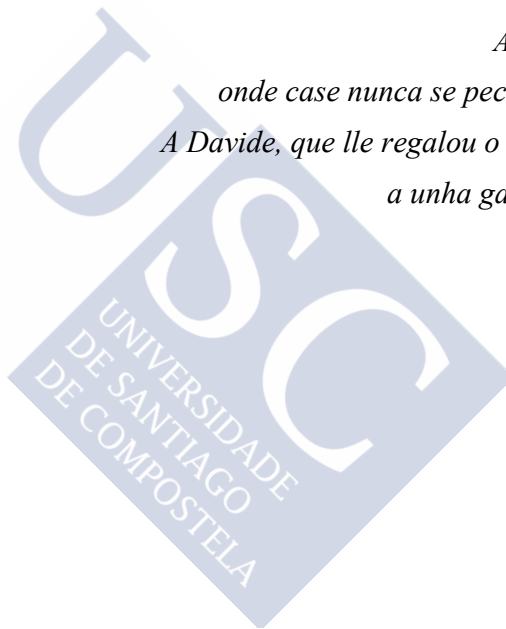
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*Á miña casiña,  
onde case nunca se pecha con chave.  
A Davide, que lle regalou o Mediterráneo  
a unha galega sen mar.*







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## ABSTRACT

The hub and spokes structure that characterises Euro-Mediterranean relations is often attributed to the lack of integration among Arab countries. Successive regional projects implemented in areas like the Maghreb have been supported by empirical evidence on the potential welfare effects of trade and the costs of non-integration. However, the high interest in these aspects contrasts with a limited effort to investigate the root causes of non-integration.

The aim of this work is to understand the reasons behind the apparent contradiction between the potential of South-South regionalism and the limited scope of its achievements in the Euro-Mediterranean area. Taking into account the intricate relationship between economic integration and foreign policy affairs, this thesis analyses the interplay between the different frameworks that coexist in this area through a historical review that focuses on the interests of the agents involved.

The case of Morocco shows the role of preferential agreements in the continuity of economic relations prior to decolonisation and the role of international institutions in their settlement. In particular, archival research on the Association Agreements following European integration offers an interpretation of Euro-Mediterranean trade that contrasts with institutional analyses of the same phenomenon. The path of the European Union's neighbouring countries suggests that South-South agreements in this framework were designed to strengthen North-South relations in a context of open regionalism favourable to the interaction between economic blocs. Thus, the critical analysis of South-South agreements implemented since the 1980s in the Euro-Mediterranean area calls into question the causality between economic integration, trade and welfare that conventional theories presuppose. And, consequently, it invites to reconsider the pertinence of assuming the potential welfare effects of integration as straightforward determinants of integration processes.



## RESUMEN

La estructura de centro y radios que caracteriza las relaciones Euro-Mediterráneas se atribuye con frecuencia a la escasa integración entre los países árabes. Los sucesivos proyectos regionales implementados en áreas como el Magreb se han sustentado en la evidencia empírica sobre los efectos potenciales del comercio para el bienestar y sobre los costes de la no-integración. Sin embargo, el elevado interés por estos aspectos contrasta con un limitado esfuerzo por indagar en las causas fundamentales de la no-integración.

Este trabajo tiene como objetivo comprender los motivos que subyacen a la aparente contradicción entre las potencialidades del regionalismo Sur-Sur y el escaso alcance de sus logros en el área Euro-Mediterránea. Teniendo en cuenta la íntima relación que existe entre integración económica y política exterior, esta tesis analiza el encaje entre los distintos marcos que cohabitan en este contexto a través de una revisión histórica que presta especial atención a los intereses de los agentes implicados.

El caso de Marruecos muestra el rol de los acuerdos preferenciales en la continuidad de relaciones económicas precedentes a la descolonización y el papel de las instituciones internacionales en su arbitraje. En concreto, la investigación archivística sobre los Acuerdos de Asociación tras la integración europea ofrece una clave de lectura sobre el comercio euro-mediterráneo que contrasta con el análisis de las instituciones sobre este mismo fenómeno. La senda de los países vecinos de la Unión Europea sugiere que la integración Sur-Sur en este marco refuerza las relaciones Norte-Sur en un contexto de *open regionalism* favorable a la interacción entre bloques económicos. Así pues, el análisis crítico de los acuerdos Sur-Sur implementados desde los ochenta en el área Euro-Mediterránea pone en entredicho la causalidad entre integración económica, comercio y bienestar que presuponen las teorías convencionales.



## RESUMO

A estrutura de centro e raios que caracteriza as relacións Euro-Mediterráneas atribúese con frecuencia á escasa integración entre os países árabes. Os sucesivos proxectos rexionais implementados en áreas como o Magreb sustentáronse na evidencia empírica sobre os efectos potenciais do comercio para o benestar e sobre os custos da non-integración. Con todo, o elevado interés por estes aspectos contrasta cun limitado esforzo por indagar nas causas fundamentais da non-integración.

Este traballo ten por obxectivo comprender os motivos que subxacen á aparente contradición entre as potencialidades do rexionalismo Sur-Sur e o escaso alcance dos seus logros na área Euro-Mediterránea. Tendo en conta a íntima relación que existe entre integración económica e política exterior, este traballo analiza o encaixe entre os distintos marcos que cohabitan neste contexto a través dunha revisión histórica que presta especial atención aos intereses dos axentes implicados.

O caso de Marrocos amosa o rol dos acordos preferenciais na continuidade de relacións económicas precedentes á descolonización e o papel das institucións internacionais na súa arbitrase. En concreto, la investigación arquivística sobre os Acordos de Asociación tras a integración europea ofrece unha clave de lectura sobre o comercio euro-mediterráneo que contrasta cos traballos das institucións sobre este mesmo fenómeno. As características da senda rexional seguida polos países veciños da Unión Europea suxire que a integración Sur-Sur neste marco vén reforzar as relacións Norte-Sur nun contexto de open regionalism favorable á interacción entre bloques económicos. Xa que logo, a análise crítica dos acordos Sur-Sur implementados dende os oitenta na área Euro-Mediterránea pon en entredito a causalidade entre integración económica, comercio e benestar que presupoñen as teorías convencionais.





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## ABBREVIATIONS

AA	Association Agreement
AfDB	African Development Bank
ALBA	Alianza Bolivariana para los Pueblos de Nuestra América
AMU	Arab Maghreb Union
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
AU	African Union
BENELUX	BENELUX
CAP	Common Agricultural Policy
DCFTA	Deep and Comprehensive Free Trade Agreement
CE	Computable Equilibrium
CET	Common External Tariff
CGE	Computable General Equilibrium
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CU	Customs Union
EC	European Commission
ECDC	Economic Cooperation Among Developing Countries
ECJ	European Court of Justice
ECLAC	Economic Commission for Latin America & the Caribbean
ECOWAS	Economic Community of West African States
ECSC	European Coal & Steel Community
EEA	European Economic Area

EEAS	European Union External Action Service
EEC	European Economic Community
EEC	European Economic Community
EED	European Endowment for Democracy
EFTA	European Free Trade Association
ENP	European Neighbourhood Policy
EP	European Parliament
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GAFTA	Great Arab Free Trade Area
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GMP	Global Mediterranean Policy
GNP	Gross National Product
GVC	Global Value Chain
HCP	Haut Commissariat au Plan
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
I-O	Input-Output
IEO	International Economic Organisation
IO	International Organisation
IPE	International Political Economy
IR	International Relations

ISI	Import Substitution Industrialisation
LDC	Least Developed Country
MAFTA	Mediterranean Free Trade Area
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MERCOSUR	Mercado Común del Cono Sur
MFN	Most Favoured Nation
MME	Multinational Marketing Enterprise
MNC	Multinational Corporation
NAFTA	North American Free Trade Agreement
NIEO	New International Economic Order
NRA	New Regionalism Approach
NTT	New Trade Theories
OAU	Organisation of African Unity
OECD	Organisation for Economic Cooperation and Development
OEEC	Organisation for European Economic Cooperation
OPEC	Organisation of the Petroleum Exporting Countries
PPF	Production–Possibility Frontier
PTA	Preferential Trade Agreement
RIA	Regional Integration Agreement
RoO	RoO
RoW	Rest of the World
RTA	Regional Trade Agreement
SADC	Southern African Development Community
SAP	Structural Adjustment Plan
SMC	Southern Mediterranean Countries

STO	State Trading Organisation
TC	Trade Creation
TD	Trade Diversion
TNC	Transnational Corporation
UfM	Union for the Mediterranean
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNU-CRIS	United Nations University for Comparative and Regional Studies
US	United States
WB	World Bank
WOA	World Order Approach
WTO	World Trade Organisation
WWII	Second World War
WDI	World Development Indicators

## GENERAL INTRODUCTION

Regionalism and multilateralism appear nowadays as two complementary pieces of the global puzzle. The different disciplines of Social Sciences that study the structure of international relations are linked by the awareness that globalisation is a block-to-block one. Regardless of the nature of the flows analysed or the context of transnational relations, a number of features gather consensus in this regard.

**The first one is that regionalism, as we know it, builds on the ashes of WWII.** Reconstruction in Europe and decolonisation in the South would become key elements in the battlefield of a longstanding Cold War. To a large extent, the massive size of the East-West quarrel reduced the capacity of single states to have a say in the international arena. Following this logic, it is not surprising that Third World movements and European recovery were to be thought as transnational projects.

The first economic document identified by Fritz Machlup (1977, p. 10) in his inquire into the genealogy of integration had been handled by George F. Kennan when drafting the Marshall Plan. In 1947, he received from three economists the proposal of a “coordinate European Recovery Program” directed “toward a strong and economically integrated Europe”. The urge to rekindle the economic and political weight of post-war Europe led to the enlarging protectionist concerns to the supranational regional sphere (Machlup, 1977). Against that background, Viner (1950) tried to elucidate the conditions under which CUs are not harmful to

global output in a context where multilateralism is not feasible in the short term. *The Customs Union Issue* (Viner, 1950) gave rise to numerous publications that, throughout the decade, would build the theoretical corpus of the discipline by answering, completing, criticising or merely implementing the arguments presented by Viner. Ten years after Viner's contribution to the analysis of Customs Unions (CUs), Balassa's *Theory of Economic Integration* (1961) described the standard phases of the phenomenon and distinguished between static and dynamic effects. Among the former, the concepts of Trade Creation (TC) and Trade Diversion (TD) became key analytic instruments to evaluate the effects of integration on welfare. Notwithstanding, the stagnation of the European process would spread the perception of 'obsolescence' (Haas, 1976) of what came to be called Old Regionalism (Hettne and Inotai, 1994, p. 1) to offer sound explanations and predictions about international integration. This, together with the rapid advance of globalisation, opened new avenues for New Regionalism to deepen on the dynamic effects of integration through the lenses of New Trade Theories (NTT), economic geography and other related strands.

After the fall of the Berlin Wall, it looked like the road towards multilateralisation would be definitely reopened. Notwithstanding, far from disappearing, integration processes awakened an unprecedented interest in many fields of Social Sciences. The proliferation of preferential treaties relatively neutralised the regional exception to the Most Favoured Nation (MFN) clause and, together with stronger inter-regional exchanges, led to a situation of *de facto* multilateralism (Baldwin, Freund, 2011). Against this background, among mainstream theories, the assessment of dynamic effects of integration became increasingly sophisticated. Within this framework, some authors tried to solve the shortcomings in the study of dynamic effects on competitiveness, investment flows, economies of scale or productivity (De Melo, Panagariya, 1993; Fernández, 1997; Lawrence, 1997). Besides, guided by the consideration of capital as the only factor with actual mobility, dynamic effects for Foreign Direct Investment (FDI) attracted great attention (Baldwin et al., 1995; Dunning, Robson, 1998; Schiff, Winters, 1998,2003).

**The second one is the place of the European Union as the archetype of regionalism ever since.** In the North, the coincidence between the first theoretical contributions to the phenomenon and the

establishment of the European Economic Community would be followed by an everlasting parallelism between the advance of integration and the developments of the discipline. In the South, both the aim to catch-up with developed countries and the will to delink from their hegemony were bound by a great attention to the European process. Similarly, current debates on European regionalism differ on its effects, but not on the scope of its impact.

In this regard, some strands of new regional approaches argue that EU acts a hegemonic regional power that uses its economic and normative weight to build a series of asymmetric bilateral relations to transfer of its norms and values (Haukkala, 2011). In this light, several authors agree that EU's strategy does not allow for a significant participation of its partners in the agenda-setting: the goals and means are non-negotiable and the sole moment when partners could be consulted is when individual action plans are negotiated under clear benchmarks (Haukkala, 2011, p. 56). In this sense, they note in EU's behaviour the will to "replicate itself by encouraging regional integration around the world" (Nicolaidis and Howse, 2002). However, they point out that it often fails to recognise that what is being promoted "is not the EU as such, but an EU-topia" (Nicolaidis and Howse, 2002).

**The last one is that the 'direction' of regionalism matters.** In this regard, the conditions, goals and effects of integration appear to obey to different logics depending on their North-North, North-South or South-South nature. Particularly, the latter scheme is frequently regarded as a sort of testing-ground that should enhance the capacity of developing countries to entertain international balanced relations.

In the framework of the debate set by Viner and Balassa on CUs, some economists paid attention to welfare outcomes depending on the relative level of development (Linder, 1961; Sakamoto, 1969; Bhagwati, 1971) or on the size of the participating economies (Kreinin, 1964). They questioned the purely negative view of trade diversion for welfare in less industrialised countries (Bhambri, 1962; Sakamoto, 1969). In this sense, Cooper and Massell (1965) pointed out that for Southern countries, a CU can be understood as an efficient protectionist policy that may also help industrialisation. Indeed, the intensification of trade between the Northern regions during the 1960s and the weak trade relations between countries of the South led some economists to promote 'developmental

regionalism' (Sloan, 1971). Notwithstanding, others (Hirschman, 1945; Perroux, 1954; Myrdal, 1957,1958) criticised the excessive optimism of integration theories and their scant adaptability to the problems of the South (Amin, 2013).

North-South debates reached their peak of influence in the 1960s, which were baptised in the United Nations (UN) as the “Decade of Development”. In the field of orthodox economics, W. W. Rostow (1960) published the book that some consider a foundational work of development economics under the title *The stages of economic growth*. While mainstream economics was concerned about how to steer Southern countries towards the path of growth within global capitalism, numerous authors (Meier, 1960; Allen, 1961; Bhambri, 1962; Mikesell, 1963; Balassa, 1965; Cooper, Massell, 1965) argued that the orthodox analysis of economic integration was designed by and for industrialized countries and hence was of little applicability in LCDs. For the latter, the incoherence of the analysis began from its actual goals. Where the orthodox economy was wondering about the effects of discriminatory trade preferences on global welfare, the question for the South was how to undertake the path of progress without deepening into structural dependence from the North. The aim to reverse the structure of the international division of labour inherited from European colonialism was at the centre of their contributions on South-South regionalism, which they saw as a means to enhance their self-sufficiency and bargaining capacity in international trade (Baer, 1972). Theories of dependence criticised the rhetoric of development as an instrument to conceal the perpetuation of colonial power relations, through the means of what André Gunder Frank (1966, p. 27-28) called the “development of underdevelopment”.

After the 1973 oil crisis, North-South negotiations within the framework of UNCTAD culminated in the establishment of the NIEO (Amin, 1980). Inspired by the changes in the balance of power brought about by the oil crisis (Dumas, 1976), countries of the South demanded for a framework that allowed an upward adjustment of raw material prices and the recovery of control over their resources. In this context, the approaches of dependence reached their peak (Gunder Frank, 1969; Marini, 1973; Sunkel, Peace, 1975; Wallerstein, 1979). Over the years, the American and British approaches of International Political Economy (Keohane and Nye, 1977; 1987; Cohen, 2009) on regionalism would put



power relations into North-South debates. Accordingly, among central concerns on the phenomenon of integration, together with ‘integration for what’, the question of ‘integration why’ appeared (Krauss, 1972). Later, the rise of open regionalism in the 1980s would strengthen the vision of South-South and North-South as a form of “pre-adhesion to globalisation” (Frikha, 2002). Be as it may, it stems from such analyses that, since the 1950s, the core defining characteristics of regional projects have been discussed in terms of the participants’ hemisphere.

***Statement of the problem.*** The coalescence of these three arguments in the Mediterranean has attracted for decades the attention of scholars and institutions. Although the Ecuador does not cross the area, few would define Euro-Mediterranean relations as North-North ones. In this regard, whereas European integration appears as the epitome of the virtuous circle of integration, Euro-Mediterranean relations are often put as the example of its opposite. Indeed, the Euro-Mediterranean area is a prominent example in regional studies insofar as it holds the first position in the world North-South income gaps and South-South non-integration. Despite successive attempts to mitigate the prevalence of vertical trade flows and the scarce horizontal integration in this area, a structure of hub and spokes prevailed over the set overlapping initiatives undertaken since decolonisation at different levels and speeds. In areas like the Maghreb, a number of South-South initiatives have been implemented with the support of empirical evidence on the potential welfare effects of trade and the costs of non-integration. However, the high interest in these aspects contrasts with a limited effort to investigate the root causes of non-integration.

During the last decade, the EU has been particularly concerned with strengthening its hegemony beyond its borders. The promotion of its regional model is identified as its hallmark as a Normative Power, i.e. a power that is able “to shape conceptions of the normal” (Manners 2002, p.239) for others, which it exercises through a mechanism of rewards subject to conditionality. In 2003, the European Commission declared its commitment with “further regional and sub-regional cooperation and integration amongst the countries of the Southern Mediterranean” (EC, 2003, p.10). The events of 2011 reawakened EU’s interest in this issue. According to the European Commission, “the Arab Spring has highlighted the political, economic and social challenges that can only be dealt effectively at regional level” (EC, 2012, p.22). Moreover, it

recognised the importance of supporting this process of sub-regional construction, by claiming that “the Maghreb as a sub-region could emerge as a front-runner in the Mediterranean area while maintaining consistency with wider approaches” (EC, 2012b, p.13).

Among Maghreb countries, Morocco has for long remained as the closest partner of the EU. Its geographical location and longstanding commitment to strengthening ties with the Community has been traditionally rewarded with financial cooperation and political support by European countries, in particular from France and Spain. Together with Tunisia, it was the first Mediterranean country to sign an Association Agreement with the EEC (1969) and holds since 2008 an “Advanced Statute” that recognises its efforts to get closer to the European policy framework. Nevertheless, its declared engagement with North-South integration did not prevent the country to participate as a founding member in South-South agreements like the Arab Maghreb Union (AMU) (1989), the Great Arab Free Trade Area (GAFTA) (1997), or the Agadir Agreement (2004). For a number of reasons, the most striking of these initiatives was the AMU. Since the blurring of post-colonial militancy in favour of a United Maghreb to that date, no political or economic move by Morocco had pointed in that direction. On the contrary, that was the period of Moroccan withdrawal from the Organisation of African Union (1984), its demand of accession to the European Community (1987) and, in 1994, the closure of terrestrial borders with Algeria. Similarly, the endorsement of the other South-South initiatives often reveals contradictory with the subsequent behaviour of its trade and capital flows. In a nutshell, regardless of its failure to meet the goal of regional integration, two unresolved questions remain that previous research has failed to address:

- a. *How*: The first one is related to the interplay between the promotion and endorsement of overlapping North-South and South-South agreements in the Euro-Mediterranean framework.
- b. *Why / For What*: The second one lies on the actual goals of the apparently contradictory Moroccan choices and behaviours in terms of economic integration.

***Objectives of this work.*** In the light of the above-mentioned considerations, this research has been held with the aim to seize the reasons and goals underlying the overlapping, contradictory and ill-

performing South-South initiatives endorsed by Morocco within the broadest framework of its strong commitment to North-South relations with the EU. This overriding goal has been pursued through a number of specific interwoven objectives.

The **first one** is to assess the links between the different theories of economic integration, their empirical assessment and the changing nature of regional processes. To do so, we will critically review the main orthodox and heterodox approaches to regional integration, their crosscutting debates and their relationship with the different regional processes in which they focus.

The **second one** is to examine the role of the actors involved in the regulation and evaluation of specific schemes of integration. To this end, the critical analysis of the role of the International Economic Organisations (IEOs) in charge of trade and financial international relations will build on contributions from the disciplines of International Relations and International Political Economy to this issue.

The **third one** is to grasp the options, choices and outcomes of the Moroccan path of economic integration since independence. Archival research on the negotiations of preferential agreements, together with the analysis of official documents concerning the regulatory changes implied by their endorsement will serve to reconstruct the evolution of Moroccan approach to foreign affairs and regional economic relations until our days.

Finally, the **fourth objective** is to evaluate the interaction between North-South and South-South integration in the Euro-Mediterranean region. Accordingly, quantitative data on trade and capital flows, as well as the assessment of welfare indicators in the country are complemented with a particular focus on the qualitative changes implied by South-South agreements within the prevailing North-South structure in the area. The ultimate purpose of this exercise is not only to test the coincidence between the declared objectives of those arrangements and their actual results, but also to understand the reasons why they have been so actively supported by international actors despite the limited extent of their predicted outcomes and the low performance of their implementation.

**Research outline.** Building on the links between the objectives described above, the structure of this study is articulated as follows:

The **first chapter** develops a critical review of the discipline of economic integration with particular attention to the links between its theoretical developments and the path of European integration since the end of WWII. By doing so, it offers an interpretation of the reasons why the major premises of the subject fit only certain cases, mainly located in the Northern hemisphere of the globe. In this regard, the chapter highlights the debatable applicability of conventional theory to integration processes for developing countries (North-South or South-South processes), as well as the limitations of its analytical tools, rooted on the distinction between static and dynamic effects conceived by and for developed countries (North-North processes). After that, an insight on missing debates is developed by analysing the IEOs that regulate, evaluate and promote economic integration around the globe.

The **second chapter** presents a synthesis of the rationale and objectives of the main empirical contributions to integration and their relevance to the institutions that regulate the international economic order. Accordingly, it examines the means through which orthodox economics tried to quantify the phenomena described by theory and opposes this choice to heterodox efforts to underscore the structural, historical and material conditions of the regional economic order. Thus, the evolution of empirical assessments is reviewed together with the variables and methods used to evaluate the effects of integration. This exercise derives into a reflection on the role of trade in the assessment of integration that recalls the cross-cutting discussions analysed in chapter one.

The **third chapter** examines the regional initiatives undertaken by Morocco since its independence by underscoring the role of economic integration as a foreign policy instrument. Following this reasoning, the first part deals with the historical, socio-political and economic context in which those processes took place. Supported by historical research on archive documents, it describes particularly the transition from French-Spanish colonial rule to the current Euro-Mediterranean framework. The second part looks at the same process from the point of view of IEOs. A careful assessment of their functions in terms of the theories explained in previous chapters puts into question the neutrality of agents and hence their neglect by the discipline of economic integration.

The **fourth chapter** tests the consistency of the analyses and recommendations from IEOs about Moroccan integration by analysing trade, growth and welfare figures from a critical point of view. The evidence on ambivalent impact of integration on those variables nourishes the premise that regional processes are to be analysed in a case-by-case fashion. Therefore, the second part analyses the causes that led to the establishment of the AMU and of the Agadir Agreement taking into account the political aspects of the phenomena, the specific goals that spurred them and the nature of the relations set among the actors involved.

Finally, we conclude with a summary of the key findings and policy implications.





# **1 THEORIES OF ECONOMIC INTEGRATION: CORE TENETS AND MISSING DEBATES**

## **1.1 INTRODUCTION**

Halfway between protecting national interests and enhancing free-trade gains, economic integration theories emerged in the 1950s as a sui generis field of international trade. Supported by neoclassical theories and the regulatory margin given by the GATT, the emergence of regionalism allowed some countries, under rather specific conditions, to push away their economic borders without dismantle them. In this regard, few would be able to avoid mentioning the European Union, outstanding example of an almost perfect match between rules, theories and reality. Nowadays, regionalism and multilateralism appear as two complementary pieces of the global puzzle.

From an actor-centred approach, this chapter develops a critical review of the discipline of economic integration that pays particular attention to the circumstances in which it was set up. In particular, it links its theoretical developments to the roots and path of European integration since the end of WWII. By doing so, it offers an interpretation of the reasons why the major premises of the subject fit only certain cases, mainly located in the Northern hemisphere of the globe. In this regard, the chapter highlights the debatable applicability of conventional theory to the analysis of integration processes involving developing countries (North-South or South-South processes) and the limitations of conventional analysis designed from and for developed countries (North-North processes).

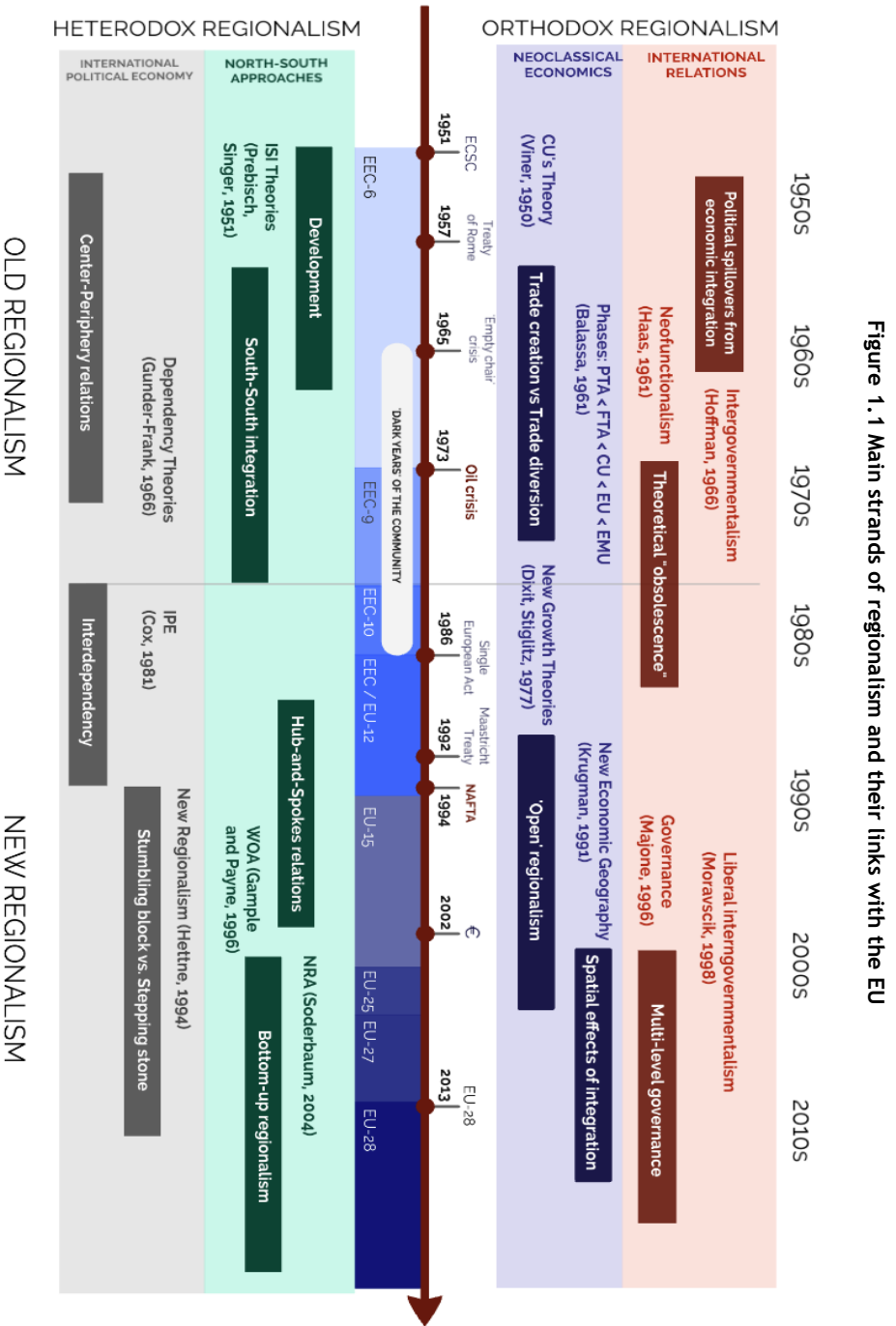
The first part of the chapter places the evolution of regional studies in their historical context and underscores the relationship between their core premises and the specific features of European integration. The second part reviews critically the major orthodox and heterodox approaches to regionalism. Particular attention is paid to the discussion between static and dynamic effects of integration, as well as to the longstanding North-South divide in the approaches to the phenomenon. After that, an insight on missing debates is developed by analysing the agents that currently regulate, evaluate and promote economic integration around the globe. The fourth and fifth parts concentrate on the means and goals that guide the role of International Economic Organisations (IEOs) in accomplishing such tasks.

## 1.2 REGIONAL PROCESSES AND THEORIES OF INTEGRATION

Since the second half of the XX century, Regionalism gained salience as a multidisciplinary field that deals with an intermediate level of analysis between national and global borders. In the context of the Cold War, theories of Economic Integration occupied the gap between the liberal principles of Neoclassical Economics and the geopolitical needs of European reconstruction (Machlup, 1977). For decades, its most significant success was to turn socio-political circumstances into universal laws of the discipline (Acharya, 2012). Accordingly, not only such premises built on the particularities of post-war Europe, but they also contradicted, without refuting them, the pro-liberal axioms of the Bretton Woods order. Therefore, since the 1950s, the interest of Neoclassical Economics in customs unions (CUs) remained closely linked to the process of European integration and to the will to present it as a step towards multilateral trade.

Critics and promoters of Regional studies coincide in referring to the European Community as a starting point and a normative model of the current analyses that, from different fields of Social Sciences, determine the success or failure of the numerous projects undertaken since then. However, a number of them criticise the theorisation of regional phenomena on the basis of European peculiarities (see **Figure 1.1** below). While various branches of Social Sciences are interested in socio-political and historical aspects of the construction of regional realities, the economic discourse is often restricted to the concepts, axioms and methods of the Neoclassical thinking.





### **1.1.1 The role of European integration on regional theories**

The first economic document identified by Fritz Machlup (1977, p. 10) in his inquiry into the genealogy of integration had been handled by George F. Kennan when drafting the Marshall Plan. In 1947, he received from three economists the proposal of a “coordinate European Recovery Program” directed “toward a strong and economically integrated Europe”. In 1949, Paul Hoffman, administrator of the Economic Cooperation Administration (ECA), an American counterpart of the Organization for European Economic Cooperation (OEEC), wrote:

“The substance of such integration would be the formation of a single large market within which quantitative restrictions on the movements of goods, monetary barriers to the flow of payments and, eventually, all tariffs are permanently swept away” (Machlup, 1977, p. 11).

At that time, the General Agreement on Trade and Tariffs (GATT) (1947) had been implemented to consolidate multilateralism and avoid the return to protectionism that characterised the two post-war periods. Signed by 23 countries and debtor of the multilateralist spirit imposed by Bretton Woods, it soon turned out to be too ambitious for such a context, just like the International Monetary Fund did (IMF) (Du Bois, 2005, p. 20). A widespread tendency to State intervention in monetary policy and growing rivalry with the Soviet Union (USSR) prompted Washington to consider its priorities. In 1947, Secretary of State George Marshall launched the plan to accelerate European growth, and with it, a regionalist perspective that relegated to a second place the “universalist aspirations of a world economy founded on a liberalised international cooperation” (Du Bois, 2005, p. 18). In the following years, the rhetoric of cooperation gave space to a discourse of integration that politics called for and academia would legitimise.

Against this background, the European Coal and Steel Community (ECSC) was established in 1951. Supported by financial aid for reconstruction and building on the guidelines of the New International Economic Order (NIEO), it aimed to rebuild alliances and to guarantee that shared interests could prevent the proliferation of conflicts. It is in

this context that the academia begins to look at international trade from a regional angle, without yet referring to it as integration.

The urge to reinforce the economic and political weight of post-war Europe led to push protectionist concerns to the supranational regional sphere (Machlup, 1977). Viner's influential work (1950) tried to elucidate the conditions under which CUs are not harmful to global output in a context where multilateralism is not feasible in the short term. The Customs Union Issue (Viner, 1950) gave rise to numerous publications that, throughout the decade, would build the theoretical corpus of the discipline by answering, completing, criticising or merely implementing the arguments presented by Viner. In this regard, although neither the European Community is the first regional project to exist nor neoclassical theories were the first to address this type of processes, both conformed the basis of orthodox regionalism:

“Whether in the economic, social, political or security realm, regionalism in practice had always had a multiple, global heritage. Yet from the 1960s onwards, a narrow theoretical approach developed by a group of European and US scholars came to dominate international relations scholars’ idea of what regionalism means and how to study its origins, evolution and effectiveness. This paradigm of regionalism emerged with the establishment of the ECSC in 1951 and evolved through the creation and progress of the European Community. Although commonly known as regional integration theory, it would be more accurate, following Wiener and Díez, to call this body of work, including its main variants, federalism, neofunctionalism and transactionalism (also known as communications theory), European integration theory” (Acharya, 2012, p. 7).

Nevertheless, as mentioned above, Economics was not the only discipline concerned by the matter of Regionalism. Since the mid-1950s, the neofunctionalist school of International Relations (IR) and the neoclassical perspective of International Trade developed the concept of integration as an evolutionary process that aimed to achieve the most efficient point of political cooperation through market-based cooperation and its spillover effects (Hettne, 2006, p. 130). A few years later, the intergovernmental approach took hold with its theses on the centrality of

the nation-state in regional integration. As for the previous cases, this shift coincided in time and was coherent with a parallel institutional crisis in the EEC. Specifically, the intergovernmental approach gained momentum when disputes within the Council of European Ministers led to the “crisis of the empty chair” (1965) conducted by General De Gaulle, reluctant to share European hegemony with the United Kingdom (UK).

In the same period, Article IV of the GATT was added in order to grant special treatment to developing countries, to which Article XXIV had previously applied without exception. Although it does not explicitly mention regional integration, its emphasis on the need to increase exports from developing countries and the introduction of “special measures” to promote trade and development opens for them the possibility to implement certain preferential agreements (Kuneralp, 1993, p. 115). At the same time, the European Community began to forge Association Agreements (AAs) and special treaties with its ex-colonies and neighbouring countries (Spain, Israel, Turkey, Greece) that standard theory tended to ignore.

From the neofunctionalist point of view, not only political integration was to be preceded by economic integration, but the latter appeared as a natural phenomenon leading to the “political community” (Haas, 1958, 1961). What Bela Balassa characterised as the evolutionary process of economic integration was adopted by Ernst Haas (1961) as a de facto reality to apply a complementary logic in the political field, whereby integration would derive from induced effects or spillovers (Perrotta, 2013). To this regard, Bela Balassa published in 1961 the theory of economic integration that best reflected the conditions and objectives of the European Economic Community (EEC). In the same year, Ernst Haas (1961, p. 375), a central theorist at the neofunctionalist school of IR, stated that “integration proceeds most rapidly and drastically when it responds to socio-economic demands emanating from an industrial-urban environment, when it is an adaptation to cries for increasing welfare benefits and security born by the growth of a new type of society”.

#### 1.1.1.1 Stagnation and restoring of regional processes

In the 1970s, the Oil crisis, the phenomenon of stagflation and the collapse of the Bretton Woods system would push international trade

towards protectionism. In the field of economic integration, the stagnation of the European process and the failure to implement similar schemes between countries of the South caused growing disappointment and a relative loss of interest (Bøås et al. 2003; Cohen, 2008; Perrotta, 2013). In 1976, Haas wrote:

“Theories of regional integration are becoming obsolescent because the core assumptions on which these theories have been based are becoming less and less relevant to the behaviour patterns actually displayed by governments active in regional organizations. (...) The explanation for the new trend is to be found in awareness of the various novel kinds and dimensions of interdependence between countries, issues, and objectives, particularly with reference to policies involving those aspects of highly industrial societies which do not respond readily to the incentives of a customs union” (Haas, 1976, p. 173).

The challenges arising from growing economic interdependence, which added up to former relations of dependence reproduced in international trade flows (Cohen, 2008, p. 21) made it impossible to set politics aside. According to Benjamin Cohen (2008, p. 23), “the world economy would be depoliticised no longer”. On the 28 November 1979, the Enabling Clause on the “Differentiated and More Favourable Treaty, Reciprocity and Greater Participation of Developing Countries” was introduced into GATT, which allowed for the ratification of preferential agreements for trade in goods between developing countries.

In any event, such a circumstance stimulated contributions from other disciplines like Political Science or Sociology. As a consequence, some authors in the field of IR opened a debate on the “separatist comfort of specialisation” (Strange, 1996) among social disciplines, referring especially to the economic and political sides of IR. The weaknesses revealed by the rationalist architecture of Economics to explain regional trends in Europe and elsewhere rekindled interest in the “reciprocal and dynamic interaction in IR of the pursuit of wealth and the pursuit of power” (Gilping, 1975, p. 43). In this context, Robert Keohane and Joseph Nye (1977, 1987) published *Power and Interdependence*, which some authors describe as the work marking the return of the International

Political Economy (IPE). Based on the tradition of classical 19th-century Political Economy, the IPE sought to bridge the gap between Political Science and International Economics.

The 1980s would be marked in the North by the expansion of Neoliberalism and, in the South, by strong economic crises tackled through Structural Adjustment Plans (SAPs) that aligned their macroeconomic structure with the prerogatives of the Washington Consensus (1989). In the field of economic integration, the acceleration of the European process and the proliferation of open regional schemes in the Global South rekindled interest in the issue. At the same time, growing concerns for the political nature of the phenomenon led to the concept of Regionalism taking hold alongside the term “economic integration”. The signature of the Single European Act (1986) represents for many authors (Schiff, Winters, 2003; Majluf, 2004) a milestone in the architecture of regional integration whose implications would become central to the debate on the phenomenon in subsequent years. The awakening of the European process and the prevailing ideology of the geopolitical context favoured the reinsertion of the neoclassical rhetoric in the rationale of reforms proposed by the IMF or the World Bank (WB).

Having overcome the “dark years of the community” (Keohane, Hoffman, 1991; Moravcsik, 1998), Regionalism regained strength with a new name for old premises. The fall of the Soviet bloc reawakened trust in the markets and favoured the rescue of neofunctionalism and neoclassical postulates in academia. Bhagwati and Panagariya (1996, p. 24-25) speak of a new or “second” regionalism and the “dynamic time-path question”, in opposition to the static question of Viner’s analysis. Whereas the latter had emerged together with the creation of the European Community, the so-called Second Regionalism would stem from “US conversion to preferential trade agreements” (PTAs) as a means of achieving global free trade after its failed attempt to open a GATT round of negotiations in 1982.

Panagariya (1999, p. 7) sums up the process as follows:

“Proposals were made during the 1960s for a North Atlantic Free Trade Area but received no attention from the US.

All this changed, however, when, at the GATT Ministerial in November 1982, the US began efforts to start the eighth round of multilateral trade negotiations. Unable to persuade the European Community to go along, she felt obliged to abandon her long-standing opposition to regional arrangements. Recognizing that PTAs were the only means left for keeping the process of trade liberalisation afloat, the US went on to conclude a Free Trade Agreement (FTA) with Israel in 1985 and Canada in 1989. Though the Uruguay Round was launched in the meantime, because the European Community remained a reluctant player at the negotiating table, the US moved ahead with yet another Preferential Trade Agreement (PTA), this time jointly with Mexico and Canada. Side by side, the European Community continued its expansion, adding Greece in 1981, Portugal and Spain in 1986 and Austria, Finland and Sweden in 1995.”

#### 1.1.1.2 The rise of open regionalism

The relative failure of what came to be called Old Regionalism (Hettne and Inotai, 1994, p. 1) to offer sound explanations and predictions about international integration, together with the rapid advance of globalisation, opened two avenues for the transformation of the discipline under the title of New Regionalism since the mid-decade. The most conservative, linked to the subject of European Studies, tried to solve the weaknesses of the orthodox stream from a post-positivist approach. Against this backdrop, within the realm of IPE attempts were made to overcome the limits of the neoclassical and Eurocentric frameworks that had dominated the discipline hitherto. Along the decade, authors like Cox (1981, p. 144-146) criticise the submission of national policies to the demands of the global economy. In this regard, they interpret Regionalism as a tool for states to implement offensive strategies (by supporting competitive industries) or defensive ones (by protecting weak sectors) in the field of international trade. The increasing global mobility of capital (Gill, Law, 1988), as a critical feature of the globalisation process, will be reflected in a large part of the critical contributions to Regionalism. Cox’s (1993, p. 261) assertions about the growing influence of the transnational managerial class, or what Susan Strange (1995, 1996, 1998) called “international business civilisation” will spark interest among critical perspectives on the structure of the global economy.

After the fall of the Berlin Wall, it looked like the road towards multilateralism would be definitely reopened. Notwithstanding, far from disappearing, integration processes awakened an unprecedented interest in Social Sciences. Since 1994, Regionalism has been regulated by the renewed Article XXIV of GATT, Article V of the General Agreement on Trade in Services (GATS) and the Enabling Clause. In 1996, the World Trade Organization (WTO, formerly GATT) appointed a Committee on Regional Trade Agreements to manage the limits and possibilities of a supra-state configuration that moved ahead towards globalisation (Panagariya, 1999). In the academy, the metaphor of the ‘spaghetti bowl’ popularised by Bhagwati (1995) became an icon of the proliferation of preferential treaties.

The North American Free Trade Agreement (NAFTA) and the Mediterranean policy of the EU consolidated a structure of hub-and-spokes that helped them strengthening their bargaining power in global economic relations. At the same time, significant South-South initiatives encouraged the reformulation of South-South integration from positions more open to global market conditions than in the Seventies. Among them, the Mercado Común del Sur (Mercosur) (1995), the Southern African Development Community (SADC) (1992), the Association of South-East Asian Nations (ASEAN) (1992) or the Asia-Pacific Economic Cooperation Conference (APEC) (1989) took part in this process. In the neoclassical economy, the new theories of endogenous growth and other contributions that introduced certain ‘non-economic’ phenomena penetrated the mainstream discourse of integration. Authors like Krugman (1991b) and Frankel (1996) made substantial progress in the analysis of transport costs and spatial effects of integration. In this vein, another key concept of the period would be that of “natural blocks”, proposed by Wonnacott and Lutz (1989) and supported by others such as Krugman (1993). For Bhagwati and Panagariya (1996), on the contrary, transport costs do not have any specific characteristics distinguishing them from any other costs. Moreover, at this stage, CUs as the main subject of analysis lost relevance face to trade blocs that do not necessarily fall within the limits of one single preferential treaty. In a synthesis of the neoclassical theory of integration since the 1950s, Baldwin and Venables (1995, p. 1638) underscored as follows the main grey areas of the discipline in that period:



“Perhaps the most important conclusion to be drawn is that –despite theoretical ambiguities– regional integration agreements (RIAs) seem to have generated welfare gains for the participants, with small, but possibly negative spillovers onto the rest of the world. (...) The study of RIAs should remain an important research topic for economists, and our survey has identified many areas where research is still needed. What determines the cross-market interaction between firms, and what is meant by a ‘single market’? What are the effects of RIAs on long-run growth? Will RIAs serve to promote convergence or divergence of members’ income levels? Above all, better empirical evaluations are needed.”

In addition to ‘inward-looking’ perspectives, other approaches nourished the debate on the relationship between regionalism and multilateralism (Freund, 1998; Ethier, 1998). In this regard, inspired by NAFTA and by the latest steps of European integration, Wilfred Ethier (1998) summed up the six characteristics that broadly defined Regionalism in the 1990s:

- a. One or more small countries are bound to a large country
- b. Small countries have implemented significant unilateral reforms
- c. The degree of intraregional liberalisation is relatively modest, so the Vinerian paradigm is not a “natural starting point”
- d. Liberalisation is achieved first by small countries, not by large ones: the agreements are one-sided
- e. Regional agreements often involve “deep” integration measures harmonising or adjusting other economic policies
- f. Regional agreements are geographically based: countries are neighbours

From this characterisation, Ethier (1998, p. 1161) concluded that “new regionalism reflects the success of multilateralisation - not its failure”. According to him, regionalism was the “means by which new countries seeking to enter the multilateral system (and small countries that are already part of it) compete among themselves for the direct investment necessary for their participation in such system” (1998, p. 1160). For Ethier, regionalism in the context of globalization “plays a key

role in expanding and preserving the liberal order of trade”. Baldwin (1997, p. 886) offers a similar interpretation: “Regionalism is part of the trade liberalisation ‘wheel’ that has been rolling towards global free trade since 1958”.

### 1.1.1.3 Bloc-to-bloc multilateralism

The proliferation of preferential treaties relatively neutralised the regional exception to the Most Favoured Nation (MFN) clause and, together with stronger inter-regional exchanges, led to a situation of de facto multilateralism (Baldwin, Freund, 2011). Against this background, among mainstream theories, the assessment of dynamic effects of integration became increasingly sophisticated. Within this framework, some authors tried to solve the shortcomings in the study of dynamic effects on competitiveness, investment flows, economies of scale or productivity (De Melo, Panagariya, 1993; Fernández, 1997; Lawrence, 1997). In fact, guided by the consideration of capital as the only factor with actual mobility, dynamic effects for Foreign Direct Investment (FDI) attracted great attention (Baldwin et al., 1995; Dunning, Robson, 1998; Schiff, Winters, 1998, 2003).

Out of the realm of orthodox regionalism, the influence of other disciplines of Social Sciences and critical approaches of IPE enlarged the debate on the relationship between regionalism and globalisation (Mittleman, 2000). Discussions on the best circumstances for the implementation of regional agreements were replaced by debates on their role in the global era (Söderbaum, 2004). A number of scholars reflected on regionalism as a ‘stumbling block’ or ‘stepping stone’ for multilateralism (Lawrence, 1996; Söderbaum, 2004; Hettne, 2006; Mann, Liu, 2009).

In this regard, Bjorn Hettne (1994, p. 1-2) highlighted three major transitions in the shift from ‘old’ to ‘new’ regionalism:

- (1) from the bipolar order of the Cold War to a multipolar context;
- (2) from externally and top-down regionalism to a ‘more spontaneous process from within and from below’; and
- (3) from specific objectives to a broader, multidimensional process.

From those premises, the so-called Political Economy of New Regionalism focused on the constructed (Wendt, 1999) and changing features of regions, as well as on the weight of identity and ideas in shaping them (Söderbaum, 2003; Gamble, Payne, 2003). Thus, beyond relations between the market and the State, IPE adopted some aspects of Sociology and Social Anthropology (Murphy, Tooze, 1991; Cox, Sinclair, 1996). Furthermore, Cox's precept "theory is always for someone, and for some purpose" (Cox, 1981, p. 128) took hold in that period as flagship of reflectivist contributions to regional phenomena, especially for the scholars of the World Order Approach (WOA). Among them, Gamble and Payne (1996) underscored the unequal relations that regional blocs tend to deepen and perpetuate when disparities are not taken into account a priori. For their part, Hook and Kearns (1999) saw the new wave of regionalism as an attempt by global elites to promote neoliberal policies in a relatively veiled manner.

During the 1990s, Hettne's theories would gradually move closer to what would eventually be called the New Regionalism Approach (NRA), which was to gain salience in the first ten years of the 21st century. Unlike the WOA, this approach focuses on the role of civil society in building bottom-up regional processes from a more optimistic view on the role of regionalism in the global era (Hettne, Inotai, 1994; Söderbaum, 2004, p. 32). Gary P. Sampson (2003) characterised the global landscape as follows:

"In the space of one decade, the world has witnessed both the successful conclusion of the most ambitious round of multilateral trade negotiations in the history of humankind and the launching of another. At the same time, the world has seen a proliferation of regional trading arrangements unprecedented at any period in history. To say the least, these parallel developments appear to be paradoxical: on the one hand, non-discrimination is the pillar of the multilateral trading system; on the other, all but 2 of the 140-plus members of the WTO are parties to at least one – and some as many as 26 – preferential trading arrangements." (Sampson, 2003, p. 3).

Along the years, New Regionalism put greater emphasis on the political dimensions of regional schemes, defined as market-driven and outward looking (Hettne, 2006, p. 135) and inserted into the rules and dynamics of globalisation. Cable and Henderson (1994) defined “open regionalism” as a “negotiating framework consistent with and complementary to GATT” (Hettne, 2006, p. 135). For Pia Riggirozzi (2010, p. 3), it was the simultaneity of the processes of regionalisation and globalisation that brought about a new regionalism characterised by “a new porosity to the global rules”, in a context in which the phenomenon of integration no longer responds to post-war protectionism.

Together with the strengthening of inter-regional relations and so-called “bloc-to-bloc agreements” (Majluf, 2004), the consolidation of hub-and-spokes models triggered by the NAFTA and the Euro-Mediterranean Association evolved over the years as another central debate on the regional issue from the international point of view. The economic crisis of 2008 and the rejection of the European Constitution in 2009 stimulated the discussion. In political circles, the concept of sovereignty grew increasingly sensitive. In the academic context, disagreement on the benefits of regional integration rose from within orthodox and heterodox perspectives. In any case, both heterodox and mainstream visions share, to some extent, that nowadays “the region is not only an arena, but can also be seen as an actor” (Hettne, 2006, p. 141). In this regard, a renewed interest on the role of international institutions and hegemonic actors emerged. As Majluf (2004, p. 7) puts it:

“For developed countries, and also for the multilateral financial institutions, it seems that the only true developmental content of this feature of the new regionalism is the possibility of locking in reforms through legally binding rule-based commitments which the developed partner(s) can use to enforce the terms of the agreements. Market logic, it seems, will do the rest. Some developing countries’ governments have also participated in trade negotiations with this objective in mind, anchoring structural reforms to avoid possible reversal by future Governments (Mexico is one such example)”.

Therefore, during the last three decades, the rise of critical perspectives from different disciplines has consolidated opposing visions of regionalism. Beyond the orthodox proposal, the NRA (Söderbaum, Shaw, 2003; Hettne, 2006) denounced the normativity of Western regionalism under the hegemony of the European project. In this regard, a number of authors argue that EU acts a hegemonic regional power that uses its economic and normative weight to build a series of asymmetric bilateral relations to transfer of its norms and values (Haukkala, 2011). According to this reasoning, EU's strategy that does not allow a significant participation of its partners in the agenda-setting: the goals and means are non-negotiable and the sole moment when partners could be consulted is when individual action plans are negotiated under clear benchmarks (Haukkala, 2011, p. 56). In this sense, they note in EU's behaviour the will to "replicate itself by encouraging regional integration around the world" (Nicolaidis and Howse, 2002). However, they point out that it often fails to recognise that what is being promoted "is not the EU as such, but an EU-topia" (Nicolaidis and Howse, 2002).

In opposition to this, these new approaches stand for non-hegemonic frameworks that seek to fit better the economic and political needs of Southern countries (Riggirozzi, Tussie, 2012). From different angles, this strand aims to "challenge the core rationalist and problem-solving features, such as the separation of subject and object, fact and value, state-centric ontology and rationalist epistemology" (Söderbaum, 2004, p. 28). These proposals not only question the 'economicist' neoclassical vision of the previous theories of integration, but also analyse the links between the local and the regional from a structuralist perspective. Moreover, these approaches assign a prominent role to civil society (Söderbaum, 2004) in regional processes built from below, as opposed to the top-down orthodox model based on political decisions or the influence of large corporations.

In recent years, New Regionalism as a concept has lost its singularities. Employed both in the field of European studies, comparative politics, international economics, IR and IPE (Hettne, 2006, p. 129), it seems to generate the sole consensus that regionalism is a wavering concept. Thus, while Hettne (2006, p. 128) states from the NRA that "regionalism means different things to different people", Jovanovic (2006, p. 20) supports the same idea from the orthodox neoclassical tradition.

To conclude, international institutions (including the EU in its role of normative actor) have become a central element of the analyses that study the relationship between regionalism and globalisation. Among them, perspectives inherited from structuralist theories, the theories of dependence and the WOA (Gamble and Payne, 2003; Wallerstein, 2004; Amin, 2014) focus on the effects of hegemonic regionalism on centre-periphery relations and on its effects on the expansion of neoliberal postulates. On another vein, scholars of the NRA (Hettne, 2005,2006; Söderbaum, Sbragia, 2010), research on the structural determinants of the ‘normative power’ of the EU. Apart from that, they take into account non-conventional actors and regional projects that challenge the limits and prerogatives of the nation-state. Within this framework, considerable efforts to create a specific and rigorous theoretical corpus, capable of offering the disciplinary tools that are necessary to compare different levels of “regionality” (Hettne, Söderbaum, 2000).

### **1.1.2 Main definitions and typologies of integration: Neoclassical approaches and Europe as a model**

From the review of the definitions and typologies provided by the most prominent theories of economic integration, two major features arise. On the one hand, neoclassical approaches prevail over institutional or heterodox ones. On the other hand, the historical and socio-political dimensions that distinguish regional projects have been largely neglected in conventional theories. These two elements favoured what Whitman (2011) calls the ‘normative power’ of the EU.

Ten years after Viner’s contribution to the analysis of Customs Unions (CUs), the first great attempt to give a solid theoretical body to the neoclassical view on CUs was Balassa’s Theory of Economic Integration (1961), where he incorporated, criticised and developed the elements of Viner’s analysis. Balassa also defined integration as a state and as a process and, focusing on the latter, described its standard phases.

Figure 1.2. Standard phases of economic integration

	PTA	FTA	CU	Common market	EMU	Full integration
Reduction of tariff restrictions	✓	✓	✓	✓	✓	✓
Elimination of tariffs and quotas	✗	✓	✓	✓	✓	✓
Common external tariff	✗	✗	✓	✓	✓	✓
Free factor mobility	✗	✗	✗	✓	✓	✓
Harmonisation of economic policies	✗	✗	✗	✗	✓	✓
Total unification of economic policies	✗	✗	✗	✗	✗	✓

Source: Own elaboration based on Jovanovic (2006).

The book develops a carefully selected network of past theoretical contributions from economic theory whereby regional integration is not contradictory with free-market, and links them to the rationale behind the process of European integration. Balassa conceived integration as a process involving “measures aimed at abolishing discrimination between economic units belonging to different countries” (1961, p. 1). It also defined integration as opposed to cooperation, which would reduce such discrimination without removing it completely (Balassa, 1961, p. 2). From that moment onwards, the modalities of integration gradually built on a number of his assumptions and followed the path of the European process.

Among the first sources of disciplinary dissent, discussions were held on the level of preference needed to talk about integration and on the reasons behind the choice to set up a regional agreement. In this vein, while the definitions provided by authors like Meade (1955), Lipsey (1960), Baldwin and Venables (1995) or Lahiri (1998) do not necessarily imply the removal of all kinds of barriers between member countries, Balassa’s distinction between integration and cooperation explicitly sought to exclude from the debate any agreement or preference that did not completely eliminate them. For its part, Krauss (1972, p. 427) suggests that, in some instances, preferential agreements may be a form of protectionism rather than an instrument of trade liberalisation. Tinbergen

(1954, p. 122) goes beyond purely commercial considerations and distinguishes between negative integration - i.e. elimination of barriers to trade- and positive integration - i.e. establishment of institutions and policies with coercive powers. Other divergences had to do with the importance given to factor mobility (Holzman, 1976; Machlup, 1979; El-Agraa, 1985), to coordination mechanisms (Maksimova, 1976; El-Agraa, 1988), or to the relative cession of economic sovereignty (Anderson, Blackhurst, 1993) that integration entailed. At the end of the 1970s, Machlup (1977) published a compendium of the discipline from the perspective of the history of economic thought in which he emphasised the scant clarity of the definition and the limited consensus on the object of study, methodology or purposes (1977, p. 18). Notwithstanding, he identified three essential elements that gathered consensus.

“A wide consensus exists on three issues: one, that economic integration refers basically to division of labor; two, that it involves mobility of goods or factors or both; and three, that it is related to discrimination or nondiscrimination in the treatment of goods and factors (for example, with regard to origin or destination). This consensus does not imply agreement on a definition” (Machlup, 1977, p. 18).

In a way, it could be affirmed that, over the last half-century, the theory of integration has sophisticated its architecture by softening its underlying assumptions without abandoning its neoclassical foundations. The need to adapt the changing reality to the orthodox precepts of equilibrium and welfare (Bhagwati, 1971) led to widening the margins of definition until tautology.

The following statement by Jovanovic (2006, p. 20) in one of the best-known manuals of economic integration is a good example:

“Integration means different things in different countries and at different times. In the developed market economies,



integration is taken to be a way of introducing the most profitable technologies (often linked with economies of scale), allocate them in the most efficient way and foster free and fair competition; during the period of central planning in Central and Eastern Europe it meant the planning of the development of certain industrial activities; while in developing countries, integration was one of the tools of economic development. At the time of the German Zollverein the grouping of countries meant the development of economic interdependence, nation building and self-reliance. Today, international economic integration refers to an increase in the level of welfare.”

## **1.2 MAIN DEBATES ON ECONOMIC INTEGRATION**

The recent history of the discipline of economic integration has witnessed the development of the theory around two major cross-cutting axes. The first derives from Viner's analytical distinctions and centres on the debate between static and dynamic effects. The second builds on the differences between North-developed countries and South-developing ones. In its orthodox version, it mitigates some of the assumptions and conclusions of static and dynamic analyses to adapt them to the conditions and assumed goals of developing countries. The heterodox approaches to this subject, arising from the divergences between Western regional models (especially the EEC and NAFTA) and those of the rest of the world and often articulated around North-South dialectics, puts into question the alleged universality of a discipline conceived by and for the hegemonic actors of global geopolitics.

### **1.2.1 Static and dynamic effects for trade**

If Viner is considered the founding father of the theory of economic integration, Balassa (1961) appears as its chief architect. Perhaps the only element of this influential work that is more often cited than the phases of integration is its distinction between static and dynamic effects and the emphasis on the latter. The main difference between the two is that the analysis of the former requires the assumption of perfectly competitive markets and constant returns, while the latter concentrates on the effects for which such assumptions are not met.

It would be difficult to find a handbook on Integration Economics that does not distinguish between static and dynamic effects of trade liberalisation (Balassa, 1961; Baldwin, Venables, 1995; Jovanovic, 2006; Baldwin, Wyplosz, 2012). The idea is that, through changes in the volume of trade and factor allocation among a certain number of countries, economic integration produces ambivalent effects on welfare. Such effects are analysed by looking at the variation in the possibilities of consumption or production deriving from foreign trade. Notwithstanding, despite the success of these approaches both among scholars and IOs, a number of authors criticise that the increasing sophistication of theories occurs at the expense of reality. According to Combes et al. (2008, p. 35):

“To a large extent, the modelling constraints have quite spontaneously led economists to concentrate—probably for too long— on the combination involving constant returns and perfect competition, which is easier to handle. Exaggerating a little, it can be concluded that the elegance of the neoclassical model and, especially, the absence of alternative models have generated a lock-in effect that economists had a lot of trouble escaping.”

Through different perspectives on static and dynamic effects, the economy of integration managed to offer scientific support for political purposes that it considered devoid of “economic rationality” (Krauss, 1972).

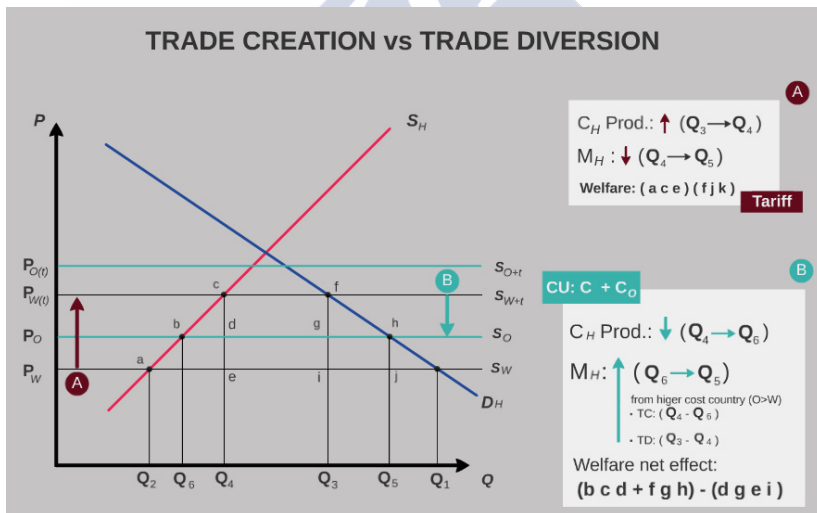
#### 1.2.1.1 Static effects

The most widely analysed effects are trade creation (TC) or trade diversion (TD) and, at least in in some periods and schools, the issue of terms of trade. They are classified as static effects for allocation, which are considered to appear in the short-term (Baldwin, Venables, 1995; Jovanovic, 2006). Without altering the production–possibility frontier (PPF), the possibilities of consumption increase due to a reallocation of factors (productive specialisation) and to an improvement in terms of trade. Bhagwati and Panagariya (1996, p. 3) see trade creation and diversion as “two possibilities that define the second-best character of the static analyses of PTAs”. Based on a Ricardian model, this distinction

helped Viner to justify his scepticism about the contribution of Customs Unions (CU) to global welfare which, according to his approach, was directly linked to the level of openness of international trade. The idea is that, by granting preferential treatment to a specific group of countries, any of the following processes might happen:

- TC: trade increases because the countries that endorse the agreement stop producing certain goods to import them from relatively more efficient member countries. That is, a trend of specialisation arises within the region.
- TD: trade with the rest of the world (RoW) is diverted towards relatively less efficient member countries whose prices become more competitive in the absence of tariff barriers to trade. In this case, global welfare does not increase because this specialisation occurs to the detriment of imports from relatively more efficient non-member countries. Also, domestic consumers acquire goods at a higher price.

Figure 1.3. Static effects of integration



Source: Own elaboration based on Balassa (1961).

As shown in **Figure 1.3**, the rationale of the theory is the following:

In a context of equilibrium, the Home Country (H) has a curve of demand (D) and supply (S) whereby it produces (Q2) and imports (Q2Q1) a certain product from the rest of the world (W) at a lower Price (Pw) than from Other Country (O). If:

- A. The Home Country applies a general tariff (t) on imports: domestic production increases (Q4) and imports decrease (Q4-Q3). In that case, a welfare decrease will occur that is represented by the area (a c e) and (f i j). So, the decrease in consumer surplus would be higher than the increase in producers' surplus plus the government revenue.
- B. The Home Country and Country O establish a CU (or FTA) whereby they remove the general tariff (t) between them and keep it with the rest of the world (W): domestic production decreases (Q6), while H imports increase (Q6Q5) and come from the higher cost country, which has become relatively more competitive due to the difference between its Price (Po) and Pw(t). Compared to situation A, the quantities (Q4-Q6) and (Q3-Q5) represent trade creation, while (Q3-Q4) corresponds to trade diversion. The net effect for welfare would result from the sum of the positive effects from trade creation (b c d + f h g) and the negative effect of trade diversion (d g e i).

According to this logic, participating in a CU can reduce inefficient domestic production by assigning to each country the production of goods in which it has a comparative advantage, improving the allocation of resources through intensified interindustrial trade (Riveiro, 2005, p. 4). Such outcome would occur in an environment where the exchange of goods takes place between different industries in a framework of perfect competition. However, CUs' overall effects can be detrimental if diversion exceeds trade creation.

In this regard, R. G. Lipsey and Kelvin Lancaster's theorem of Second Best (1956) would help to determine the conditions under which regional agreements are desirable in the context of multilateral trade. In particular, the theorem specified when is it desirable a sub-optimal situation in which not all the Pareto conditions are fulfilled. According to it, on certain occasions, if an obstacle prevents the fulfilment of all of the conditions, it is not desirable that the other conditions be fulfilled. Translated into the area of economic integration, this theorem questioned

the conception of regional integration as a progressive path towards multilateral trade, and suggested that, if certain distortions to market equilibrium (tariffs, subsidies, monopolies, etc.) cannot be eliminated, the removal of others does not necessarily imply an improvement in welfare.

Two relevant contributions complemented Viner's in the 1950s. The first significant amendment to his work criticised the assessment of welfare effects through a partial equilibrium model that only takes into account the supply side (Lipsey, 1957, p. 41). The second reformulation concerns the assumption of perfect competition and constant returns (Lipsey, 1960). Such amendments would result in numerous ramifications that put the focus on the relevance and applicability of Viner's theory, rather than on the reasons or means whereby regional phenomena as such occurred (Krauss, 1972, p. 417).

According to James E. Meade (1955), Viner's analysis is only correct under inelastic demand conditions and perfectly elastic supply (Hosny, 2013, p. 136). In the same vein, Sheer (1981, p. 44, *op. cit.* Hosny, 2013, p. 136) considered that the major weakness of Viner's model was the assumption that consumption is independent of relative price changes due to the reduction of tariff barriers. Starting from a general equilibrium model, Meade (1955) reinterprets the effects of trade diversion, taking into account the elasticity of demand and allowing the possibility of a 'trade expansion' effect. This would consist of an increase in the volume of trade - with a consequent increase in welfare, according to the model's premises - despite the existence of trade diversion.

In a similar logic, authors like Corden (1965) concentrated on the analysis of economies of scale. According to them, Viner considered the effects on the location of production as "the only source of variation of welfare". As a consequence, they argued, the Vinerian theory ignored the effects for welfare derived from the reduction in production costs of existing resources, without these involving the transfer of production to more efficient units. In this regard, Melvyn B. Krauss (1972, p. 414), a firm supporter of Viner's contribution and its formal architecture, stressed that the mistake was to consider Viner's analysis as an attempt to create an a priori law that approached reality as much as possible. For him, he just aimed at "focusing attention on a particular aspect of the problem of CU that he considered important". In fact, according to Krauss, this interpretation of the theory as a universal law had resulted in "the birth of

the non-problem of trade diversion CU resulting in welfare improvements” (1972, p. 414).

Contrary to the usual conception of economies of scale within dynamic effects for allocation (Balassa, 1961, Baldwin and Venables, 1995; Jovanovic, 2006), both Corden and Krauss consider them as part of static effects (Corden, 1965; Krauss, 1972). However, where Corden (1965) resolves his objections to the Vinerian model by including economies of scale in what he calls “cost reduction effect” and “trade suppression effect”, Krauss (1972, p. 420) argues: “once Viner’s assumptions are discarded it is inappropriate to refer to the creation and diversion of trade in the orthodox sense”. In any case, according to Krauss, “scale effects should be accommodated by broadening the definitions of trade creation and diversion rather than supplementing them” (1972, p. 420).

With a view to resolving such inconsistencies, a number of publications tried in subsequent years to abandon the assumptions of perfect competition and constant returns. Literature on economic integration started to analyse from various angles the potential effects of integration in a context of economies of scale or taking into account unbalances in terms of trade (Arndt, 1968,1969; Kemp, Wan, 1976; Lipsey, 1970; Melvin, 1969; Vanek, 1965). Works such as those of Corden (1972), Ethier and Horn (1984), Venables (1987) or Haaland and Wooton (1992) concluded that the welfare effects of RIAs might be much stronger if industries are imperfectly competitive (Baldwin, Venables, 1995, p. 1606).

As for the terms of trade, Viner’s model is composed of small countries that are unable to influence international prices. On the contrary, these authors showed that by eliminating this assumption, the possibility appears that the participation of large countries in certain RIAs modifies the terms of trade in their favour both within the region and towards the RoW. Given this effect, Meade (1955) had already suggested in the mid-fifties that a regional agreement could change the capacity of member countries to negotiate in their favour the conditions of international trade. Pearce (1970), for his part, argued that the goal of CUs is a redistribution of global welfare to the benefit of the country or countries that take the initiative in this policy (Krauss, 1972, p. 421).

Other debates about Viner's contributions concerned the nature of the goods exchanged and the structure of regional markets. Authors such as Meyer (1956) focused on the typology of goods, arguing that complementary markets were most likely to lead to a rise in welfare through trade. He suggested that this type of trade would be more beneficial as it would allow to import complementary goods with domestic ones and to export those considered competitive. On the contrary, Meade (1955, op. cit. Hosny, 2013, p. 137) argued that a CU could improve welfare if member countries are indeed competitive, but potentially complementary.

Regarding the structure of regional markets, several economists questioned the conclusions derived from the theory of specialization based on the comparative advantage used by Viner (Hosny, 2013). Disagreements over effects on the relative endowment of factors or on per capita income gave rise to vast research which, being closely linked to the dynamic effects of integration and North-South relations, will be discussed in greater depth in the following sections. In any case, although the analysis of static effects for trade is often discredited by its excessive restrictions and the impossibility of endogenising relevant variables, many authors deduce from it the factors that turn a RIA susceptible of increasing welfare (Jovanovic, 2006, p. 61-62).

- The lower the relative weight of goods imported from non-member countries in the country's overall consumption previous to integration
- The more competitive (less complementary) are the productive structures of the countries involved
- The greater the difference in production costs for similar goods is
- The higher the tariffs with future partners and the lower the tariffs with future non-members, as well as the lower the Common External Tariff to be established after the union are
- The larger the CU's size in terms of area and number of members
- The smaller the countries that join the regional area
- The closer the countries are to each other and the lower the transport costs are
- The more inelastic the demand of countries that remain outside the integrated region is
- The greatest the number of small companies in the same sector in the countries that integrate

- The less developed the economies are before integration, as they have greater potential opportunities for specialisation

Nevertheless, the performance of these theoretical models is bound to a few restrictive assumptions like perfect competition, constant returns, etc., which constitute both their greatest weakness and strength. Certainly, such assumptions imply an important gap between theory and reality. However, the relative simplicity of the theoretical exercise and the clarity of the concepts at stake make it a quite appealing tool of analysis.

### 1.2.1.2 Dynamic effects

Regarding dynamic effects, which are rather related to the medium-long term, they appear to be the most relevant for growth and structural change. They have to do with conditions of imperfect competition, non-equilibrium market situations, foreign investment or technology transfer (Baldwin, Venables, 1995). Dynamic effects may alter the PPF through the exploitation of economies of scale, increased competition, greater differentiation of products and incentives to R+D+i, further expanding the possibilities of consumption. However, although there is broad consensus on the significance of such effects, many authors of the neoclassical school underscore the persistence of difficulties to endogenise variables and to explain integration in terms of structural change (Baldwin, Venables, 1995; Jovanovic, 2006; Combes et al., 2008). As Combes, Mayer and Thisse (2008, p. 31-32) point out:

“Increasing returns and imperfect competition must be combined for a relevant integration of space into economic theory. Combining these two elements within a fully fledged general-equilibrium model has so far been out of reach and this probably explains why space has been put aside for so long.”

A vast scientific production has tried to solve the theoretical setbacks by trying to lighten those assumptions. However, their relevance for modelling performance continuously imposes a trade-off between robustness and realism of the premises in which the latter tends to be sacrificed.



The central dynamic effects to Balassa (1961) were related to the relative size of the markets and Marshallian externalities linked to location. Assumptions like imperfect competition, sectors or countries with the capacity to influence prices, or incentives to agglomeration for firms in a sector, were necessary to anticipate the medium and long-term effects of economic integration. Moreover, only by incorporating them, certain trends could be grasped that contradicted the assumptions of models based on the principle of comparative advantage. Furthermore, the results of Cooper and Massell's work (1965) questioned resource allocation as the main driving force behind the formation of CUs. Other types of analyses were needed that could explain the effects of integration in terms of the goals actually pursued (Krauss, 1972; Hosny, 2013). Likewise, increasing awareness that the trend towards market equilibrium predicted by the postulates of comparative advantage was far to be fulfilled (Sheer, 1981) made it necessary to reformulate the causes underlying regional phenomena.

In their review of the theory of integration, Baldwin and Venables (1995) distinguish between

- 'resource allocation effects', which include static analysis of the changes in terms of trade and economies of scale generated by the relative size of two markets and imperfect competition mechanisms;
- 'cumulative effects' of productive factors, which would include consequences for medium- and long-term growth; and
- spatial 'localisation effects', which are particularly relevant to economic geography

The New Trade Theories (NTT) justify the gains of free trade between similar or identical countries in terms of preferences, factor endowment and technology when they exchange differentiated goods belonging to the same industry, whose production is subject to economies of scale in a context of imperfect competition (Riveiro, 2005, p. 4). Intra-industrial flows are expected to have positive effects arising from competition and the use of economies of scale, as well as increased productivity of products in this area without sacrificing their diversity. Venables and others (2003) show that trade of this type will be more likely the more similar countries are regarding factor endowment and per capita income. Pro-competitive effects, increased technology transfer and

incentives for innovation are expected as well. Baldwin and Venables (1995) argued that the success of an integration process will depend on the “cumulative effects”, i. e. structural change resulting from interlinked effects on investment, growth rate and other variables they consider relevant to welfare.

Inspired by the models of Krugman (1979,1981), Lancaster (1980) and Helpman (1981), these theories concentrate on the trade of horizontally differentiated goods through models of monopolistic competition (Dixit, Stiglitz, 1977). In this type of trade, the consumer chooses between practically identical goods concerning quality belonging to the same industry and where each variety is produced under increasing returns. In the case of vertical product differentiation, it is assumed that the analysis does not require the use of models of imperfect competition since trade would meet the conventional criterion of comparative advantage (Riveiro, 2005, p. 5). However, authors like Combes et al. (2008, p. 376) stress the growing importance of competitive dynamics in terms of quality in large metropolitan areas that trigger the “selection of agents: only (more) innovative companies and (highly) skilled workers can be placed in such spaces”. This type of externalities for local development that fall outside the dynamics of orthodox models are the focus of many studies on regional integration from the perspective of economic geography, for which “competition in space is inherently oligopolistic and its analysis must be placed in a framework that allows strategic decision-making” (2008, p. 34).

“The spatial impossibility theorem tells us something really new and important: whenever agents are mobile, there is no competitive equilibrium (hence the term “impossibility” in the name of the theorem) such that regions trade goods. In other words, factor mobility and interregional trade are incompatible in a neoclassical world. This result is especially meaningful insofar as it is internal to the theory itself.” (Combes et al. 2008, p. 39)

Among other issues, the integration economy neglected, to a certain extent, the interdependencies between the labour market and the product market (Krugman, 1991a, 1991b). Those are derived mainly from the differences arising when capital and workers are remunerated in places

other than their places of origin. While capital owners have incentives to repatriate their profits to where they are better remunerated, wage earners invest a greater amount of their remuneration in the place where they produce. According to Combes et al. (2008, p. 131), “workers migration is governed by the difference between nominal wages as well as by the difference between costs of living, while capital mobility is driven by the difference in nominal rates of return”. However, the same authors admit that, despite the discipline’s attempts to solve the multiple problems of economic theory to capture regional phenomena, the solution still appears to be distant.

“Building a full-fledged general equilibrium model that combines imperfect competition with increasing returns to scale is a formidable task, which is still beyond our reach. Meanwhile, a research strategy that involves different examples may be considered reasonable” (Combes et al., 2008, p. 374).

### **1.2.2 North-South relations**

The end of World War II (WWII) implied major geostrategic transformations in both Western countries and the Global South. The forced decolonisation of the African and Asian continents in the context of the NIEO had a significant impact on the academic field. The rhetoric of development emerged as an intellectual compromise that avoided threatening the hegemony of Western countries and opened ways for Southern countries to improve their global position. In the golden age of Third Worldism, the consolidation of regional alliances in the South was not a secondary issue for either of the two Cold War blocs. Even less for a Europe that had just been dispossessed of its overseas properties. In this context, inspired by the academic and socio-political backdrop, the orthodox literature on integration became increasingly interested in the peculiarities of the subject when it comes to the Global South.

According to Salif Koné (2012, p. 387), the proliferation of contributions advocating differentiated analyses for developed and developing countries led to the consolidation of two branches of international integration:

- The universalist vision, for which it is possible to determine general conditions for improving welfare and applicable to any type of integration.
- The differentiated vision, for which the type of analysis will depend on the level of development of member countries, given the weaknesses and rigidities of their economic structures. Within the latter, Koné distinguishes between
  - a trend that asserts the “complete inefficiency” of South-South integration and proposes instead North-South models (De Melo et al., 1993b; Venables, 1999); and
  - a second one arguing that potential long-term gains justify integration between countries of the South as a means to reduce such weaknesses and rigidities.

For Koné, this distinction highlights the “reductive character of standard economic analyses of economic integration” (2012, p. 388). According to him, they fail to take into account the multidimensional - economic, political, social, cultural, historical - nature of integration, which he reckons is a standard feature to all regional phenomena.

#### 1.2.2.1 Southern specificities within orthodox theory

Focusing on the static effects of integration, many economists paid attention to welfare outcomes depending on the relative level of development (Linder, 1961; Sakamoto, 1969; Bhagwati, 1971) or on the size (Kreinin, 1964) of participating economies. They questioned the purely negative view of trade diversion for welfare in less industrialised countries (Bhambri, 1962; Sakamoto, 1969). In this sense, Cooper and Massell (1965) pointed out that for Southern countries, a CU can be understood as an efficient protectionist policy, rather than a step forward towards free trade. Within this logic, their model brings them to the following conclusions:

“Economic integration may enable two or more economies to protect a given amount of industry at a real lower cost. Whether or not this result is effected depends on the preferences of the participants and, much more important, on the degree to which they co-operate. In many cases detailed cooperative effort will be needed if one country is not to lose more in the

industry dimension than it gains in the income dimension or, worse still, to lose in both dimensions. A CU may make it technically possible for both countries to gain; a CU combined with subsidization or comparable policies will guarantee a potential gain. But neither set of policies will insure that the gains are realized” (1965, p. 476).

Other issues raised in the theory of integration for developing countries concerned expected effects for employment and productivity (Jaber, 1971), as well as the distribution of income or attraction of foreign investment (Sloan, 1971).

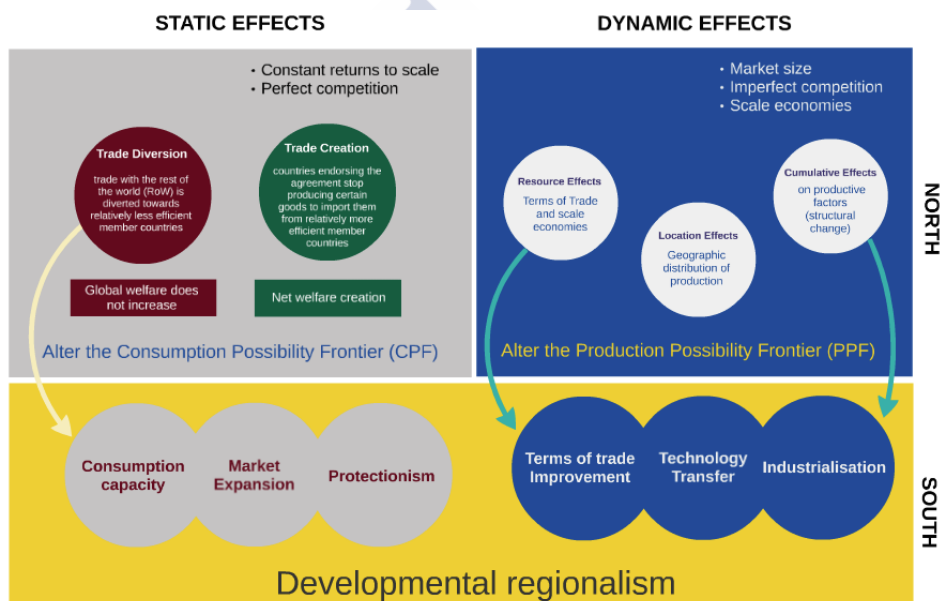
Thus, the progressive intensification of trade between the Northern regions during the 1960s and the weak trade relations between countries of the South led some economists to speak about ‘developmental regionalism’:

“Developmental regionalism refers to the joint policies of economic cooperation, coordination, and integration among underdeveloped countries designed to accelerate the rate of development of both the member-states and the geographical region. The policy is based upon the assumption that nations which share a regional identity (i.e. Latin American, Central American, African, Middle Eastern) may be capable of helping one another to develop more rapidly than if each country pursued a solely nationalistic course. This cooperation may range from a bilateral agreement to build a transnational bridge to the creation of a customs union through an elaborate set of international institutions” (Sloan, 1971, p. 142).

Another primary objection to conventional theory concerned the interpretation of static effects for trade. Economists such as Bhambri (1962), Demas (1965), Linder (1966) or Sakamoto (1969) argued that integration between Least Developed Countries (LDCs) may be desirable even when it results in a net diversion of trade. The reason is that it would, in any event, allow for market expansion, economies of scale and increasing consumption capacity through lower import prices. In this regard, Cooper and Massell (1965, p. 462) reformulated the Vinerian

proposals for LDCs, for which an overarching objective would be “to foster industrial development and to guide such development along more economic lines”. So, this approach adds a “possible preference for industry” and understands tariff policy as a policy instrument rather than an exogenous variable (1965, p. 475). As a consequence, the gains of a CU will depend on its effects on both income and industrial output, which in turn are contingent on the level of protection of the common external tariff.

Figure 1.4. Main axes of debate in orthodox regionalism



Source: Own elaboration based on Jovanovic (2005)

### 1.2.2.2 Heterodox perspectives on integration for the South

Orthodox contributions were not the first to address the issue of integration among countries of the South. Contrary to the theories that advocated development models guided by export liberalisation, Prebisch (1951) and Singer’s (1950) theories on Industrialisation by Import

Substitution (ISI) attached great importance to Regionalism (Grunwald, J., Salazar, J., 1972). The simultaneous emergence of the theory of dependence in the two poles of the globe would constitute a significant counterpoint to Vinerian arguments. At the time Viner published his theory on CU, Raúl Prebisch (1951) from Latin America and Hans Singer (1950) from Germany came to similar conclusions: the progressive deterioration in terms of trade for resource-exporting countries revealed that the tenets of comparative advantage did not work for the Global South.

The issue of the terms of trade would also be addressed by neoclassical authors with high mathematical accuracy, but with diverging results. Viner, despite his harsh criticism on Singer's work, would nonetheless admit the evidence of the terms of trade issue, in contradiction with the postulates of his theories (Viner, 1952). For him, however, by no means this changed the core of his contribution. The feature of the terms of trade underscored the more oppressive nature of the process for Southern countries, given the characteristics of the economies under discussion. Several authors (Hirschman, 1945; Perroux, 1954; Myrdal, 1957,1958) also criticised the excessive optimism of integration theories and their scant adaptability to the problems of the South (Amin, 2013). In the years to come, much of the critical thought regarding the hegemonic impositions of the North in contradiction with the interests and needs of the newly decolonised countries will be built on the legacy of these authors.

Prebisch and Singer's contributions would not only have a major influence on regional projects in the South over the decade that followed, but would also bolster significant shifts within international institutions. With a particular focus on the asymmetries highlighted by these works, the United Nations Conference on Trade and Development (UNCTAD) would be launched in 1964. For its part, the Economic Commission for Latin America and the Caribbean (ECLAC, 1948) would adopt a good number of their contributions in its modernization approach to development. In sum, the rise of the theories of dependence and development economics were a reflection, to some extent, of the prevailing political landscape.

Regional projects were undertaken mainly between countries with similar levels of development and from a rather "inward-looking"

approach (Jovanovic, 2002) than in subsequent periods. The aim to reverse the structure of the international division of labour inherited from European colonialism was at the centre of numerous contributions on South-South regionalism. At the same time, ECLAC's supported the ISI model as a policy to alleviate peripheral countries' dependence on global trade. Against this background, contributions in this field saw RIAs among Southern countries as a means to enhance their self-sufficiency and bargaining capacity in international trade (Baer, 1972). However, the relative failure of the ECLAC-type approach to development accentuated the critique from mainstream scholars and reinforced their arguments in favour of liberal types of regionalism. In this regard, Balassa and Stoutjesdijk (1975, p. 39) affirmed:

“Exports of manufactured goods may be oriented towards the markets of countries in the same region, to developing countries in other regions, or to developed nations. Providing incentives to exports would benefit sales in all foreign markets; regional integration would boost exports to countries in the same geographical area; and preferential schemes extending to other regions would stimulate exports to developing countries in those regions. But, as with import substitution, export promotion can be carried too far; this will be the case if excessive incentives are provided. Accordingly, an appropriate objective of development strategy may be seen in providing for the establishment of efficient export and import-substituting activities. Participation in the international division of labour through similar incentives to exports and import substitution and avoiding overly high protection of manufacturing industries can contribute to this goal”.

North-South debates reached their peak of influence in the Sixties, which were baptised in the United Nations (UN) as the “Decade of Development”. In the field of orthodox economics, W. W. Rostow (1960) published the book that some consider a foundational work of development economics under the title *The stages of economic growth. A non-communist manifesto*. His analysis outlined a straight and



unidirectional line of progress whose ultimate step was at the doorstep of the US of America.

While mainstream economics was concerned about how to steer Southern countries towards the path of growth within global capitalism, numerous authors (Meier, 1960; Allen, 1961; Bhambri, 1962; Mikesell, 1963; Balassa, 1965; Cooper, Massell, 1965) argued that the orthodox analysis of economic integration was designed by and for industrialised countries and hence was of little applicability in LDCs. For the latter, the incoherence of the analysis began from its actual goals. Where the orthodox economy was wondering about the effects of discriminatory trade preferences on global welfare, the question for the South was how to undertake the path of progress without deepening into structural dependence from the North.

Theories of dependence criticised the rhetoric of development as an instrument to conceal the perpetuation of colonial power relations, through the means of what André Gunder Frank (1966, p. 27-28) called the “development of underdevelopment”:

“Most studies of development and underdevelopment fail to take into account of the economic and other relations between the metropolis and its economic colonies throughout the history of the worldwide expansion and development of the mercantilist and capitalist system. Consequently, most of our theory fails to explain the structure and development of the capitalist system as a whole and to account for its simultaneous generation of underdevelopment in some of its parts and of economic development in others. It is generally held that economic development occurs in a succession of capitalist stages and that today’s underdeveloped countries are still in a stage, sometimes depicted as an original stage, of history through which the now developed countries passed long ago. (...) Yet historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other metropolitan countries. Furthermore, these relations are an essential part of the structure and development of capitalist system on a world scale as a whole.”

The various developmental theories in that period were highly influenced by the political sensitivities and geostrategic trends of the time. Although the international division of labour was the starting point for all the scholars dealing with economic integration, it was treated from opposing views. Whereas orthodox theories presented it as a source of global wealth and welfare, heterodox approaches would see it as the most visible and pernicious mechanism of the contemporary capitalist system. In the 1970s, however, the defeat of Third World movements within international institutions will be felt also in the heterodox literature about regionalism.

In the aftermath of the 1973 oil crisis, North-South negotiations within the framework of UNCTAD culminated in the establishment of the NIEO (Amin, 1980). Inspired by the changes in the balance of power brought about by the oil crisis (Dumas, 1976), countries of the South demanded for a framework that allowed an upward adjustment of raw material prices and the recovery of control over their resources. Notwithstanding, these requests were reduced to a minimum price guarantee programme for specific raw materials, the negotiations of which were postponed for years and the establishment of a Common Stabilisation Fund (1980, p. 45). In addition, the international division of labour inherited from colonialism, the volatility of commodity prices and growing external indebtedness anchored the countries of the South to the periphery of the capitalist development model. In this context, the approaches of dependence reached their peak (Gunder Frank, 1969; Marini, 1973; Sunkel, Peace, 1975; Wallerstein, 1979).

Contemporarily, in the US and UK, the analysis of integration concerning economic and political relations splits into two broad strands. On the one hand, the so-called American school, which includes R. Keohane and J. Nye (1977; 1987), tackled interdependence from the liberal postulates and quantitative methods of neoclassical economics. In this respect, the rationalist and positivistic axioms of economics prevail over contributions from political sciences (Cohen, 2014). Nevertheless, it was political scientists who most nurtured interest in this new discipline, while economists progressively relegated it to an area of “peripheral interest” (Cohen, 2008, p. 37). Against this trend, the British school built on Marxist traditions a constructivist perspective that was interested in power structures underlying relations and tried to offer alternatives for transforming them (Cox, 2009, p. 119). Progressively, among the central

concerns of studies on the phenomenon of integration, together with ‘integration for what’, the question of ‘integration why’ appeared (Krauss, 1972).

### **1.3 THEORY AND REALITY: NEGLECTED ISSUES IN THE ANALYSIS OF INTEGRATION**

Beyond theories and debates, regions do exist as real entities that fulfil a specific set of characteristics. Nevertheless, the extent to which regions enjoy the legitimacy to set a discriminatory framework for their economic relations does not depend merely on their physical, geographical or socioeconomic features. Their choice has to be validated at some supranational level and according to some rules and agreed purposes. Who does so and how is it done, matters. The following sections will analyse the discourses and actors directly involved in the shape and scope of standard theories. The insertion of such elements aims at opening a discussion on the neutrality of their neglect that will be further developed along the next chapters of this work.

#### **1.3.1 The architecture of orthodox analyses**

As mentioned before, theoretical approaches to economic integration have been built over a trade-off between reality and simplicity. The capacity to assess the performance of regional phenomena depends on the ability to make its features fit into a manageable quantitative exercise. To do so, choices and behaviours have to be restrained to their simplest expression.

The concept of Nation of the conventional international economy is based on the logic of individual agents maximising their utility by exchanging scarce resources among themselves. What distinguishes them are merely their resources, that is, their factor endowment (capital and labour), which are completely mobile within countries, but immobile among them. Thus, conventional theories of international trade are based on general equilibrium models whose functioning is analogous to that of two individuals exchanging resources (Fine and Dimakou, 2016, p. 160):

“Within mainstream international economics, as already apparent from Heckscher-Ohlin trade theory, the notion of

Nation is extremely reduced, in parallel with the reduced notion of the State within macroeconomic theory more generally (as an individual agent with special powers directly in relation to supply and demand through fiscal policy and indirectly through monetary policy). Further, as far as international macroeconomic theory is concerned, it primarily depends upon simple extensions of the Keynesian/monetarism divide from the closed to the international economy. As a result, developments within closed macroeconomics have tended to drive developments within its international counterpart, at least until the era of flexible exchange rates”.

In this regard, the growing reliance of Economics in Maths since the Fifties’ (Fine, 2016) helped a gradual transmission of its universal postulates to the political realm. Colander and Freedman (2011) attribute the growing dogmatic character of orthodox economics, exemplified by the evolution of the Chicago school, to the “post-war counterrevolution”, or to the progressive abandonment of the classical liberal perspective. In the early part of the century, they argue, “economists, acting as scientists, were unable to draw any specific political conclusions from their scientific theories,” lacking the other “non-economic” elements that make a policy desirable for a “statesman”. On the contrary, the application of the formalist method (Fine, 2016) brought its adherents to “draw policy conclusions directly from theoretical economic models” (2011, p. 4).

In the conventional literature of integration, the three features that Aspernger and Varoufakis (2006) identify as being key to the “discursive success” and “theoretical failure” of neoclassical economics arise: methodological individualism, methodological instrumentalism, and what they call methodological equilibrium. The first of these, which refers to “the idea that the socioeconomic explanation should be viewed at the level of the individual agent” (2006, p. 8), imposes a clearcut separation between agent and structure, the latter merely being the sum of the acts of individuals. In this vein, the net improvement in overall welfare that is mentioned as the central goal of economic integration is understood in terms of the increased utility of individuals (and of the economy as the sum of them) with a shift in the curve of possibilities of consumption.

Fine (2016, p. 5) refers to this as a “special type” of methodological individualism consisting in maximising utility, to the detriment of broader

considerations about other behavioural or motivational determinants. The characteristics of what he calls utilitarian individualism are directly linked to what Arnsperger and Varoufakis (2006, p. 8) call methodological instrumentalism. This label identifies the axiom whereby “all behaviour is preference-driven” or, more precisely, should be understood as a means of maximising satisfaction. Preferences are taken as “given, current, fully determining, and strictly separate from belief (which simply helps the agent predict uncertain future outcomes) and from the means employed” (2006, p. 8). In this sense, Arnsperger and Varoufakis (2006, p. 9) perceive neoclassical theory as “a reduced version of consequentialism in which the only consequence that matters is the extent to which a homogeneous index of preference-satisfaction is maximised”. And, although preferences were endogenised in the new theories of trade, the deterministic character of methodological instrumentalism remains significant.

Finally, they criticise the “axiomatic imposition of equilibrium” and its extension to macroeconomics as a means to enhance its predictive capacity. In the words of Arnsperger and Varoufakis (2006, p. 10):

“The point here is that, even after methodological individualism turned into methodological instrumentalism, prediction at the macro (or social) level was seldom forthcoming. Determinacy required something more: it required that agents’ instrumental behaviour is coordinated in a manner that aggregate behaviour becomes sufficiently regular to give rise to solid predictions. Thus, neoclassical theoretical exercises begin by postulating the agents’ utility functions, specifying their constraints, and stating their ‘information’ or ‘belief’. Then, and here is the crux, they pose the standard question: “What behaviour should we expect in equilibrium?” The question of whether an equilibrium is likely, let alone probable, or how it might materialise, is treated as an optional extra; one that is never central to the neoclassical project.”

With regard to the predictive capacity of the models, for Ben Fine and Ourania Dimakou (2016), the transfer of the general equilibrium onto macroeconomics added further contradictions to the orthodox theory by

adding confusion to the distinction between the short and the long-term. In this sense, while Keynesian macroeconomics concentrated essentially on short-term deviations in employment and output, the introduction of Walrasian general equilibrium favoured an ambiguous view of the long-term that is rarely made explicit. Thus, the long-term in macroeconomics can simply be a marker of the passage of time, a hierarchical convention of expected dynamic effects - according to which output would change in the short term, employment in the medium term and capital in the long term - or a synonym of equilibrium in which variables are assumed to change, but not in the short term (2016, p. 7-8).

### **1.3.2 Regulation and assessment in the analysis of integration**

As shown previously in this chapter, there is no consensus in the definition of economic integration, its potential effects or the variables and methods most suitable for its assessment. Notwithstanding, it is a fact that economic regions are specific legal entities whose status meets certain conditions and gives them certain possibilities and particular obligations. Since this status implies, by definition, more than one country, it is a matter of course that its regulation and monitoring will fall to intergovernmental or supra-state institutions. It is therefore relevant to consider who determines and analyses the criteria under which a group of countries can become a regional area, who evaluates their functioning, by which assumptions, for what purposes and with what outcomes. In this regard, contributions from IR and IPE will be central for this analysis.

In addition to the interests nurtured by scholars on the issue, the identification and evaluation of regional integration emanate mostly from international and regional organisations that regulate international economic relations (Seabrooke, 2010). In this vein, both the conventional literature of integration and critical approaches coincide in pointing out the central role of the GATT/WTO and Bretton Woods institutions in embedding regional schemes in the multilateral logics of the post-WWII global order (El-Agraa, 1999; Jovanovic, 2006; Martin, 2008; Amin, 2014b). The same authors underscore the growing importance of regional organisations themselves (Higgott, 2008). However, as in the case of trade, judgements about the potential and actual contribution of IEOs to the formation, analysis and functioning of regional projects varies among schools.

Figure 1.5. The role of IOs in the global governance of regional integration

	GLOBAL TRADE INSTITUTIONS		REGIONAL INSTITUTIONS	GLOBAL FINANCIAL INSTITUTIONS	
	UNCTAD (1964)	GATT- WTO (1947)	EU (1956)	IMF (1944)	THE WORLD BANK (1944)
MEMBERSHIP	194 (UN Members)	164 (23 Observers)	28 European countries	189 (Special role of G-20)	IMF Members
MAIN SCOPE OF ACTION	North-South trade relations	Multilateral trade relations	Fostering intraregional integration	Monetary cooperation and financial stability	Financial assistance for development
REGIONAL GOVERNANCE	South-South trade integration	Regulating regionalism (Art. XXIV)	Interregional relations and neighbourhood cooperation	Financial integration and open regionalism	Regional cooperation projects

**NORTH-SOUTH RELATIONS**

Source: Own elaboration

In mainstream economics, transaction cost theories (Coase, 1937) first and institutionalist contributions (North, 1990) highlighted the role and influences of institutions on economic relations. In their analysis institutions appeared as both mechanisms to reduce uncertainty and also as boundaries to economic interaction through incentives and sanctions to certain behaviours. According to this view, institutions would be the ‘rules of the game’ and organisations would be tangible expressions of these. Their interests and incentives would also lead to dynamic interactions and, eventually, institutional changes (North, 1990). Such considerations contributed to relax neoclassical notions of equilibrium and rationality and to impress the trace of history on standard economics. Among them, the concept of path dependency (1990) became widespread and evolved substantially along the years by adding considerations about learning, beliefs or politics as crucial elements in institution-building (North, 2005). North (1994, p. 359) would describe this turning point as follows:

“This essay is about institutions and time. It does not provide a theory of economic dynamics comparable to general equilibrium theory. We do not have such a theory. Rather it provides the initial scaffolding of an analytical framework capable of increasing our understanding of the historical evolution of economies and a necessarily crude guide to policy in the ongoing task of improving the economic performance of economies. The analytical framework is a modification of neoclassical theory. What it retains is the fundamental assumption of scarcity and hence competition and the analytical tools of microeconomic theory. What it modifies is the rationality assumption. What it adds is the dimension of time.”

Against this linear and microeconomic-based view of institutions in history, different approaches to Political Economy and IR see IEOs as the codification of social relationships that shape the macro foundations of the hegemonic system (Boyer, 2003; Cox, 2004; Martin, 2008; Amin, 2014b). In any case, both coincide in pointing out the growing role of international institutions in the era of globalisation (Kahler, 1995; Amin, 2014b) and the end of WWII as a turning point in the systemic order of the 20th century (Kahler, 1995; Martin, 2008; Higgott, 2008; Amin, 2014b). Regarding the features and functions of IEOs, some authors highlight their means of coercion (North, 1990; Seabrooke, 2010), representation (Higgott, 2008) and collective legitimacy (Claude, 1966, Avant et al., 2010).

The above characteristics reveal the dual nature of international and regional organisations as part and parcel of the regional-multilateral framework of international exchanges. On the one hand, the UN, the Bretton Woods organizations, GATT and the European Community defined, in the context of the second post-war period, the guidelines and boundaries of what regionalism would mean in the framework devised for future coexistence (Chase, 2006; Jovanovic, 2006; Higgott, 2008; Martin, 2008; Amin, 2014). On the other hand, the same organisations have the authority and means to intervene into national decisions, goals and strategies (Finnemore, 1996; Avant et al., 2010). Finally, the evaluation and diagnosis of the projects put in place will depend largely on them. This might occur not only by way of direct case-assessments following



the terms of the institutional discourse, but also because of their crucial role in the retrieving, standardisation and provision of data in support of such diagnoses (Wallerstein, 1997; Amin, 2009). That is way the study of the interactions between the different economic contributions to Regionalism and their use in the political sphere appears meaningful here. Again, the relationship is not one-way.

#### **1.4 THE ROLE OF INTERNATIONAL INSTITUTIONS IN ECONOMIC INTEGRATION**

In the Sixties, Inis Claude (1966) referred to the role of institutions for “collective legitimation”. According to him, beyond their stated objectives, IOs, as promoters of certain rules perceived as universal and guarantors of their compliance, are perceived by certain social actors as an instrument for legitimising their interests. In Claude’s words (1966, p. 367):

“The world organization has come to be regarded, and used, as a dispenser of politically significant approval and disapproval of the claims, policies, and actions of states, including, but going far beyond, their claims to status as independent members of the international system. (...) The urge for formally declared and generally acknowledged legitimacy approaches the status of a constant feature of political life. This urge requires that power be converted into authority, competence be supported by jurisdiction, and possession be validated as ownership”.

In this regard, one of the essential features of IOs, is the contextual and specific nature of proposals that are presented as universal. Again Claude (1966, p. 369-370):

“Like most fashions, fashions in legitimisation change from time to time, and the crucial periods in political history are those transitional years of conflict between old and new concepts of legitimacy, the historical interstices between the initial challenge to the established concept and the general

acceptance of its replacement. (...) At any given time the operative significance of the dominant principle of legitimacy tends to be less than that of the agency of legitimisation. This means that the crucial question is not what principle is acknowledged but who is accepted as the authoritative interpreter of the principle or, to put it in institutional terms, how the process of legitimization works. There is, of course, a correlation between the nature of the legitimizing principle and the identity of its applicator.”

Many contributions (Perroux, 1955; Claude, 1966; Veblen, 1990) dealt with the challenges of globalisation and with the role of institutions from different points of view before the 1980s. However, the analysis of IOs has received particular attention since then in the field of IR. For Higgott (2008), “international organization is about rules agreed amongst independent political communities” which, to different extents, have the means to influence international relations. Several authors agree that the globalisation of economic, political and social affairs in the second half of the 20th century made it necessary to articulate a system that reflected the need for collective decision-making. However, this is not to say that they had not previously been important: the British Commonwealth or the so-called *Francophonie* are also IOs, and their history reflects the attempt to manage systemic changes from within. Many authors from institutional, realist or neomarxist schools emphasize this feature. They also pay attention to the different ways in which economic and political actors place themselves within historically situated frameworks undergoing continuous change.

In the field of political science, a distinction must be made between rationalist approaches, according to which states engage in institutions from which they benefit, and constructive approach, which analyse the role of norms and behaviours as a result of social interaction. This division responds somehow to the one already mentioned about the American and British schools in International Political Economy. The definition of Robert Keohane (1989), one of the exponents of the American school, approaches those of North by underscoring IOs capability to modulate and limit, formally and informally, actors' behaviours. In contrast to this, the neoMarxist proposal of Samir Amin (2014b), in line with the theories of dependence and the tenets of the

WOA, sees international institutions as a mechanism for expanding or adapting the prevailing mode of production to certain material conditions and to face the rise of social conflicts. For this author, the “regionalisation” of international relations would be a response to the collapse of the Bretton Woods system. In a way, he reckons, it could be interpreted as a sign of “impossible globalisation” (2014b, p. 39).

“There are indeed indicators pointing in this direction: the creation of the NAFTA in North America (...); the fact that the European Community already carries out two thirds of its trade through its internal exchange, and that this internal exchange is increasing, while the Community’s exports to the outside world have been declining since 1985 (but will this last?); the fact that, even without any formal common institution, the countries of eastern Asia (Japan, Korea, China, South-East Asia) carry out two thirds of their trade through internal exchange (...).”

Another author who paid particular attention to this from a neorealist point of view was Miles Kahler (1995, p. 5). For him, “Bretton Woods and San Francisco were exemplars of international constitution making: cooperation was confirmed in intergovernmental formal institutions founded in contractual agreements”. Concerning the role of these institutions in the expansion of the interests of the great powers, he states:

“The history of international institutions since 1945 demonstrates a record of great-power plurilateralism, even when embedded in regimes of large membership. The agenda produced by intensified economic integration will only surface among particular groups of states, often although not always geographically proximate. However, as larger numbers of economies are brought into the global capitalist order (as they have been for the past decade), free riding by those outside the rules of established institutions has become less acceptable to the most powerful members. Their concern over costly free riding predicts greater reliance on global institutions that will constrain the larger number of governments engaged in the international economy” (Kahler, 1995, p. 17-18).

A glance at the leading institutions that promote and evaluate regionalism is then necessary to grasp the complexity of relations between the national, regional and global. Most importantly, in the context of our work, this snapshot is central to understand the reasons why the political nature of integration processes is relevant to the economic analysis of their causes and effects.

#### **1.4.1 The World Trade Organization (GATT/WTO)**

When it comes to talking about integration, it is inevitable to refer to the role of GATT/WTO in shaping an increasingly regionalised exchange system on the basis of a multilateral project (Baldwin, Low, 2009; Amin, 2014b). The tension between the incentives to protect domestic production and promote its free circulation has turned borders into an essential element for this organisation. Building on the analysis conducted by Kyle Bagwell and Robert Staiger (1999) on the “bargaining problem” within the GATT/WTO, Lisa Martin (2008) argues that its structure was conceived as a voluntary project committed to the progressive liberalisation of trade without modifying the terms of exchange. If a change would occur regarding the latter, at least one part would disagree.

Martin (2008) affirms that the preservation of the terms of exchange requires an “excluding” structure of bargaining whereby the most prominent producers and consumers of certain goods enjoy a preferential role in achieving their interests. Besides, the author underlines that the WTO particularly encourages exporters -who are the most immediate beneficiaries of free trade- to exert pressure on their governments.

Her contributions pay great attention to WTO’s bias in favour of biggest countries, which are also those with most capacity to influence relative prices. To this extent, she wonders whether the multilateral character of the institution truly favours liberalisation and respect for small and LDCs’ interests. Supported by the empirical work of Richard Steinberg (2002) and Christina Davis (2003), the author highlights, on the one hand, the power of the US and the EU in influencing the liberalisation agenda and the limited evidence that the GATT/WTO structure supports

LDCs' interests. On the other hand, she questions its role in commercial quarrels.

The agricultural sector has been widely analysed in this terms, especially with regard to the relationship between the EU, the US and Japan when it comes to make step forwards in trade liberalisation. Some authors highlight the dominance of these countries by putting the focus on the appeal to dispute resolution mechanisms (Read, 2007). In spite of the attempts to establish more inclusive procedures, such mechanism appears to be substantially more used by rich countries than by poor ones (Kahler, 1995; Reindhardt, 2001; Busch, Reinhardt, 2003). Regarding WTO's mechanisms of incitement and preservation of free trade, an econometric study by Andrew K. Rose (2004) suggested that GATT/WTO did not influence significantly trade patterns, even if the developing countries that participated in the Generalized System of Preferences experienced an increase in trade. In a similar vein, Kahler (1995, p. 28) argued:

“Although GATT was the centre of the global trade regime, the scope of its trade globalisation efforts was limited primarily to trade in manufactured goods. Agricultural trade and trade-related agricultural policies remained largely outside the GATT regime. Some categories of manufactures (textiles and apparel) were incorporated in managed trade regimes embedded loosely in the GATT framework.”

Against this background, Samir Amin denies that liberal principles drive the functioning of GATT/WTO, as suggested by the frustrated request of a NIEO by the G77 and the Non-Aligned Movement in 1975. The G77 called for opening markets in the North to industrial exports from the South and requested an improvement in the terms of trade for tropical and mining products, access to international financing and better conditions for technology transfer. According to Amin (2014b, p.24) the reply by Northern countries consisted in excluding textile products, ignoring the second request, liberalising financial sector -draining resources from the South to the North, he says- and “reinforcing monopolies in the name of the so-called ‘intellectual’ property”.

For him, the frictions between great powers -namely the US, EU and Japan- within the organisation has less relative importance if compared to the gap between the North and the South (2014b, p. 30). In the same vein, Amin (2014b) and Kahler (1995, p. 33) point to the direct influence of the US on the outcomes of the Uruguay Round. Its launch is attributed to dissatisfaction with the exclusion of sectors that were competitive in the US, such as agriculture. The service sector, instead, was protected by the EEC, Canada and Japan. Kahler refers also to an “aggressive unilateralism” strategy against any protectionist policy or “free riding” attitude adopted developing countries (1995, p. 34).

#### **1.4.2 The Bretton Woods institutions**

The establishment of the Bretton Woods institutions after WWII responded to two main scopes: maintaining the stability of the international monetary system and financing the reconstruction and development of countries with difficult access to credit, which were geographically located in the confines of Soviet influence.

- The IMF maintained a secondary role in safeguarding stability during the years of the economic boom up to the 1970s. However, its renewed role in the application of SAPs to debt crises would place it at the centre of international economic relations in the 1980s (Kahler, 1995, p. 62; Martin, 2008; Amin, 2014b, p. 18).
- The International Bank for Reconstruction and Development (IBRD), which would later become the WB by associating itself with the International Development Association (IDA): its role was certainly secondary to that of UN agencies performing the political and ideological functions of relations with Third World countries (Amin, 2014): ECLAC and UNCTAD would channel Southern claims for NOEI development at that time.

The collapse of the Bretton Woods system and the systemic crisis of the 1970s disrupted the foundations of the monetary and financial global organisation. This shift would also influence the configuration of regional structures and integration processes. Since then, the IMF and the WB focused mainly on financing and supervising adjustment programmes in Southern countries. In a way, their goal became the supervision of compliance with conditionality mechanisms on trade regime, public sector, subsidies or price policies (Kahler, 1995, p. 92). In addition, they

increasingly promoted fiscal and monetary measures for improving competitiveness and attracting investment. In this regard, Kahler (1995, p. 45) notes: “wielding the instrument of conditionality, the Bretton Woods institutions have served as a means of integrating poorer and newer members of the capitalist economy (wider integration) rather than dealing with the coordination of economic policies among the industrialised countries”. In the 1980s, this strategy was further complemented by the “systemic transformation facility” addressed to ex-Soviet economies.

As for the WB’s anti-poverty programs, Kahler (1995) and Amin (2014b) coincide in pointing out that they date only from the 1980s onwards. For them, WB’s real constant is to ensure a complementary role to that of the IMF in implementing and legitimising the G-7 guidelines in general, and of Washington in particular (Kahler, 1995; Amin, 2014b). In this regard, Lisa Martins (2008) notes that “over time the specific types of programs funded by the IMF and Bank have tended to converge”. For his part, Kahler (1995, p. 62) underscores their increasing intervention into issues like national budgets, military spending or political considerations such as democratization or human rights.

“In the case of the IMF and WB, and to a degree GATT, the role delegated to the global institutions by the major economic powers is one of wider integration: liberalizing trade regimes, ending price controls, and reforming public sector enterprises may include a certain degree of policy harmonization, but they only set the stage for further economic integration. Most contemporary clients of the Bretton Woods organisations, however, confront marginalisation in world markets, not intensified integration” (Kahler, 1995, p. 63).

As for the multilateral nature of these organisations, scepticism is strong in this respect. Although the IMF was provided with a weighted voting system that conferred a dominant position to industrialised countries, they are said to collaborate in monetary matters outside the institution (Kahler, 1995, p. 52). Kahler (1995) and Amin (2014b) share the view that the system was managed in practice by the US in cooperation with other G-7 members. As a proof of such imbalance,

Amin (2014b) points out that the IMF could never constrain great powers - and especially the US - to adjust their deficits or surpluses or to implement as severe SAPs as those imposed on countries of the South. For Kahler (1995, p. 52), these features appear also as a result of the growing participation of developing countries within the institution. This, he says, spurred the will for more explicit coordination among Northern economies whose markets were increasingly integrated. In the case of the WB, Samir Amin (2014b) states that it has always appeared as “an agent whose task is to support capital's penetration of the Third World through the transnationals. The projects that it has helped fund have opened up large markets to equipment supplier” (2014b, p. 24).

### **1.4.3 The institutions of the United Nations for Trade and Development**

For Samir Amin (2014b), the insertion of Southern countries in the global arena in the mid-XX century was guided by the UN Division for Latin America (ECLAC) and the UNCTAD. The first of these, led by Raúl Prebisch, was until the mid-1970s the central promoter of the ideology of development, while UNCTAD played a major role in the Bandung project and the struggle for a NIEO (2014b, p. 23). According to Branislav Gosovic (2016, p. 733), the ECLAC was the first IO to place South-South cooperation at the centre of the debate. Two conference sessions were held in the 1960s (1964, 1968) to discuss and implement various South-South cooperation projects and to tackle the growing dependence from trade relations with Northern countries (UNCTAD, 1985, p. 182). In 1968, UNCTAD launched a programme for the promotion of Economic Cooperation among Developing Countries (ECDC) that sought to enhance industrialisation and development in small countries. Moreover, face to the signs of failure of the ISI model, it sought to improve their collective bargaining capacity (UNCTAD, 1985, p. 183-184).

In the Joint Statement (23-II) (UNCTAD, 1968, p. 55), the signatory countries agreed to a declaration of intent and the establishment of a division within UNCTAD's General Secretariat known as the “Special Programme on Trade Expansion and Economic Integration among Developing Countries”. It was meant to provide technical assistance to ongoing integration processes and to promote new ones. Such programme



was implemented by UNCTAD before it became part of the United Nations Development Programme (UNDP) (UNCTAD, 1985, p. 184).

As mentioned before, the requests of the G-77 for the establishment of a Committee on ECDC that was rejected by developed countries, which were supposed to remain outside the work programme. Apart from the issues mentioned *ut supra*, they called for a say in UNCTAD's new direction, prioritising the creation of a global system of trade preferences among developing countries, the promotion of cooperation between State Trading Organisations (STOs) and the establishment of Multinational Marketing Enterprises (MMEs) (UNCTAD, 1985, p. 186). By then, a number of factors stimulated a change of course in cooperation goals for Southern countries, which had become "the most dynamic segment of the world economy, albeit at the cost of increasing indebtedness" (UNCTAD, 1985, p. 186). Among such factors, scholars often emphasise:

- the relative disappointment with the results of the integration schemes implemented by the EEC,
- the results obtained by the Organisation of the Petroleum Exporting Countries (OPEC) in its international bargaining, and
- the awareness that the NOEI would not change relations with Northern countries

The request for an exclusive forum on ECDC for developing countries resulted in a compromise: although developed countries would participate, developing countries would be allowed to hold three preparatory meetings at which the UNCTAD General Secretariat would provide technical assistance.

For Amin (2014b) and Gosovic (2016), South-South cooperation and the patronage of UN divisions over it declined in the 1970s and ceased with the SAPs. The failure of the NOEI negotiations and the frustrated efforts of those agencies became evident with the 1980s crisis and the following Washington Consensus. In the 1990s, the so-called South Commission, formed by 28 countries of the South, released *The Challenge to the South* (1990). It reviewed the successes and challenges of Southern countries hitherto, with special attention to the 1980s crisis and its effects on development and cooperation among LDCs. In particular, the Commission linked the peak of the North-South crisis with the progressive impoverishment of multilateralism in the UN system and

with the growing empowerment of Northern countries in tackling the problems of the South:

“Especially serious was the sustained attack on multilateralism, and in particular on the more democratic institutions of the UN system, which took place during the 1980s. This attack was primarily prompted by changes in political direction in some powerful countries of the North and the reassertion of the philosophy that ‘might is right’. (...) Forced by the increasing complexity and interdependence of their national economies, the major industrialised countries of the North accepted the need for a degree of institutionalised co-ordination of their separate policies –hence the annual group of Seven meetings. The evolution of this summit Group and its supporting structures further encouraged these countries to see themselves as the custodians of the world economy and to disregard the basic principles of multilateral discourse and decision-making embodied in the UN Charter” (South Commission, 1990, p. 72).

According to Gosovic (2016, p. 734), the 1981 North-South summit in Cancun marks the “unilateral interruption of dialogue on development by the North”. South-South cooperation projects declined sharply during the crisis and so did the division of EDCD, dismantled in 1992 as part of the “restructuring” approved at UNCTAD III. Gosovic (2016, p. 735) adds:

“The repeated G77 demands for a UN conference on South-South cooperation were blocked by the North year after year on the spurious grounds that too many UN conferences were being held. Significantly, following the Uruguay Round and the weakening of GATT Part IV, the WTO emerged as an additional dampener on potential integration efforts in the South, inter alia, on account of the latter’s possible ‘trade diversion’ effects.”

According to the same author, the rebound of South-South projects in recent years, attributed to political changes in Latin America, to the rise

of BRICS and, especially, to cooperation frameworks promoted by China, stimulated changes in the position of developed countries concerning this type of scheme. For Gosovic, this shift was soon felt in the approach of international institutions:

“Indicative of the change and of SSC gaining ‘legitimacy’ and becoming the ‘flavour of the month’ have been the (re)establishment of the Unit for Economic Integration and Cooperation among Developing Countries in UNCTAD; the renaming and upgrading of the UNDP’s TCDC Unit into the UN Special Unit for South–South Cooperation, with higher funding at its disposal; the UN General Assembly decision to hold the 2009 UN High Level Conference on South–South Cooperation; and the participation of the WB in organising some of the UNDP South–South events” (Gosovic, 2016, p. 736).

Notwithstanding, Gosovic (2016) underscores the persistence of an unbalanced system favouring the North basing on the following facts:

- The absence of institutions that represent Southern interests and act as think-tanks with a similar role to the Organisation for Economic Cooperation and Development (OECD) in the North
- The lack of explicit UN commitment to the constitution of a South-South Commission
- The marginal part played by UNCTAD in the current world economic order

In this regard, although UNCTAD continues to exist, it has been progressively deprived of its power on critical issues such as trade, monetary and financial policy, intellectual property, technology transfer or transnational corporations (2016, p. 740). Even so, the emergence of institutions such as the UN University for Comparative and Regional Studies (UNU-CRIS) fostered research on a varied set of regional approaches and on the resulting transformations in geopolitics and global governance. Nevertheless, despite its international projection under the leadership of the UN, both its headquarters and its main branches in the field of research and training are concentrated in the EU.

#### 1.4.4 Regional organisations

Numerous authors agree in pointing out the growing political and economic importance of regional institutions (Fawcett, 1995; Söderbaum, 2004; Higgott, 2008; Martin, 2008; Söderbaum, Sbragia, 2010). Although diverse regional frameworks existed throughout history (McCarthy, 2006), the constitution of political and economic blocs immediately after the Second World War (WWII) is considered a milestone in the current global regional order (Fawcett, 1995; El-Agraa, 1999; Jovanovic, 2006; Gamble, 2007; Telò, 2007). From different approaches, critics and advocates of regionalism consider it a fundamental system of cross-border cooperation today. Face to the growing overlapping of regional agreements as a consequence of the upsurge of ‘open regionalism’ (Bergsten, 1997), some emphasise the multilateral nature of current regionalism by following the strand opened by the metaphor of the ‘spaghetti bowl’ (Baldwin, 2006). Others, instead, underscore the contradictory essence of a world system built on “a (relatively) united economy and a (relatively) fragmented policy” (Gamble, 2007, p 22).

Although to different extents, many of the regional institutions, as well as the funding or technical agencies that collaborate explicitly in their management and promotion (ECLAC in the case of Latin America, the African Development Bank (AfDB) for Africa, etc.), monitor and evaluate the regional projects on a regular basis. Among them, the EU stands out as a model to follow and a authoritative partner. The role of European integration in world regionalism has been the object of so many economic and political works that European Studies have emerged as a distinct disciplinary field in this realm. Outside of it, the European regional path is closely regarded both by critics and supporters. A brief sample of these approaches is sufficient to understand the variety of interpretations about its influence on the current regional panorama. Some assume this process as the core standard of integration (Jovanovic, 2005). Others look critically at what they call its normative power (Whitman, 2011; Haukkala, 2011). In a similar vein, certain scholars speak of “soft imperialism” (Hettne, Soderbaum, 2005), “new medievalism” (Gamble, 2007), or reflect on the dominance of Eurocentrism (Amin, 1989) over regional studies and, more in general, over social sciences.

In recent years, EU’s relationship with Eastern and Southern countries has received increasing attention (Schimmelfenning, 2010;

Haukkala, 2011; Zardo, 2017). Moreover, in the case of the Mediterranean, building on a close relationship with former colonies, the EU has tried in recent decades to implement a succession of regional and bilateral networks that will be the subject of a detailed analysis later in this work. In any case, many authors believe that, far from being a neutral actor, the EU is a significant institution in international relations that has been trying to fill its economic union with political content by bolstering democracy, social provisions and universal values as part of its foreign policy. Whitman (2011) interprets this as an attempt to legitimise itself as a “universal force for good”, which helps, according to Haukkala (2011), the consolidation of asymmetrical bilateral relations that guarantee its hegemony and the imposition of its agenda.

### **1.5 IR APPROACHES ON THE ROLE OF IOs IN A REGIONAL-MULTILATERAL ORDER**

According to Jean-Marc Coicaud (2002, p. 519), IOs were established by states “to enhance and regulate the public dimension of international realm”. These would thus be conceived as forums for negotiating matters that fall outside the individual authority of states, but whose legitimacy derives directly from them (2002, p. 523). From very different perspectives, the authors already mentioned in this work agree that IOs are key elements of economic integration (Kahler, 1995; Martin, 2008; Higgott, 2008; Amin, 2014b). In fact, they play a key role in regulating the phenomenon that distinguishes this field of analysis from other contributions to international trade: the discriminatory character that distinguishes regional integration (Baldwin, Wyplosz, 2012) in a scenario where economic relations are globalised while political relations remain fragmented in nation-states (Amin, 2014b, p. 32). The logic is the following: since giving priority to relations between a group of countries in a globalised economy has consequences on those who are left out, international and regional institutions hold the power and legitimacy to decide the “conditions under which states can ‘legally’ evade trade rules, at least on a temporary basis” (Martins, 2008, p. 11). Martins (2008, p. 12) summarises the importance of analysing the actors that regulate trade:

“In many ways, the design and functioning of these institutions reflects the basic strategic dilemmas of international

trade. Promoting beneficial exchanges requires that institutions structure bargaining, monitor compliance with commitments, and provide enforcement mechanisms. We also see that the ongoing struggle between rule-based interaction and the exercise of power plays out continually in these trade regimes. While rules attempt to constrain the processes of bargaining and dispute resolution, the best empirical studies confirm that the actual functioning of these institutions reflect continuing realities of power politics.”

There are different views on why IOs should remain at the centre of the analyses concerned with the close links between politics and international economics:

- Because of their role in mediating between the “global constraints” of the capitalist accumulation regime and the local decisions of agents with partial knowledge of the system (Boyer, 2003, p. 91);
- Because of their capacity to expand or adapt the accumulation system to certain historical circumstances (Amin, 2014b);
- Because of their role as “international constitution-making” (Kahler, 1995, p. 4), “norm brokers” (Finnemore, 1996b) or “enforcers” (Higgott, 2008, p. 8);
- Because of their ability to centralise and autonomously manage transnational issues (Abbott and Snidal, 1998).

As recognised authorities in matters that call for collective decision-making, their attributed neutrality and legitimacy has a strong influence on how countries behave face to them and among each other. Martin (2008) argues that small countries tend to approach them in search of support for their low individual bargaining power, while large countries appear to intervene in their design and promotion (Martin, 2008). For this reason, Avant et al. (2010) defend the importance of taking into consideration the agents that shape institutions. For these authors, the key is not merely to question the relevance or efficiency of IOs in general, but rather their relative effects “for whom” and “for what purpose” (2010, p. 365). In this regard, the contribution of Avant et al. (2010) to the field of global governance would be based on the question “why are you in charge?” (2010, p. 360). From the inclusion of power relations in the interpretation of IOs arise functions that transcend the neoclassical

conception of relations between utilitarian and rational agents in a scenario of equilibrium (Howse, 2002, p. 395).

### 1.5.1 Legitimacy

The capability of an IO to intervene in national, regional and global affairs lies primarily in the recognition of its authority over states (Coicaud, 2002, p. 523). However, such an entitlement does not imply that IOs or their tasks are perceived as legitimate. Suchman (1995, p. 574) defined legitimacy as the “generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions”. Therefore, moral considerations lie at the basis of legitimacy. In a similar vein, Claude (1966) alluded to the intersection between law and morality as the pillar of legitimacy and Kahler (1995) referred to a system of rules and reputation. Boyer (2003), instead, used the notion of habitus coined by Bourdieu (Christoforou and Lainé, 2014) to characterize the subjective component inherent in this concept. Therefore, legitimacy goes beyond authority and implies citizen recognition (Seabrooke, 2006; March, Olsen, 1998). This feature makes legitimacy a fluctuating and circumstantial factor, which plays a central role in the construction of authority (Avant et al. 2010, p. 360) and in the management of power relations over time. As Coicaud (2002, p. 530) puts it:

“Plurality, historicity, and the unequal distribution of international power are three key factors with which international life must cope. The dimension of plurality can be seen in the various forces acting on the international plane. The sense of historicity is the key to the evolution of international plurality. The unequal distribution of international power is largely the product of international plurality historically unfolding and eventually creating hierarchies.”

According to Claude (1966, p. 368) “power and legitimacy are not antithetical, but complementary. The obverse of the legitimacy of power is the power of legitimacy; rulers seek legitimisation not only to satisfy their consciences but also to buttress their positions.” Moreover, the malleability of IOs according to the socio-political context implies also a

descriptive and a normative dimension. Whereas the former “reflects the reality of the international landscape at a given time, including values and ideals”, the latter “contributes to the projection of an international ethic” (Coicaud, 2001, p. 579). Thus, their legitimacy is closely linked to the notion of hegemony developed by authors of IPE on the basis of Gramsci’s contributions, which understand hegemony as a type of consensual and accepted authority (Cox and Sinclair, 1996). According to it, the dialectic between the ruling classes and citizenship through mechanisms of coercion and consent contributes to the consolidation of certain ideas as part of “common sense”. In Harvey’s words (2005, p. 39):

“What Gramsci calls ‘common sense’ (defined as ‘the sense held in common’) typically grounds consent. Common sense is constructed out of long-standing practices of cultural socialisation often rooted deep in regional or national traditions. It is not the same as the ‘good sense’ that can be constructed out of critical engagement with the issues of the day. Common sense can, therefore, be profoundly misleading, obfuscating or disguising real problems under cultural prejudices.”

The links between hegemony and legitimacy in Clark (2011, p. 21) are interpreted in similar terms: “hegemonic legitimacy is a construct of the power, and the ruled are somehow seduced into the belief that their interests are thereby served”. Similarly, the notion of legitimacy is central to Amin’s work (2014b) concerning not only IOs, but also the use of the orthodox economy in their support:

“In Economics, the prevailing obsession with management has imposed an agenda of specific issues, a selective approach to significant data, and a tunnel vision of reality focused narrowly on management goals. True, such options sometimes enhance efficiency. But then the so-called science of economics implies a latent ideological option that legitimises the kind of management involved, and by extension the social system it perpetuates, namely the capitalist system. For that reason the discipline of Economics sidesteps more basic issues related to social change and historical development, assigning them to the



free play of imaginative thinking, a process it considers unscientific” (2014b, p. 140).

In short, the notion of legitimacy implies the acceptance of the authority of a certain entity over issues that transcend state borders on the basis of consensual principles. In this regard, power relations within them are vital in determining their nature and scope. By examining the organizations previously described under this focus, several authors (Kahler, 1995; Coicaud, 2002; Howse, 2002; Avant et al., 2010; Amin, 2014b) highlight how their functioning lies on asymmetrical and unbalanced decision-making and intervention mechanisms in favour of the interests of Western countries and, in particular, the US.

### **1.5.2 Normative and constitutional power**

As mentioned above, the establishment of international agreements and organisations requires at least some degree of consensus on specific principles concerning values and modalities of action (Coicaud, 2002). These would not be immovable or perennial concepts, but would have a historical and contextual nature. Then, a fundamental role of IOs would lie in their ability to dictate certain norms or rules of the game based on a series of ‘ethical principles’. These, “by providing axiological foundations, aid in setting the framework and the horizon of social validity and the meaning of the international system” (2002, p. 537). This framework reveals, according to Coicaud (2002), the normative architecture of the international system:

“Through these qualities, the international principles that govern IR give a strong sense of normative determinacy to the international system. Normative determinacy is illustrated and engineered by the paths that principles recommend and those that they reject; by the norms, standards, rules, and regulations of the international system; and by the deliberations, decisions, and actions that are triggered by those principles. This is so because normative determinacy is at work in the compatibility of content and practical prescriptions among international principles” (2002, p. 537-38).

Consequently, the legitimacy of an organisation or some international agreement relies on the “inherent capacity of a rule to encourage states to comply” (Gupta, 2002, p. 505). In this regard, a considerable amount of literature has been produced in recent years on the normative character (Sayigh, 1991; Coicaud, 2002; Chase, 2006; Martin, 2008; Seabrooke, 2010; Whitman, 2011; Falk, 2015) of the goals of such organizations, as well as their mechanisms for the management of international affairs, more based on their persuasive than on their coercive power (Barnett, 1995; Payne, 2001; Manners, 2002). The concept of “normative power” was applied with particular emphasis to EU’s role in shaping the current idea of regionalism and its cross-border scope, whereby it promotes and requires the regional rules and standards best suited to its own recipe (Manners, 2002; Bicchi, 2006; Whitman, 2011).

Following a similar interpretation, several authors speak of *constitutionalisation* (Hurrell, 2007; Brown, 2012) or constitutionalism as a present trend or forward-looking purpose of IOs in regulating global society (Coicaud, 2002; Howse, 2002; Cass, 2005; Cutler, 2015). In the words of Allott (2002, p. 70):

“The defining characteristic of constitutionalism as a theory is that society makes an idea of its own self-constituting into an ideal of its self-constituting, and incorporates that ideal into the theory of its self-constituting. The idea is projected from the actual to form an ideal and, as an ideal, is reintroduced into the actual. For a society which adopts constitutionalism as its theory, constitutionalism enables and requires the society to organize and direct its own self-constituting in accordance with its transcendental idea of itself.”

Thus, the idea is that in recent decades, “most changes in international law have occurred within the framework of IOs” (Alvarez, 2002, p. 138). According to Álvarez (2002, p. 138):

“Since 1945, thanks in significant part to the ways IO charters have been (flexibly) interpreted, most changes in international law have occurred within the framework of IOs. IOs have radically transformed the most traditional sources of

international law-treaties. They have also contributed to steady innovation in alternative ‘rule’-making techniques, characterised, unlike the traditional sources of international law, by a continuum of binding authority.”

Contributions on the constitutionalisation of IOs were especially applied to institutions such as the WTO and its transformation from GATT into an institution with an autonomous dispute settlement mechanism (Howse, 2002; Read, 2007; Peters, 2015). In any case, these approaches to the role of IOs in regulating issues like international trade and economic integration based on shared principles show that their postulates are neither neutral nor have a minor role in the domestic decisions of states.

### 1.5.3 Community representation, *clientelism* and agenda setting

Since IOs have the legitimacy and power to dictate rules on the basis of certain principles, it seems appropriate to wonder who gave them their current shape and for what. Abbott and Snidal (1998, p. 24) asserted that the boom of IOs in the post-WWII period responded to the idea that they should act “as a representative or embodiment of a community of states”. According to the context, they could appear as multilateral forums of international policy (e.g. the UN General Assembly), as a body representing major powers (e. g. the Security Council), or as independent and neutral entities responsible for ensuring the common interest (e. g. the International Court of Justice). In this sense, it appeared that the internal composition of these institutions and their representation mechanisms determined, to a large extent, the type of interests they represented. To this matter, a number of authors (Abbott and Snidal, 1998; Steinberg, 2002; Busch and Reinhardt, 2003; Martin, 2008; Avant et al., 2010) have focused since then on enquiring on the specific interests behind the current structure of IOs.

For Coicaud (2002, p. 525), the “client-based culture” of IOs, dependent on the states that design, finance and legitimise their functions, also determines the principles that will govern them and the focus of their actions. This is clearer in institutions where selective veto is reserved to the countries that finance them, such as the IMF, the WB or the UN

Security Council. Coicaud (2002, p. 526) defines this as “a nearly proprietary territory of the most developed and powerful nations, one that all too often caters primary to their needs.” This inherent feature of the functioning of IOs undermines their alleged multilateral vocation:

“Instead of ensuring the universalisation and conjunction of particular interests, the clientelist inclination contributes to the particularisation of universal interests. In undermining the claim to universalism of generalist IOs, this inclination undermines a crucial piece of their legitimacy. (...) Furthermore, this is a failure that is likely to generate further normative, political, and institutional disenchantment and unravelling. It is difficult to reverse, since it has a penchant for feeding on itself. A clientele, by definition, is not really concerned with integration and inclusiveness, with possible benefits attached to long-term investments involving the commitment to the public good. Rather, its prime objective tends to be the fulfilment of its exclusive and immediate interests” (Coicaud, 2002, p. 526).

The other key feature of IOs, which is of particular benefit to stakeholder groups that prevail within them, is agenda-setting (Rocherfort, Cobb, 1994; Coicaud, 2002; Cass, 2005; Martin, 2008; Avant et al. 2010). This entails the issues that deserve attention and, to a large extent, the way in which they are dealt with. As Avant et al. (2010, p. 16) put it, “frequently agenda setting is about not only putting an issue on the agenda but identifying who should govern in an issue area and why.” For example, Howse (2002) argues that the “bureaucratic” or “technocratic” power of the WTO consists primarily in its ability to determine the agenda of trade negotiations, to provide technical advice and to generate reports on strategic issues in international economic relations.

Numerous authors associate the contribution of IOs to regional integration with the interests of the North, especially those of the US and Western European countries (Kahler, 1995; Howse, 2002; Chase, 2006; Martin, 2008). In this regard, there is abundant literature on the role of the EU and the US (Mann, 2013) both in the institutional changes of the WTO (Kahler, 1995; Howse, 2002; Cass, 2005; Chase, 2006; Read, 2007;

Amin, 2014b), Bretton Woods (Martin, 2008) and regional organisations (Bicchi, 2006; Zielonka, 2008; Whitman, 2011). Also, regarding their effects on economic and political changes in the South (Stiglitz, 2002; Amin, 2014b; Gosovic, 2016) some authors highlight the progressive substitution of the role of the UN institutions for Trade and Development (UNCTAD, ECLAC) by those of the WB and the IMF in the management of Southern macroeconomic policies. For them, this shift profoundly marked the outlines and goals of regional integration in favour of the neoliberal visions that gained salience since the 1980s in the international political arena (Amin, 2014b; Gosovic, 2016).

#### **1.5.4 Implementation and enforcement**

At different levels, IOs can sanction behaviours that are somehow outside the guidelines agreed in multilateral frameworks. Avant et al. (2010, p. 357) call “global governors” those agents with authority to “exercise power across borders for purposes of affecting policy ‘through their’ expertise, morality, competence and other sources that are independent of the state.” This enforcement capacity was studied by different authors from different perspectives. Whereas some centred on its consequences under international law (Howse, 2002; Cass, 2005; Cutler, 2015), others paid attention to the capacity of public or private state actors to influence such mechanisms, as well as their effects over other countries (Kerr, 2007, p. 521):

“In IR, the use of restrictions on trade is not confined to trade matters purely. Trade restrictions, in the form of sanctions, are also recognized as one of the mechanisms available to countries attempting to induce other countries to change their behaviour. Trade sanctions lie along a continuum that has diplomacy (termed moral suasion by economists) at one extreme and military force at the other. By imposing trade sanctions, it is hoped that the economic costs suffered by the country engaging in the behaviour judged unacceptable by its trading partners will be sufficient to induce it to alter its behaviour. Trade sanctions have been applied by the UN against some countries – Apartheid era South Africa, Iraq, Serbia, and so on – and unilaterally – by the US against Cuba.”

Thus, numerous analyses of international trade deal with the role of Northern countries in regulating agricultural exchanges (Kerr, 2004), trade in services, intellectual property and environmental issues (Kerr, 2002). In this regard, most agree that restrictions and sanction mechanisms applicable at the international level have less to do with economic efficiency than with political reasons or with maintaining the “market imperfections” that allow them to master the market. As Kerr (2007, p. 525) notes, “trade sanctions have had a limited role in trade policy, although they have had a well-recognised role in international political relations.” Avant et al. (2010, p. 329) underscore the importance of overcoming the surface of IOs when assessing the mechanisms for implementing and sanctioning international standards, since the interests of different public and private actors are at stake within them. In addition to governments and “state bureaucracies”, the influence of multinational corporations in the shape and scope of IOs has been under study since the 1970s:

“Firms making capital investments and firms or consumers making purchasing decisions can provide ‘enforcement’ if they demand compliance of a product with certain standards and refrain from purchasing it (or demand a lower price) if the product fails to comply. (...) Notice that the key actors here are again actors – mostly firms other than those whose products and actions are directly targeted by the standards – who have played no significant role at prior stages of the governance sequence.” (Avant et al., 2010, p. 329)

In fact, the internal composition of IOs and power imbalances within them largely influence the degree of strictness with which those rules and sanctions are implemented and the transformations of such mechanisms over the years. This characteristic makes them what Higgott (2008) calls “norm brokers” and “enforcers”: beyond the reduction of transaction costs or information asymmetries, the interest of states in IOs resides in the latter's' ability to create information, ideas, norms and expectations, as well as to legitimize or delegitimize certain collective and individual actions (Abbott; Snidal, 1998).

### 1.5.5 Monitoring, advising and power relations

Two central axes pervade critical approaches to orthodox integration theories and their empirical assessment by economists and IOs:

- their seemingly neutral nature and
- their epicentre in the Western countries of the Northern hemisphere.

As mentioned above, this work builds on the premise that neither theoretical approaches, nor empirical assessments, nor the IOs are neutral. In this regard, two core realms of current international economic relations remain at the crossroads among all of them: policy monitoring (Martin, 2008) and policy advising (Howse, 2002). The first appears as one of the most well known roles of IOs nowadays (Howse, 2002; Coicaud, 2002; Avant et al. 2010), while policy advising is a complementary activity that holds growing space in private and public economic activity.

The historical debate between the different schools of economic and political thought on regionalism reveals the existence of different types of regional integration and various reasons for doing so. However, in its translation into IEOs, the meaning of regionalism is often limited to one of these various options. As an example, Hirakawa (2005, p. 200) highlights the main lines of this definition for the WTO:

“On the homepage of the WTO there is an explanation of regionalism. It cites a definition of regionalism given in the Dictionary of Trade Policy Terms as ‘the actions by governments to liberalise or facilitate trade on a regional basis’. In the context of the WTO, regionalism corresponds to regional trade agreements (RTA) such as FTA or CU. These are more general concepts than those given in the dictionary, since they include agreements across regions. However, RTA are considered peculiar in that they have to be consistent with WTO terms. At the same time, the WTO also shows wariness: ‘RTAs can complement the multilateral trading system, help to build and strengthen it. But by their very nature RTAs are discriminatory: they are a departure from the MFN principle, a cornerstone of the multilateral trading system.’”

In this regard, Grabel (1999) reflects on the interdependence between the neoclassical economy and the prescription and monitoring of neoliberal policies. In his critique of the credibility theory as an alibi for the imposition of the Washington Consensus and for the justification of its failure, Grabel underscores its underlying tautology: “The credibility argument, then, depends on a kind of circular logic: economic policies are deemed effective only if they are credible to private agents; but policies are deemed credible only if they are seen to be effective.” In this regard, from the conjunction of the theoretical postulates of economics and the political reasoning of institutions based on economic theory emerges the dilemma of the *fake choice*:

“There are essentially two choices: one could shade policy toward existing popular sentiments; or one could implement ‘correct’ policy, policy that respects the economic fundamentals of new-classical theory. The former option is ruled out of court on the simple grounds that ‘incorrect’ policy could not possibly retain credibility in the wake of the disruptions that would inevitably attend it. The latter, on the other hand, would induce credibility as it proved itself uniquely capable of promoting development and economic growth, even if it were to be unpopular in the short run. A correctly specified policy would, therefore, impel rational agents to act ‘properly’, at once achieving growth and stability and the credibility necessary to sustain itself.” (Grabel, 1999, p. 4)

Another essential point of Grabel’s criticism is the exogenous character of credibility, which will determine the success or failure of an economic policy according to the principle of rational expectations of individuals. Thus, any consideration of class conflicts, income distribution, and disparities in wealth or political power is absent from the analysis. Similarly, a massive flight or inflow of capital would always be considered as an economic proof of the efficiency of a given policy, rather than a political sanction by public or private interest groups with the capacity to distort markets (Grabel, 1999). Also the “import of foreign experts” would have performative effects: “the act of ‘signalling credibility’ should be understood to produce the effect of credibility rather than merely to reveal something that was already there, latent in the



regime itself” (1999, p. 16). About the role of experts in domestic decision-making, Sayigh (1991, p. 77) shares a similar view that criticises the role of international economic organisations as an instrument for guiding and orienting the economic policies of these countries and as a mechanism for increasing their dependence on the world economic centres.

Such considerations can be applied to economic integration and to the actors that currently manage regional processes. The ideological component underlying this discipline is evident in its treatment by international institutions over time, both regarding its goals and in the weight granted to the various communities of interest (Amin, 2014b). From the review of the theory of integration, its empirical analysis and the role of the IOs that watch over its implementation, we can draw conclusions that suggest that these trends were not parallel, but interdependent. As Avant et al. (2010, p. 370):

“Who is harmed by and who benefits from particular distributions is context specific, however. Assessments of success, failure, benefit, loss, or dysfunction depend upon the context as well as what the actors themselves were hoping or trying to accomplish. (...) Instead of asking about the public good, it allows us to ask ‘good for whom?’ Governing must be understood politically: who governs, what they govern, how they govern, and whom they govern are contentious issues reflecting power, access, mobilisation, and agency.”

The purpose of placing actors at the centre of the analysis would ultimately be to question their status as what Avant et al. (2010, p. 162) call “social facts”, that is, as actors who are seen as objective, stable and neutral facts, not dependent on the context or the perception that is created of them.

## 1.6 CONCLUSIONS

This chapter proposes a critical review of the main theoretical approaches to economic integration by taking into consideration the historical backdrop in which they evolved. The examination of orthodox

and heterodox insights on this issue from the fields of economics and political sciences reveal their intrinsic relationship with European integration since the end of WWII. In this regard, the unparalleled correspondence between the core tenets of orthodox theories of economic integration and the European case appears to be rooted in the geopolitical circumstances in which both emerged. In this vein, the international institutions currently in charge of the regulation and evaluation of such processes are taken into consideration as central agents of this process.

Therefore, the first part of the chapter unravels the historical turning points that accompanied the contemporary history of economic integration. Four different phases are identified:

- 1950s-1960s: the launching of the EEC in a context of post-war recovery and Cold War hegemonic struggles, bolstered great interest among authors of IR and International Trade. For the latter, economic integration appeared as a second-best solution whenever multilateral trade is not possible and certain conditions are fulfilled. The concepts of trade creation and trade diversion put forward by Viner (1950) became central concepts to predict whether the establishment of a CU would result in a net increase of welfare through a better allocation of resources and hence an increase in global output. One decade after, Balassa (1961) would distinguish between static and dynamic effects of integration and provide a description of the degrees of economic integration as an evolutionary process going from PTAs to complete integration.
- 1970s: the relative stagnation of European integration during the so-called ‘dark-years’ of the Community (Keohane and Hoffman, 1991) provoked a certain decline in the academic contributions to the field of integration.
- 1980s-1990s: the upsurge of neoliberalism and the proliferation of PTAs spurred a renewed interest in economic integration among both scholars and politicians. The New Theories of Trade (Krugman, 1991), a growing literature on the spatial effects of integration, among others, helped sophisticating the analysis of the dynamic effects of such processes. North-South regionalism gained salience in this period, and the birth of the NAFTA (1994) would consolidate the advance of ‘open regionalism’. The pervasiveness of preferential and free-trade arrangement, which Bagwati (1995) would call the

‘spaghetti bowl’ effect, fostered debates on the relationship between regionalism and multilateralism.

- 2000s-2010s: the debate on regionalism as a ‘stumbling block’ or a ‘stepping stone’ for multilateralism gained salience together with the rise of New Regionalism (Hettne, 1994) and the New Regional Approach (Soderbaum, 2004). Other scholars added up to the debate by analysing the ‘normative power’ (Manners, 2002) exercised by regional entities, namely the EU.

Following this review, the second part of the chapter focuses on the cross-cutting debates that have accompanied the theoretical developments of integration since the Fifties. To this extent, the discussion on static and dynamic effects appears to have remained as a key axis of research hitherto. Among the reasons behind this, a number of authors point to the fact that, although dynamic effects have more impact on welfare, their empirical assessment is far more complex than in the case of static effects. The second major distinction responds to North-South divisions. Whereas orthodox economic theories mitigate some of their assumptions and conclusions (e.g. regarding the welfare effects of trade diversion), heterodox approaches see in mainstream regionalism a hegemonic structure that reproduces the unbalanced nature of international economic relations. They also criticise the Eurocentric perspective of mainstream academic disciplines on the issue and propose other formulas that often prioritise the strengthening of South-South cooperation and the softening of the international regulation of trade relations.

In view of these considerations, the third part of the chapter enquires on the aspects that are often missing in debates about regional integration. On the one hand, the gap between theory and reality mentioned by some scholars (Combes et al., 2008; Amin, 2014b) finds an explanation in the very architecture of international economics (Fine, 2016; Fine, Dimakou, 2016). Grounded on the tenets of neoclassical thought, the theory of integration largely relies on the strict assumptions like methodological individualism or general equilibrium. This imposes restrictive conditions on the features that are susceptible to be analysed and largely influences the theoretical outcomes. On the other hand, the conception of economic integration as a process held by countries that voluntarily decide to share preferential economic relations from an ‘inward-looking’ perspective neglects the role of actors that remain outside. In these aspects, the agents in charge of the regulation of economic integration, which are at the same

directly involved in its promotion and assessment, are supposed to play a relevant role.

The fourth and fifth parts of the chapter build directly on the previous one. By exploring insights from the field of IR, namely from IPE, they offer a description of the main IEOs concerned by regional integration and an explanation of the roles they deploy in this regard. The main finding of this last part, which will be further developed in this work, is that they play an ideological role that ought not to be overlooked. Their duty to ensure compliance goes along with their capacity to influence the agenda of regional integration or to act in a 'clientelist' manner with certain countries that directly support their survival and/or hold a privileged position within the institutions.



## **2 FROM THEORY TO PRACTICE: THE EMPIRICAL ASSESSMENT OF ECONOMIC INTEGRATION**

### **2.1 INTRODUCTION**

As for theory, the empirical analysis of international integration split in the second half of the twentieth century into two main strands. On the one hand, orthodox economics tried to quantify the phenomena described by economic theory. On the other hand, heterodox approaches enquired on the structural, historical and material conditions of the regional economic order. For the former, the evidence of a net increase in the volume of international trade through trade agreements -in the absence or in anticipation of a multilateral scenario- revealed a relative improvement in global welfare derived from productive specialization enhancing capacity of consumption. For the latter, the circuits of international trade were part of the expropriation system set forth from the centres of capitalism. As a consequence, cooperation among peripheral countries appeared a valuable alternative to dissociate themselves from such dependence.

While neoclassical economics saw the liberalisation of trade among developing countries as a step forward to catch-up with the North, the theoreticians of dependence interpreted export industrialization in the South as deepening the position of dependency to which they had been subjected since the beginning of mercantilism. And, whereas orthodox empirical analyses attempted to demonstrate the micro-economic

foundations of integration-related phenomena in terms of individualism and utility, their heterodox counterpart will seek the structural and power-related elements underlying regional phenomena. Again, as for theory, the axioms and methods of integration theories would link their evolution and credibility to those of the European Community and NAFTA. To this extent, neoclassical empirical contributions would soon prevail over the approaches underneath Latin American regionalism. Indeed, they will end up acquiring the capacity and legitimacy to evaluate those same projects in their own terms.

This chapter presents a synthesis of the rationale and objectives of the main empirical contributions to integration and their relevance to the institutions that regulate the international economic order. The following sections focus on the rationale and evolution of empirical assessments, with a close review of the variables used to evaluate the effects of integration and the methodological frameworks employed in their evaluation. Section 3 critically examines the role of trade in assessing integration by recalling the cross-cutting discussions analysed in chapter one.

## **2.2 RATIONALE AND EVOLUTION OF EMPIRICAL ASSESSMENTS OF INTEGRATION**

The first attempts to measure the economic impact of integration, understood as a voluntary process of removing tariff barriers to trade between several countries, took the European Community and European Free Trade Association (EFTA) as a major case of study. The aim was to assess the variation in overall welfare resulting from its establishment through its effects on certain key variables that were supposed to play a role in different directions. However, the ‘second best’ nature of regional arrangements required identifying when the endorsement of that kind of agreement would not prove more pernicious than their non-existence. According to authors like El-Agraa (1999, p. 388), empirical analyses should clarify whether and to what extent the endorsement of a CU or FTA generates changes at different levels of the productive structure:

- i. enhanced efficiency in production through increased specialisation in accordance with the law of comparative advantage;

- ii. increased production levels due to better exploitation of economies of scale made possible by the increased size of the market;
- iii. an improved international bargaining position, made possible by the larger size, leading to better terms of trade;
- iv. changes in efficiency brought about by enhanced competition;
- v. changes affecting both the amount and quality of the factors of production due to technological advances, i.e. changes in the rate of growth;
- vi. factor mobility (in the case of a Common Market or an Economic Union);
- vii. the coordination of monetary and fiscal policies; and
- viii. the unification of targets for full employment, higher growth rates and better income distribution.

However, the need arose to isolate changes in trade due to integration from those that derived from other factors. In this regard, empirical hypotheses would build on the question of *what would have happened if such agreement had not been ratified*. Thus, the development of ex-post predictions and estimates on the effects of a treaty among a group of countries, and between them and the rest of the world, imposed a “trade-off between theory and econometrics” (Baldwin, Venables, 1995, p. 1625). That is, either the complexity of the phenomenon was sacrificed to focus on certain specific variables, or the statistical link between theory and reality was compromised. Therefore, the evaluation of the expected effects of integration was articulated around the construction of anti-worlds or counterfactual scenarios that depend, to a significant degree, on the researcher's subjectivity (El-Agraa, 1989,1999; Baldwin and Venables, 1995; Jovanovic, 2006; Grimwalde et al., 2011). On the empirical estimation of the effects of integration, Jovanovic (2006, p. 771) recalls the words of Mayes:

“It is no strange thing in Economics to discover that the evolution of the theory on a particular topic and the development of empirical research and measurement of it have pursued rather different courses. It is difficult to imagine a better example of this divergence than the study

of the effects of international economic integration”  
(Mayes, 1988, p. 42, op. cit, 2006).

As time went on, the respective empirical concerns of the two main epistemological options of integration were compounded by the changing geopolitical context. In the 1970s and 1980s, the junction of the following transformations led to a reconfiguration of the variables, methods and interpretations of both:

- the regional and global crises that shook the Bretton Woods system,
- the divergent directions of industrialization processes in the countries of the South,
- the growing phenomenon of financialisation,
- the road to knowledge economy and the progressive separation between innovation and manufacturing industries

In the field of orthodox economics, the scant evidence on the dynamic effects of integration would lead static analyses to be perceived as obsolete. In the 1970s, the rise of NTT, economic geography, transaction costs and neoinstitutionalism would entail substantial transformations in the assessment of regional processes. Notwithstanding, static approaches would remain widespread. Jovanovic (2006, p. 781) explains the methodological resilience of the neoclassical current as follows:

“We have virtually no hard evidence on how regional integration affects economic welfare in the rest of the world. The reasons are that, to date, we have largely failed to measure the effects that theory shows to matter, and that much of what we have measured hardly matters at all. The theoretical and empirical analyses of this important issue are far apart, and the practical difficulties of doing the latter correctly are formidable in terms of both finding data and extracting their message. Nonetheless, we should try.”



Two considerations can be grasped from such state of affairs. Certainly, the epistemological foundations common to the theories cited above contributed to widen the research on the dynamic effects of integration by alternative means. Nevertheless, the empirical contributions of the post-war tradition remained imprinted in the core tenets of the discipline. In this regard, as it will be argued in this chapter, their widespread use by international institutions has played a significant role.

### **2.3 THE MAIN TENETS OF EMPIRICAL ASSESSMENTS**

In the passage from theory to practice, it is necessary to approximate goals to reality by means of evidence that permits inferring or deducing them from one another. In the case of the theory of integration, the empirical basis of its methodological assessment is founded on the observation of the contribution of integration to welfare. The latter, in neoclassical terms, is represented through an indirect utility function. In such a system, changes in welfare resulting from international trade for the representative consumer will depend on border prices, on the number of varieties available in their market and on their capacity for consumption expenditure. This, in turn, will be given by the sum of factors, income (salaries and income from capital), profits (composed of domestic output and the difference between domestic prices and average costs of each sector) and income received by trade barriers, minus investment resources (Baldwin, Venables, 1995).

Baldwin and Venables (1995, p. 1601) base on this function their explanation of the changes in international trade for welfare through three types of effects: for the volume of trade (depending on changes in trade barriers), for the costs of trade (generated by non-tariff elements of trade costs) and for terms of trade. In addition, if increasing returns of scale and imperfect competition are allowed in the model, changes could also occur at both output (if the level of output changes in sectors where prices differ from average costs) and scale (change in average costs induced by changes in scale of enterprises). The verification of each of these phenomena will depend on the relative impact of a regional agreement (FTA or CU) on international exchanges. El-Agraa (1999, p. 171) thus synthesizes the possible scenarios, which derive directly from Viner's theory and its unfolding:

- a. **Trade creation:** replacement of domestic production in one sector by relatively cheaper imports from the partner country.
- b. **Trade diversion:** replacement of initially cheaper imports from the rest of the world by cheaper imports from the partner country (which would be relatively more competitive than the RoW after the agreement, due to the reduction or elimination of tariff barriers).
- c. **Creation of foreign trade:** replacement of relatively expensive domestic production by cheaper imports from the RoW due to the reduction of external tariffs required in a CU.
- d. **Supply-side diversion:** substitution of exports to the rest of the world by exports to partners.
- e. **Adjustments induced by the balance of payments** due to i and iv: it has to be rebalanced after the changes in the foreign trade of the concerned country.

The interaction between such changes and those occurred in the returns of capital would induce the so-called accumulation effects (long-term growth or changes in FDI patterns) and location effects (agglomeration or dispersion of the productive structure) (Balwin, Venables 1995). Since the 1980s, evidence of the growing weight of these matters in the European integration process favoured their insertion into the analysis of integration through new theories of endogenous growth and economic geography. In any case, the goal of empirical demonstrations remains to measure the incidence of those potential effects on certain essential and quantifiable variables. From these are derived diagnoses on the contribution of specific agreements to global welfare, which is understood in the terms mentioned above.

In order to appraise the effects of integration, it is useful to draw on the distinctions already used in the first chapter. Thus, the difference between static and dynamic analyses on the one hand, and between developed and developing countries on the other hand, are key in the use of certain variables and in the different interpretations derived from them. Building on the work of Mayes (1978), El-Agraa (1999, p. 249) proposed the following distinction between orthodox empirical insights:

- **Static analyses:** those that study short-term effects whereby “changes in the impediments to trade lead to one-and-for-all changes in the composition and pattern of trade”. In this regard,

static studies analyse the impact of changes in relative prices resulting from integration on the volume and patterns of trade.

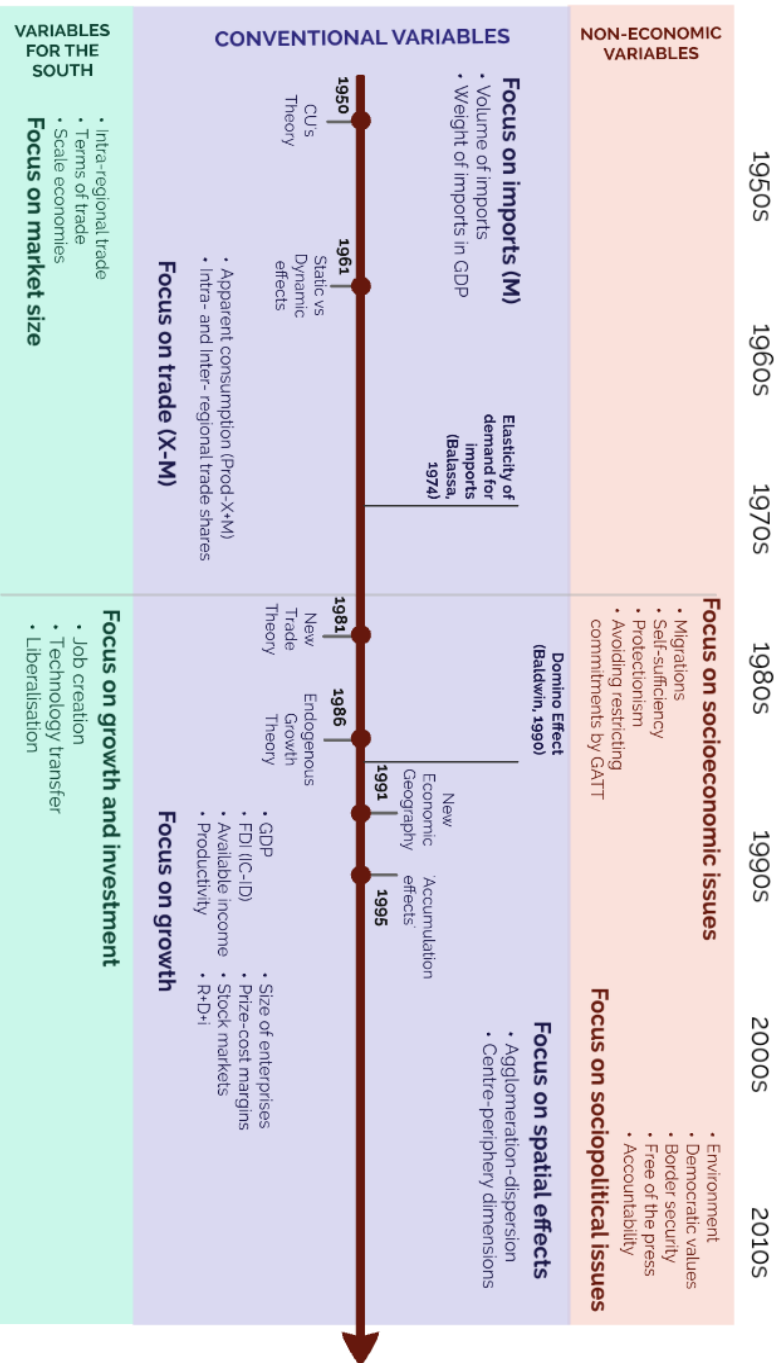
- ***Dynamic analyses***: those that concentrate on longer-term effects for which “regional integration over time leads to permanent changes in the rate of change of economic parameters”. They try to elucidate the impact of the induced effects on income and growth ratios, as well as on changes in public expenditure policies to balance the effects on the balance of payments.

Any of them, following El-Agraa (1999, p. 259), “may be considerable, and either positive or negative”.

For its part, the analytical distinction between developed and underdeveloped countries is based on two points of departure. The first one is built on the premise that the goals of integration among countries of the South differ from those of the North (El-Agraa, 1999). The second has more to do with empirical considerations. The exacerbated interest in the details of Northern integration processes (UK's accession to the EEC, the creation of NAFTA, etc.) and the alleged scarcity and unreliability of domestic data from Southern countries resulted in an unbalanced agenda that relies mainly in the characteristics and purposes of developed countries, namely in the case of the European Community.

### **2.3.1 The core variables of integration**

Following the tradition of the Vinerian analysis, the main variables used for evaluating the effects of integration are trade patterns. Indeed, the first empirical assessments of -European- integration concentrated eminently on imports, trying to extract from them conclusions about the creation, diversion or external creation/destruction of trade through different variables related to such phenomena (El-Agraa, 1999, p. 388).



However, faced with the initial finding that the sole analysis of changes in the volume of imports from member countries failed to identify the incidence of other factors or random shocks of demand, Balassa (1974) introduced the estimation of *income elasticity of demand for imports* and *price elasticity of demand for imports* as dummy variables. Other studies measure the weight of imports in the domestic economy (represented by GDP or GNP), or in the apparent consumption (domestic production minus exports plus imports) (Grimwalde et al., 2011, p. 267).

As far as terms of trade are concerned, Petith (1977) proposed an empirical analysis in the context of European integration based on Mundell's theoretical work (1964). Notwithstanding, few authors have concentrated on them despite being identified among the most apparent effects of integration. Indeed, Balassa (1975) affirmed that, compared to other studies on trade creation in the EEC, "of the measurable effects of CU formation, the effects arising from changes in the terms of trade were by far the greatest" (El-Agraa, 1999, p. 351).

### **2.3.2 Essential variables since the 1980s: dynamic effects**

In the 1980s, economic growth gained momentum in the empirical contributions to economic integration. Accordingly, supported by neoclassical theories of growth, old regionalism tried to test the potential effects of integration on gross domestic product (GDP). In this instance, studies like Cecchini's (1988) examined the repercussions of the creation of the Single Market on the temporary increase in the level of output expansion, which would return to a regular trend as soon as the shock became embedded in the domestic economy. As a reaction, authors like Baldwin (1989) claimed that profits for trade were five times greater than those presented by Cecchini if the analysis of growth followed the terms of the new theories of growth. Based on Romer's assertion that the capital stock may increase indefinitely, Baldwin estimated that the increase in investment since 1992 would permanently increase the EU growth ratio by 0.25-0.75 percent, with a "growth bonus" of 9-29 per cent (El-Agraa, p. 103).

The variable 'investment' is not only used in these terms, but also in terms of creation and diversion. Other variables focus on consumption and production capacity through concepts such as available income, a

term coined by Grinols (1984) to designate “the sum of money an individual would have to receive at a new set of prices that would leave her/him no worse off than before, using revealed preference to represent the system” (El-Agraa, 1999, p. 256). This, translated to the national level and deducting from the income that the country needs to produce the same in the new price system, determines the “payment” for adhering to the integration process, and makes it possible to verify whether citizens are not worse off than before.

Other variables that are endogenised in dynamic analyses are productivity, efficiency or spillovers linked to knowledge economy such as the transfer of skills and technology, innovation, or the accumulation of resources dedicated to research and development. Empirical work on integration also focused on changes in the size of enterprises and price-cost margins (Muller, Owen, 1985; Slewaegen, Yamaki, 1988), or even the effect on the stock market (Thompson, 1994).

On another note, works such as those of Krugman (1991) and the growing discipline of economic geography (Combes et al, 2008) were interested in the impact of integration processes on the localization of the production system. Building on the new theories of trade and growth that reject the hypothesis of convergence through integration, empirical assessments progressively adopted a good number of these aspects (Baldwin, 2000). The importance of intra-industrial trade, the centrality of spillover effects and the change in the spatial dimension for production due to the fall in transport costs were introduced in dynamic models. In particular, NTT and economic geography brought the agglomeration-dispersion variables or the centre-periphery dimensions into the assessment of the spatial effects of integration.

In addition to these, the effects on international labour mobility and other migration flows are also present in certain analyses. Moreover, changes in the sectorial structure of domestic production linked to productive specialisation have attracted great interest in empirical works about integration. The transformations undergone by the structure of global economic relations since the 1980s led to a growing interest in the impact of the regional phenomenon on knowledge economy and on the growing weight of the tertiary sector. However, as for the rest of the dynamic effects, economists agree in stressing that the importance of

their role is somehow inversely proportional to the quantity and explanatory power of the works that try to evaluate it.

### **2.3.3 Variables for Southern countries**

For conventional literature, the difference in the treatment of Southern countries is not so much a question of the specificity of variables as of divergence of objectives. Starting from the principles of orthodox development theory, it is argued that preconditions need to be built beforehand so that a process of integration enhances trade creation and the dynamic effects that are expected from it.

In this vein, since integration is conceived as a tool for development, it is suggested that it should concentrate on bringing LDCs closer to the starting line from which the overall positive effects of integration can be expected. That is to say, just as theory relativises the potential effects of trade diversion on the grounds that in developing countries they can entail positive outcomes for welfare, empirical analyses imply that developing countries must seek primarily economies of scale in their integration processes (El-Agraa, 1999). Based on the reasoning of infant industry and on the importance of market size (Brown, 1961; Hazlewood, 1967,1975; Metwally, 1979; Robson and Lury, 1969; Kahnert et al, 1969, Mikesell, 1960), neoclassical literature points out that the key variables to evaluate an integration process must be trade diversion in favor of members of the region, the exploitation of economies of scale and the increase of bargaining power against Northern countries by improving terms of trade. However, authors like Jovanovic (2006, p. 795) argue that although the increase in intrablock trade would be desirable, it has generally arisen to be negligible (Straubhaar, 1987).

Another particular dimension in the treatment of developing countries concerns their relationship with transnational corporations (TNCs). In general, focusing on the attraction of FDI, on the Schumpeterian theory of technology transfer, on increased human capital and job creation, most scholars of economic integration strongly supported the opening up of developing countries to offshoring by TNCs (El-Agraa, 1999; Jovanovic, 2006). In this vein, several studies questioned the effect of “special and differential treatment” granted to southern countries by the EU and other international bodies (Panagariya, 2002; Whalley, 1990). In this sense, Jovanovic (2006, p. 9) points out:

“Preferences offered to a group of developing countries might have been to the detriment of others. These favours could have reduced domestic demand for reform in the beneficiary countries. They felt less pressure for reform (because of the secure foreign market) than was the case in countries that did not have preferential trade deals.”

Such considerations lead directly to another specificity of the analysis of integration in Southern countries: its efficiency is considered in terms of the ability to open protectionist markets, liberalise central planned economies, improve average incomes and reduce barriers to entry in sectors related to the extraction and transformation of raw materials. On a different note, the orthodox analyses attributed the failure of South-South integration projects of the 1960s to the absence of preconditions that were observed in cases like the European Community. They also attributed it to the alleged corruption and lack of preparation of the public and private sectors involved in the process. Accordingly, Jovanovic (2006) suggests that the insertion of developing countries in the liberal regional schemes that have prevailed since the 1980s may be a way of mitigating the use of subsidies and corrupt practices. In any case, it stands out that also in this context each hemisphere is situated on a different side of the assessment procedure: northern countries have set the standards and southern countries are evaluated through them.

### **2.3.4 Non-economic variables**

Among the so-called non-economic variables are those linked to certain political issues over the last few decades. One of them is the study of the effects of integration for the environment (Riveiro, 2004), but there are also others such as the homogenization of the education system (Perrotta), intercultural understanding, democratic values or the so-called “universal values”, freedom of the press, freedom of expression and so on. In recent years, the concepts of transparency, accountability and governance have gained great prominence with the WB. Some authors also stressed the positive effects derived from the Corporate Social Responsibility (CSR) exigencies for large corporations. Some examples



are the provision of services to outlying municipalities, the supply of employment to “certain categories of people for humanitarian reasons”, etc. (Bitros, 2002, p. 289). In addition, the influx and management of certain “non-economic” migration patterns, such as refugees or asylum seekers, are increasingly important in regional studies and, especially in recent years, in the Euro-Mediterranean context. Next to these, another major non-economic goal that the EU and others follow in their preferential relations with peripheral countries is security.

On the other hand, the understanding of what is non-economic varies according to authors. El-Agraa (1999) defines the Common Agricultural Policy (CAP) as a measure with “non-economic” purpose, as its protectionism is mainly based on arguments of self-sufficiency. Another example, according to El-Agraa, is the protection of industry behind the Latin American commitment to the ISI model, or the reduction of the power of multinationals to which Latin American regionalism aspired in the post-WWII. On a similar level, Baldwin captured certain elements of political economy in his explanation of the causes of regionalism and coined the term “domino effect” to explain the political circumstances that led to the accession of Austria and the Nordic countries to the Single Market. According to him, the purpose of that decision was to maintain their independence after the experiences that some of these countries shared during the period of the USSR (Baldwin, 1997, p. 881-882). For his part, Jovanovic (2006) argues that a further non-economic reason for the creation of regional frameworks is to avoid restrictive commitments with IOs (such as GATT/WTO accession) regarding subsidy policies or the MFN clause.

### **2.3.5 Missing issues regarding the variables of economic integration**

It cannot be easily affirmed that the most analysed variables for the study of integration are the most important ones. Apart from those that are not susceptible of being quantified, some of them are also unpopular and hence often neglected. El-Agraa (1999) says that Petith was surprised when his study of terms of trade in the European Community showed that these constituted an essential part of the gains of integration. For the latter, in the official justifications for the project, this type of gains had never been one of its primary objectives. Notwithstanding, it is one of the

main effects to which orthodox literature points. Faced with this paradox, Petith suggested two complementary explanations that El-Agraa (1999, p. 351-352) describes as follows:

“The first was that Belgium, Netherlands, Luxembourg (Benelux), EFTA, and to a greater extent, the European Community, were all forced into extremely defensive positions by accusations that their creation had harmed their trading partners. He contended that under such circumstances, it was hardly surprising that appeal was made to the unobjectionable phenomena of TC and increasing returns to scale rather than to the double-edged sword of t/t [terms of trade] manipulation. The second explanation depended on the probability that the main participants were not fully aware of the ultimate consequences of their policies, i.e. they were ignorant of the conclusions of CU theory as then developed.”

As a consequence, Petith concluded that “the gains from changes in the t/t, apart from being the best economic effect, were also one of the main objectives of Western European regional integration in trade in manufacturing products” (1999, p. 352). Regardless of the consistency of this assertion and the rigour of the study that supports it, this claim recalls attention to two important features:

- The relationship between empirical analyses and the political foundations and objectives that underpin them.
- The implications of the deductive and selective nature of a type of analysis that is presented as universal.

The terms of trade were the main element with which the economy of dependence defended during the second half of the XX century how the centres of the capitalist system kept Southern countries in a peripheral and dependent position through the architecture of trade and the international division of labour. From a historical approach, these theories based on the structure of commodity to defend that the expropriation of resources and labour in the peripheries of capitalism were burdened with a racial and colonial component that had remained in force since the dawn of mercantilism and had not disappeared with

decolonisation (Prebisch, 1970; Amin, 2013,2014). Again, beyond the debate on the validity of such theses, the political impact of the variable of terms of trade remains quite evident. Indeed, it was also the main workhorse of the Southern countries in the negotiations of the frustrated NIEO (Amin, 1980). This notion, central to structuralist critiques of orthodox economy (and its development version) in the countries of the South, rejects the ahistorical and linear idea underlying the variables presented previously in this chapter (Wallerstein, 2004). Wallerstein (2004) argues that the objectives and variables considered “central” in the case of developing countries favour their insertion into a system in which the promise of catch-up appears to find little empirical and historical support.

Finally, the fact that developing countries appear as exceptions to mainstream theories and empirical assessments gives good account of the unbalanced agenda of integration. The marginal space they occupy among the major contributions of the discipline (El-Agraa, 1989,1999; Grossman and Rogoff, 1995; Jovanovic, 2006; Grimwalde et al, 2011) makes it difficult to bear in mind that they represent the vast majority of world population and territory. Despite the *international* appeal of economic integration, the theoretical and practical study of the phenomenon is concentrated -and set by- the North.

## **2.4 METHODOLOGICAL APPROACHES TO THE ASSESSMENT OF INTEGRATION**

Since integration is not the only factor behind changes in trade patterns, the main challenge of neoclassical analyses was, since the beginning, to isolate the changes that are only due to integration. The aim is to observe whether and to what extent integration improves welfare, since according to the second best theory, under certain circumstances regional agreements could be more harmful than their non-existence.

For El-Agraa (1999, p. 174), a core condition for a rigorous interpretation is the distinction between price effects and income effects. Although the initial elimination of tariffs, quotas and other traditional barriers mainly affect relative prices, “all sources of possible economic gain incorporate income as well as price effects”, leading to “a complex set of interrelated income and substitution effects to be explained”.

According to his view, the direct examination of changes in relative prices without taking into account such distinction (according to which it would be necessary to estimate the tariff effects on relative prices, and only then the incidence of the latter on trade patterns) turns “almost impossible to obtain generally satisfactory results” (1999, p. 174) in the estimates of the effects of integration:

“To measure the effects of integration one must decide what would have happened if integration had not occurred. Thus, if in the present instance any observed change in relative prices were assumed to be the result of the adjustment to tariff changes, all other sources of variation in prices would be ignored, which is clearly an exaggeration and could be subject to important biases if other factors were affecting trade at the same time.”

Indeed, the empirical study of orthodox integration lies mainly in the construction of the so-called anti-worlds. That is, the establishment of counterfactuals to estimate what should have happened if a certain integration agreement had not been signed. In other words, what changes in the structure of trade are specifically due to a certain specific agreement (El-Agraa, 1989,1999; Baldwin and Venables, 1995; Jovanovic, 2006, Grimwalde et al., 2011). According to El-Agraa (1999, p. 173), “any sensible approach to the analysis of changes in trade shares following regional integration should have the following characteristics:

- i. it should be capable of being carried out at the appropriate level of disaggregation;
- ii. it should be able to distinguish between trade creation, trade diversion and external trade creation/destruction;
- iii. it should be capable of discerning the effects of economic growth on trade that would have taken place in the absence of regional integration;
- iv. it should be ‘analytic’, i.e. it should be capable of providing an economic explanation of the actual post-integration situation; and

- v. it should be a general equilibrium approach capable of allowing for the effects of regional integration on an interdependent world.”

In seeking such an approach, many of the studies that have been conducted since the 1960s, tried to approach an ideal method of assessment in which all the effects of integration and their interaction with key components of economics could be discerned. Baldwin and Venables (1995, p. 1625) explained the problem at hand:

“François and Shiells (1994) classify these approaches by comparing them to an ideal evaluation, where one would specify a complete world model based on microeconomic theory, estimate all of the parameters simultaneously on internationally comparable data, and then use the estimated model to evaluate the RIA. In practise, computational and data limitations rule out such an ideal approach, thereby forcing a trade-off between theory and econometrics. The two major types of evaluations -involving econometric techniques and computable equilibrium (CE) methods- come down on opposite sides of this trade-off.”

In this vein, methodological choices will depend heavily on the goals of the analysis, available data and the variables to be interpreted. El Agra (1999) distinguishes between dynamic and static analyses and, within the latter, between residual and analytical models. In this respect, while the residual models would be strongly dependent “on their ability to quantify the situation in the absence of regional integration” (1999, p. 249), the analytical ones would focus on “provid[ing] economic rationale for the actual situation after integration has taken place”.

Another central categorisation differentiates between *ex-ante* and *ex-post* models. Jovanovic (2006, p. 772) defines the former as a “simple extrapolation of present or past trade trends” based on the assumption that future foreign trade flows are a function of income, output, relative prices, changes in trade barriers, as well as substitutability of imports and domestic production. *Ex-post* models, on the contrary, would attempt to measure a “hypothetical situation (the counterfactual world or anti-

monde) which may represent what could have happened with trade in a situation without integration” (2006, p. 272). From the difference between the hypothetical scenario and the observed situation, the effects of a given agreement on trade would be derived. For El-Agraa (1999), *ex-ante* estimates are based on *a priori* knowledge of the pre-integration period (and are therefore structural models); whereas *ex-post* estimates would be based on assumptions based on the factual experience of economic integration (therefore residual-imputation models).

In short, in addition to the choice between statistical analysis of extremely simplified econometric models, or the complex modelling of counterfactual models constructed on the basis of the subjectivity of the researcher and the theoretical axioms, a further choice has to be done between *ex-ante* or *ex-post* modelling, whose advantages and limits are often opposed.

Figure 2.2 Methodological approaches to economic integration

SHORT-TERM EFFECTS		MEDIUM-TERM EFFECTS
ANALYTICAL MODELS	RESIDUAL MODELS	INPUT-OUTPUT TABLES
<p>Extrapolation of present or past features</p> <ul style="list-style-type: none"> <li>• They require <i>a priori</i> knowledge of the economic structure</li> <li>• Used especially to predict changes in bilateral flows</li> </ul> <p><b>Strength:</b> including variables like relative prices or real exchange rates</p> <p><b>Weakness:</b> assuming that effects occur through changes in prices derived from changes in tariffs</p>	<p>Quantification a counterfactual situation with absence of integration</p> <ul style="list-style-type: none"> <li>• "What would have happened without integration?"</li> <li>• The residual between the anti-world and reality is the effect of integration</li> </ul>	<p>Medium-long-term mesoeconomic perspective on the structure of production and sectoral changes</p> <ul style="list-style-type: none"> <li>• Overview of the economy at a specific moment in time</li> <li>• Tables serve as a database for the construction of models to evaluate the impact of exogenous changes in final demand</li> <li>• They can be disaggregated</li> <li>• They also allow for the analysis of environmental issues, productivity, distributive aspects of income, etc.</li> </ul>
<p><b>CGE MODELS</b> "Theory with numbers" Simulations that combine Walrasian general equilibrium with real economic data</p> <p><b>Strength:</b> inferring interactions between endogenous variables based on theory</p> <p><b>Weakness:</b> subjectivity of the "calibration technique" and complexity: "black boxes"</p>	<p><b>IMPORTS AND TRADE SHARES</b> Examine changes in trade after integration</p> <ul style="list-style-type: none"> <li>• First attempts to analyse the effects of European integration</li> <li>• Some included third countries as 'normalisers'</li> </ul> <p><b>Strength:</b> simplicity</p> <p><b>Weakness:</b> neglect of other factors</p>	<p><b>GRAVITY MODELS</b> Consider 'physical determinants' of trade</p> <ul style="list-style-type: none"> <li>• Inspired by gravitational laws</li> <li>• Assumes the existence of certain forces of attraction and resistance affecting trade</li> </ul> <p><b>Strength:</b> capture spatial relations of trade</p> <p><b>Weakness:</b> theoretical robustness</p>
EX - ANTE	EX - POST	

Source: own elaboration from various sources.

### 2.4.1 Residual models

Residual models flourished with the first attempts to assess the effects of European integration in the early decades of the post-WWII period. Their essential characteristic lies in the construction of an anti-

world for the post-integration period with the aim to compare the trends that actually took place with those predicted by the counterfactual scenario (El-Agraa, 1999; Grimwalde et al., 2011). Many of them focused on the static variables presented in the previous sections and gradually increased in complexity as new results revealed unforeseen deficiencies.

#### 2.4.1.1 Imports and trade shares

As advanced also by theory, the earliest models focused on the analysis of variables of the importing country. In the 1960s, several papers examined fluctuations in the demand for imports on the basis of the assumption that imports would have followed the patterns of the past in the absence of the agreement at issue. However, this perspective neglected other factors such as the cyclical nature of international trade, of changes in relative prices, or the impact of structural changes in the domestic economy that are likely to have consequences on the demand for imports.

Some of these deficiencies were mitigated by the inclusion of exports, first (through the assessment of trade shares); and apparent consumption, later. Another attempt to further elaborate on the effects of integration on the domestic economy was made by Balassa (1974) with the introduction of income elasticity on demand for imports, which attempted to examine the propensity to changes in consumption as an effect of trade integration. An increase in this ratio of intra-regional import demand was interpreted as an upward trend in gross trade creation. This could result in the substitution of domestic production by imports from regional partners (which would indicate actual trade creation) or the diversion of trade from other sources. Finally, an increase in this ratio for extra-regional imports would indicate external trade creation (Grimwalde et al., 2011, p. 267).

Some studies also included third countries in the construction of the anti-world as 'control' group or 'normaliser' (El. Agraa, 1999, p. 256; Grimwalde et al., 2011, p. 268) to strengthen the standardisation of the applied parameters and their underlying assumptions. For example, Kreinin (1972) employed the US as a normalising country in its study of European integration. However, the results of this work show the sensitivity of the exercise to the country chosen as the standardiser.

According to El-Agraa (1999, p. 256), “it is an illusion to believe that a control group can be found, particularly for such schemes of integration as the European Community and EFTA, since the control variables themselves are affected by the very experiment one is seeking to isolate”.

#### 2.4.1.2 The ‘physical’ determinants

Other models incorporated parameters that sought to represent supply-side conditions, as trade would ultimately depend on them. The simplest were based on the principle that, “under normal circumstances, trade between any two countries would be purely a function of the total trade of each of the two countries” (El-Agraa, 1999, p. 132). Thus, bilateral trade would vary proportionally with total exports of the exporting country and total imports of the importing country (El-Agraa, 1999, p. 253). However, such model did not allow trade creation to be estimated. Exceeding that ‘natural’ level and its eventual progression would indicate the entry into play of other factors such as adherence to a regional scheme (Grimwalde et al., 2011, p. 268).

An advanced version of this model was the gravity model implemented by Tinbergen (1962) and developed by Pullianen (1963), Poyhonen (1963) and Linneman (1966) (cit. p. El-Agraa, 1999). Inspired by gravitational laws, the model assumes the existence of certain physical conditions that act as forces of attraction and resistance with consequences on international trade. The forces of attraction would be constituted by the GNP (or GDP) and population of the countries of concern, while distance would act as a force of resistance by negatively influencing trade flows. The estimation of the model was made using panel data. The economic impact of integration was inferred from the “unexplained residual” in regression, or from the inclusion of dummy variables that distinguished between participation or not in an integration agreement (Aitken, 1973; Aitken and Lowry, 1973). In order to better capture the specific consequences of integration, other dummies were progressively introduced which took into account the incidence of other potential pull factors such as language sharing, intercountry adjacency or cultural affinity. In some models, dummy variables captured the insularity or continentality of one country, or whether one of them had been a colony of the other.



However, these analyses were criticised for their scarce theoretical robustness and, in particular, for their high sensitivity to changes in parameters due to economic cycles or factors linked to trade liberalisation, which were not adequately captured due to the omission of relative prices (Mayes, 1978). Verdoorn and Schwartz (1972) tried to solve such deficiency by combining the advantages of the gravitational method with the effects of prices on import demand and substitution between imports from different origins (El-Agraa, 1999, p. 254). In any case, the discrediting of these models for their theoretical weaknesses was mitigated by the popularisation of the Dixit-Stiglitz model of monopolistic competition and by the rise of economic geography, which sustained and nurtured their arguments on the spatial relations of trade (Combes et al., 2008).

#### **2.4.2 Analytical Models**

By constructing anti-worlds, residual models provide estimates on the effects of integration that can only be judged in terms of “plausibility” (Mayers, 1978, p. 15), but do not provide explanations of trade flows themselves or their changes. Against them, El-Agraa (1999, p. 257) refers to analytical methods as those that provide an economic reasoning of the post-integration factual situation. These models, used especially in the *ex-ante* prediction of expected changes in bilateral flows as a result of this process, include variables whose absence is criticised in the residual models, such as relative prices or real exchange rates. However, the complexity of the prediction leads these methods to a high level of simplification that is usually concentrated in the economic behaviour of the importing country (El-Agraa, 1999).

Thus, these models are built on the assumption that total annual imports depend mainly on the level of economic activity and on the relative prices of domestic products in comparison to imports. The relationship between production, relative prices and imports is given by the elasticity of income and relative prices regarding demand for products in international trade. Regarding the latter, it will be necessary to distinguish between total, intra-area and extra-area imports. The differences between the two will depend on the elasticity of import substitution depending on changes in relative prices between member and non-member countries of the agreement.

The main weakness attributed to this method is the assumption that the effects of integration occur through changes in relative prices, which would be a direct consequence of changes in tariffs. However, several studies have shown that only a fraction of these are passed on at relative prices. In addition, the import prices of many products appear to be mainly dependent on the prices of concurrent domestic products. Changes in imports may also be related to the anticipation of tariff changes by importers (El-Agraa, 1999, p. 257) or to the potential “promotional effects” induced by increased information flows, by the direct investment of firms in sales and distribution outlets and by the relative reduction of risk and uncertainty (Balassa, 1974).

To solve that shortcoming, some models included separate variables for tariff changes (Grimwalde et al., 2011, p. 273). Once the model has been developed, the coefficients in the equation are estimated for a given period of time in order to determine what would have happened if the agreement had not taken place. Thus, ‘real’ trade flows would be compared with those predicted by the model. Generally, it is considered that the residual would be the effect of integration. In this case, the counterfactual scenario would be based on *de facto* estimates of the impact of income and relative prices on trade flows over the period under study (Grimwalde et al., 2011). Grimwalde et al. (2011) and El-Agraa (1999) point out that studies of this kind on the impact of European integration on manufacturing trade provide more modest results than other analyses on the same field, “with trade diversion actually exceeding trade creation” (2011, p. 274). In any case, El-Agraa endorses Mayes' (1978, p. 18) impressions of the results of these methods. According to this, there is “much more to be explained which is not covered by the analytic models and cannot be covered by the residual ones”.

### **2.4.3 Computable General Equilibrium Models: CGE**

The most sophisticated attempt to adapt the analytical principles described above to the complexity of the interaction between domestic economies and integration processes was the Computable General Equilibrium (CGE) model. Since the early 1980s, the use of these models for the assessment of macroeconomic policies and the observation of transformations in the productive structure has gained increasing popularity in many areas of economics. CGE models are simulations that

combine the Walrasian general equilibrium structure formalized by Arrow and Debreu with real economic data to provide quantitative support to the theory in terms of supply, demand and equilibrium price levels in a specific market or markets (Sue Wing, 2004). Several authors (Baldwin and Venables, 1995; Combes et al., 2008) refer to it as “theory with numbers”.

According to Baldwin and Venables (1995, p. 1635), CGE modeling works with models that represent neoclassical theory with relative accuracy and allow to infer interactions among endogenous variables based on theory. Nevertheless, he warns, they force the researcher to choose parameters using *ad hoc* methods. The most common method is the “calibration technique”, in which the researcher's criterion plays a key role in choosing certain parameters that have already been estimated, deciding the values of others for which there are no estimates available, and making the model match the data available for a given year.

With regard to the economies under study, Computable General Equilibrium Models (CGEMs) may be multiregional (GTAP, MEGABARE, WorldScan) or concentrated in individual countries (PRCGEM, ORANI, etc.). In this regard, its greatest appeal lies in its explanatory character, both for understanding the theoretical interactions between certain variables and for policy analysis exercises (Baldwin and Venables, 1995; Grimwalde et al., 2011). Indeed, the proponents of this model highlight its usefulness in inferring the indirect or induced effects of certain policies. These include the economy as a whole or the sectoral structure of output, trade, demand, employment or prices. Devarajan and Robinson (2002) thus explain their role as a bridge between academia and politics:

“The CGE models used in policy work vary widely in size, complexity, and domain of applicability—but all are designed to analyse the links between policy choices and economic outcomes. The questions driving the policy debate also must drive the models. What an academic researcher considers to be the “relevant” questions may differ greatly from the questions considered important in the political arena. Furthermore, academics and policy analysts may have different time horizons, with the latter having to deliver advice that is timely. Finally, the

policy maker is more concerned about getting consensus results from different analytical tools than with polishing and sharpening any one particular tool. Given the overriding need for relevance and timeliness in policy debates, it is hardly surprising that much of the work developing and using CGE models for policy analysis takes place in government agencies or research institutes.”

Baldwin and Venables (1995) distinguish three generations of CGEMs that coincide with their classification of trade effects on welfare described earlier. The first models analysed static variables and assumed perfect competence, constant returns to scale, fixed endowment of factors and homogeneous goods. The difficulties of these in explaining intra-industrial trade led to the *ad hoc* introduction of assumptions about preferences that presumed perfect substitutability between the goods of each sector produced in the same economy, and imperfect substitutability if they were produced in different economies. The second generation allowed for the consideration of increasing returns to scale and models of imperfect competition in some industrial sectors, introducing product differentiation and monopolistic competition schemes. In doing so, they could produce estimates on output, scale or variety effects. However, its results were highly sensitive to the form of competition that was assumed and the price dynamics that such a choice implied. More recently, this kind of models also incorporated the assessment of some accumulation effects that allow to estimate endogenous and dynamic medium-term variables (investment creation or deviation, among others).

For the same authors, the fundamental problem of these methods is that "there is no satisfactory way to subjecting the model to tests that could determine its validity" (1995, p. 163-34). The sensitivity of the results to the choice of parameters and the microeconomic foundations of the models, in addition to their high complexity, often pushes researchers and institutions to present only the results and key equations of the model, fuelling criticism about their appearance of “black boxes” (Baldwin and Venables, 1995; Devarajan and Robinson, 2002; Jovanovic, 2006). Regarding the divergent results on the effects of European integration, Jovanovic (2006, p. 784) argues: “this puzzle reveals that there does not yet exist a full understanding of the

determinants of trade and production patterns in the EU and that the analyses of integration will remain speculative”.

#### **2.4.4 Interregional Input-Output analysis**

Compared to macroeconomic and short-term assessments of trade volume fluctuations, Input-output (I-O) analyses offer a medium-long-term mesoeconomic perspective focusing on the structure of production and sectoral changes. Conceived by Leontief in the 1930s to study the interdependence between the sectors of an economy (Miller, Blair, 2009), the I-O tables are based on the theoretical postulates of Walras' static general equilibrium. They build on the premise that the output of a given sector comes as a result from the consumption of inputs, which in turn are outputs of other industries. Ten Raa and Mohnen (1994, p. 135) explain as follows the main divergences between this kind of approach and neoclassical analyses:

“The two schools differ in terms of subject as well as method. Neoclassical economists address the question of value (including allocation) and relate it to the endowments and technology of an economy by the concept of marginal productivity. I-O economists address the question of transmission of effects (due to shocks, for example) and relate it to the structure of an economy by the concept of technical coefficient. Marginal analysis of value seems particularly relevant in the short to medium run, while structural analysis of transmissions seems relevant in the medium to long run.”

In their examination of the interconnections between productive sectors in a territory (local, regional, national or in a block of countries), I-O tables provide an overview of the economy as a whole at a specific moment in time. They offer estimates for a good number of economic aggregates (production, demand components, added value and trade flows) and give an idea of the interdependence between these sectors, and between them and the rest of the world (Sergeant, 2009). In addition, the tables serve as a database for the construction of models to evaluate the incidence of exogenous changes in final demand (Miller, 1998).

According to I-O scholars, the so-called ‘black box’ of trade flows is not sufficient to discern the changes and continuities in output production and distribution among the factors involved (Leontief, 1953). However, the consolidation of their use in national accounting and the connotations of its regular utilisation in economic planning caused the method to lose visibility in favour of the above-mentioned contributions. Notwithstanding, the profound economic transformations from the 1980s onwards revived interest in this type of analysis. According to Wixted et al. (2006, p. 34):

“We know from previous input-output analyses that input structures remain relatively stable for some time so that with periodic updates to international input-output datasets it is possible to monitor the structural pattern of change in consumption, trade and production. Specifically, for example, although there is much discussion of ‘globalisation’, without I-O researchers would use trade volume information. However, that tells us surprisingly little about the structure of interdependencies between countries”.

The growing weight of clusters, outsourcing, offshoring, so-called Value Chains or the complete delocalisation of certain labour-intensive and low value-added sectors, stimulated interest in the analysis of changes in trade patterns, technology flows and the environmental impact of economic activity that overcome foreign trade aggregates (Wixted et al., 2006). Also, the extensions of the model in line with the endogenisation of components of final demand, the generalization of production functions and the dynamic aspects of the model, encouraged a rapprochement between the proposals of Tinbergen and Leontief, consolidating microeconomics as the theoretical foundation of both (Fontela and Pulido, 2006). In addition, the growing presence of linear programming, econometrics and CGEs created a new link between the two strands.

Between the 1970s and 1990s, Leontief worked on the implementation of the ‘UN World Economic Model’ with I-O tables for fifteen regions. Since then, other authors (Wixted, 2005; Duchin and

Steenge, 2007) and institutions like the OECD have continued to work on model disaggregation techniques, database improvement, etc. (Wixted et al., 2006). This type of assessment starts from the conception of models with different countries in which national and import accounting tables are collected and made compatible. Subsequently, a database is built with the trade flows, which will be transformed into ratios, and those ratios are applied to the import data collected in the model. Finally, data on the domestic economy and trade will be included in the same transaction matrix. The basic structure of an I-O table would be divided into five sections, where rows would correspond to suppliers and columns to users:

- a. The first section would correspond to transactions of intermediate goods at basic or purchase prices between domestic producers of a good, or domestic industries consuming goods produced outside the country or region under study.
- b. The second section would show the adjustments needed to derive the total intermediate inputs used in production at purchase price. These would include imports of intermediate goods and services, net taxes on intermediate products (net of subsidies), VAT or duties paid on intermediate products.
- c. The third section comprises the rows that make up value added (at basic prices), such as wages and salaries and gross operating surplus.
- d. The fourth includes the provision of goods that are not consumed by domestic industry, like final consumption (by households and the government), gross capital formation (investment), and exports.
- e. Finally, it includes imported goods for final use and the associated taxes and subsidies.

Therefore, the main appeal of this method lies in its potential to construct and analyse systems of dependencies and interdependencies between sectors and territories. It also stands out for its relative capacity of disaggregation, its ability to discern changes in the composition of trade and production over the long term and, in short, for its overall view of the economic structure. Furthermore, I-O models allow for the analysis of certain economic and non-economic variables of increasing importance in discussions about globalisation: environmental issues,

productivity, added value, distributive aspects of income, etc. According to Ana Lucia Sargento (2009, p. 7), the different regional I-O models proposed since the 1950s can be distinguished according to the following criteria:

- The number of regions taken into account
- The recognition or not of interregional linkages
- The degree of detail implicit in inter-regional trade flows (which has to do with the specificity of the I-O data)
- The type of hypothesis assumed to estimate trade ratios

Indeed, most of the criticisms of the I-O perspective relate to the complexity and quantity of the data needed for a consistent analysis. Few national statistical agencies collect import data in terms of user-producer system (Wixted et al., 2006). The first logical implication is the obligation to choose between adapting the model to existing data, or estimating (or collecting) non-existent data (Sergeant, 2009), which raises the same reservations as previous contributions. The second is the widespread perception of the time lag in data. In general, the most current data available date back five years before the design of the model. Nevertheless, face to this criticism, it is argued that the essential value of this contribution lies in long-term interpretations and that the sectorial structure of the economy is relatively stable (Wixted et al., 2006).

On the other hand, there are inherent deficiencies to the modelling assumptions. Among them, given that the data used in this analysis focus on the use of inputs in the creation of added value, this type of approach will interpret cases where the entire production process is relocated as a drop (or a minor rise) in cross-border integration. This would leave out certain key phenomena of globalisation, among which the delocalisation of labour-intensive sectors such as textiles, footwear, etc. (Wixted et al., 2006).

## **2.5 THE ROLE OF TRADE**

Although research on integration shows that commerce is only a part of it, trade flows are a crucial aspect of all the perspectives mentioned in these two chapters. Indeed, neoclassical contributions to integration are based on the conventional theory of international trade. The study of its



impact is hence based on the idea of comparative advantage and on the conception trade as a substitute for factor mobility.

According to its postulates, international trade would favour the specialization of each territory in goods in which it is more competitive thanks to higher relative labour productivity (Krugman et al., 2012). Further developments in the classical theory -which only considered land and labour factors- would result in the Heckscher-Ohlin-Samuelson theorem (Krugman et al., 2012, p. 91). According to the latter, specialisation will depend on the relative endowment of factors. However, the explanatory capacity of this theorem was questioned by empirical assessments that underscored the importance of intra-industrial trade among Northern countries (Duchin, 2004). Since the 1980s, the NTT, together with new approaches on growth and economic cycles, broke with certain fundamental axioms of Ricardian theories through perspectives that relativise some of the previous postulates on trade gains, on the consequences of state intervention, as well as on trade policies (Krugman, 1979; Lancaster, 1980; Helpman, 1981; Helpman, Krugman, 1985). In any case, the growing importance of dynamic effects made the analysis more complex, but trade did not lose its relevance.

Similarly, critical responses to this framework were also formulated through trade-related effects. Some of the most influential until the 1980s were ECLAC's theories of development, theories of dependency and third-worldist claims about the relations of domination underlying the international division of labour. They all shared among their central concerns the historical dynamics of unequal exchange between countries of the North and the South, arguing that the secular domination of capitalist countries had placed the latter in a position of dependence. However, the reasoning deriving from such arguments varied significantly among schools. Economists like Prebisch (1951) inferred from those premises the need to create the conditions for seizing the path of development traced by Northern countries. Others like Cardoso and Faletto (1969) or Gunder Frank (1967) understood underdevelopment not as a surmountable stage, but as an inherent condition of the system and a fundamental component of a system that ensured the success and perpetuation of capitalism. In the same period, the liberation movements of Africa and Asia in the framework of the Cold War stimulated the rise of Neo-Marxist third-world contributions such as those of Samir Amin (2013). He proposed the organization of economic systems based on

criteria of value “with national base and popular content” (Amin, 2013, p. 118), as opposed to the structure of center and peripheries of the world capitalist system. Similar approaches to the global structure of the capitalist system that gained strength from the 1970s are today classified under the umbrella of so-called World System Theories (Wallerstein, 2004). In them, trade appears as the transmission belt of an international division of labour based on dynamics of racial division and colonial roots.

Thus, the understanding of the mechanisms through which the welfare effects of trade are to be assessed ought to be based on a proper interpretation of how they are articulated. To that end, the classification used in the discussion of the theory and practice of integration in the previous chapter will be recalled in this part.

### **2.5.1 Trade in static analyses**

The examination of the static effects of integration assesses changes in welfare resulting from the reduction or elimination of tariff barriers to trade. Hence, the influence of integration in this perspective is considered to be short-term. The reduction in export prices between two or more countries among which it is assumed that there is no factor mobility will have two types of consequences: on the one hand, a change in relative prices will take place; on the other hand, the reallocation of factors to sectors where they are relatively more productive will be stimulated (Baldwin and Venables, 1995; El-Agraa, 1999; Grimwalde et al., 2011). That is, not only will consumers have access to cheaper products, but the economy will specialise in goods where its exports are more competitive. However, once the economy absorbs the external shock of a trade agreement, hence placing prices at a new point in the indifference curve, the intensity of flows will stabilise.

In those analyses, the discriminatory nature that distinguishes regional integration from multilateral trade is key to elucidating the net welfare effects. As this is perceived as a second best situation, it is necessary to grasp whether the improvement of welfare among the integrated countries arises at the expense of the worsening situation of the countries remaining outside. In this regard, it is assumed that an integration agreement should not be implemented if there is no net trade creation. The theoretical argument supporting this statement is that,

although trade diversion may occur and, consequently, certain countries in the rest of the world may see their situation worsen compared to the period prior to integration, global welfare increases. In other words, the relative worsening of income, prices or terms of trade in one or more territories as a result of integration would be offset by increased trade volumes, lower prices for consumers and improved productive efficiency resulting from specialisation within the region.

At this point, it is worth recalling the already mentioned preference of neoclassical for the study of trade creation and diversion. The same cannot be affirmed about terms of trade (El-Agraa, 1999). In this regard, the evident fact is that improved terms of trade for a certain country or region, necessarily imply a worsening of those upon which they are improved. Consequently, what can theoretically be justified with symmetrical anonymous countries acting as rational and utilitarian individuals, is politically controversial when transposing it into reality. This is especially true for western northern countries with respect to their trading partners in the South. The welfare gap between the two was already a major issue when integration economics took shape, adapting to the characteristics and needs of the first. Accordingly, it does not look accidental that the terms of trade remain as one of the most frequently evoked variable in developmental and dependency theses (Singer, 1950; Prebisch, 1970; Cardoso, Faletto, 1969), and one of the main forgotten within Ricardian theories (El-Agraa, 1999).

### **2.5.2 Trade in Dynamic Analyses**

In dynamic analyses, integration is understood as a medium to long-term process whereby changes in trade and production are not only caused by the reduction in relative prices resulting from tariff reduction. The abandonment of equilibrium assumptions in exchange and production implies that, in the presence of market imperfections, the potential gains (and losses) of an integration process

- differ according to the starting situation,
- accumulate progressively over time and
- are transferred through spillovers to different relevant areas for endogenous growth such as information, technology or innovation (Jovanovic, 2006).

The study of dynamic effects is directly linked to new theories of trade and growth. As already mentioned, the NTTs were based on the observation of important intraindustrial trade flows between similar countries in terms of preferences, factor endowment and technology. Moreover, they paid special attention to trade in horizontally differentiated goods produced under monopolistic competition structures (Krugman, 1979; Lancaster, 1980; Helpman, 1981). According to these, the positive effects of integration in this scenario would be related to the possibility of benefiting from economies of scale without sacrificing the variety of consumer and intermediate goods, which would also allow for more specialised inputs (Riveiro, 2005, p. 4). Thus, whereas comparative advantage continued to appear key for interindustrial trade and contexts of perfect competition in which -vertical- differentiation is given by production costs, monopoly competition models with preference for variety (Dixit-Stiglitz, 1977) offered interpretations of intra-industrial trade that relativized traditional postulates of trade gains.

For its part, capital accumulation is treated in new theories of growth (Romer, 1986; Lucas 1988; Aghion and Howitt, 1992) as an endogenous variable in the growth process. Moreover, technological change is linked to the production of knowledge (Dang, Sui Peng, 2015). Assuming that technology transfer is neither exogenous nor egalitarian, these theories dismiss the idea of convergence through trade. In fact, they affirm that asymmetries between developed and developing countries tend to widen. They also believe that public policies aimed at improving, *inter alia*, education, investment in R+D or infrastructure can positively influence long-term growth. Renewed versions of other theories such as the 'coordination failure' (Hoff, 2001) also advocate state intervention to address coordination failures that the market is unable to resolve.

Therefore, as they became more sophisticated, dynamic analyses of integration gradually incorporated certain considerations of these theories with the intention of getting closer to reality. At present, it is the cumulative effects of integration that receive greater theoretical and practical attention, but also those that offer the least conclusive results (Grimwalde et al., 2011). The rise of economic geography also had a substantial impact on the study of the regional effects of trade and monetary integration (Krugman, 1991b), although its incidence is perhaps greater in the study of regional ensembles within states (Combes et al., 2008).

### **2.5.3 Trade in the North-South divide**

Despite having conflicting positions in many respects, both conventional neoclassical theory, development literature and neo-Marxist contributions to dependency share the view that trade plays a determining role in the productive structure of southern countries. However, beyond the considerations already advanced in the first paragraphs of this section, the examination of literature on international trade and regionalism for southern countries reveals two significant features. On the one hand, it is worth noting the confluence between different aspects of political economy and mainstream economic literature. On the other hand, there is a marked influence of international institutions like UNCTAD and the WB on the promotion and financing of the most influential literature in this field.

As already mentioned in this chapter, the literature of conventional economic integration since the 1950s has formulated proposals on trade gains for industrialised countries, with LCDs appearing as an exception (Mikesell, 1963; Balassa, 1965; Jaber, 1971; Balassa and Stoutjesdijk, 1975). The theories developed in northern countries in the aftermath of European integration suggested that regional goals and processes in the South should be aimed at expanding markets and exploiting economies of scale (Balassa and Stoutjesdijk, 1975; El-Agraa, 1999). The underlying idea was that integration could be an instrument for development or, in other words, a means for achieving the preconditions necessary for 'conventional integration' to confer the benefits of participation in international trade (Balassa, 1965; El-Agraa, 1999; Grimwalde et al., 2011).

Face to the rise of different approaches to development in the 1960s (Sayigh, 1991; Kings, 2009), the Vinerian tradition used arguments close to the perspectives of modernisation (Rostow, 1960) to oppose the ECLAC's postulates of dependence (Prebisch, 1970). The failure of the ISI models was interpreted by the most influential integration theorists as a test in favor of their proposals (Balassa, Stoutjesdijk, 1975). Since then, the approaches to South-South integration have mostly focused on the development and diversification of export industry as a means of insertion into international trade.

In another vein, the growing financialisation of the capitalist system since the 1970s (Van der Zwan, 2014) and the growing weight of TNCs

went hand in hand with the theoretical developments economic integration for southern countries. They increasingly focused on the importance of FDI, technology transfer and human capital for LDCs, which resulted in what Feenstra (1998) defined as “the integration of trade and disintegration of production”. Since the 1980s, the reforms implemented in many countries of the South under the advice of the IMF, the proliferation of preferential treaties against the paralysis of the GATT negotiation rounds, and the promotion of North-South agreements in WB development programs consolidated in the conventional economic literature the vision of regional integration as a means for insertion in the global economy.

However, in addition to the well-known exceptions to this framework implemented in Latin America (Andean Community, Mercosur, Alianza Bolivariana para los Pueblos de Nuestra América (ALBA-TCP), Asia (ASEAN) or Africa (SADC), it is important to highlight the confluence between different perspectives over time and their insertion in the current context of integration. As far as international trade patterns are concerned, a good example is the evolution of the definition and theoretical role of commodity chains (Hopkins, Wallerstein, 1977). In the 1980s, Hopkins and Wallerstein (1986,1994) used this term as part of their discussion of the World System in an attempt to critically examine the historical integration of developing countries into intermediate stages of the global labour and production chains of capitalism. According to Jennifer Bair (2009, p. 7), the term commodity chain was meant to show that the global character of capitalism was not a recent or progressive phenomenon, but an inherent feature of the system. Through a historical reconstruction of North-South relations of production, they asserted that the capitalist system had perpetuated since the 16th century a structure of centre and peripheries through the “distribution of the total product, not among factors of production, but among the various nodes of the commodity chain (‘economic activities’)” (Arrighi and Drangel, 1986, p. 16).

In the 1990s, the concept was reinvigorated by Gereffi and Korzeniewicz (1994) in a contribution that paid special attention to inter-firm networks linking southern exporting countries to the global market (Bair, 2005, p. 5). According to Bair (2005, p. 10), the new focus of the concept, which would soon become more inclusive through the concept of Global Value Chains (GVC), was redirected towards the different

regional strategies of industrialisation emerging with globalisation. At the same time, it progressively abandoned the historical and systemic character with which it had been conceived (2005, p. 10). In recent decades, the analysis of GVCs has been bolstered by economic sociology, by contributions to governance from the political sciences, and by international institutions as well (Bair, 2005).

Draper and Freytag (2014, p. 1) thus characterise the current controversies in this regard:

“In the context of the stalled Doha Round, many WTO Members are looking for new approaches to trade liberalisation and negotiations, and some have been exploring the GVC approach. In essence, this approach advocates the liberalisation of goods and services, trade and investment, to create host nation environments attractive to multinational corporations (MNCs) looking to optimise their global investment footprints (...). The GVC approach has given rise to suspicions in some developing countries and some parts of the broader trade policy community. The argument is that what some term the ‘GVC narrative’ is essentially a prescription for developing country liberalisation adding up to the widely criticised Washington Consensus package, and through that to securing the preferences of developed countries in the Doha Round and beyond”.

In short, it would be mistaken to assert that critical contributions to international trade with a focus on North-South relations were ignored or little relevant to the theoretical and empirical developments of integration analyses. The contributions of ECLAC or the approach of dependence from Latin America, Arab countries, and also from the Northern hemisphere itself, have significantly influenced the implementation of regional projects outside the conventional postulates. However, the study of integration literature and its implementation raises two relevant points:

- On the one hand, the predominance of neoclassical and Rostowian development prescriptions

- On the other hand, the capacity of conventional literature to insert critical contributions into the mould of orthodox schemes, often helped by their mainstream use by international institutions

Therefore, this brings us to an assertion already underscored in chapter one. As for integration as a whole, the different conceptions of what trade is or how it affects integration also depend on who analyses it and for what.

## 2.6 CONCLUSIONS

This chapter reviews the main empirical contributions to the evaluation of economic integration and their complex relationship with the theoretical approaches on which they have been built. The analysis of the main variables, methods and outcomes of such assessments is followed by a discussion about their ties with the cross-cutting divisions grasped in the previous chapter. Particular emphasis is put on the scant theoretical and empirical attention conceded to LCDs, which appear as an exception to standard processes regardless of the fact that they represent the vast majority of the world population and territory. From such considerations, a further reflection on the central role of trade throughout the different approaches to regionalism closes the chapter.

In the **first** and **second parts** of the chapter, the critical analysis of variables and methods of assessment of economic integration reveals the cleavage between theoretical assumptions and their empirical demonstration possibilities, as well as their moderated success in bridging the gap between theory and reality. However, these have not prevented the consolidation of this corpus as a standard tool and for evaluating the welfare effects of regional processes. Also, the prioritisation of certain variables at the expense of others that have been proved to be relevant suggests the scant neutrality of the choice. Particularly, the opposite relationship of Northern and Southern scholars with the issue of terms of trade reveals the geopolitical roots of this controversial disciplinary disagreement.

The **third section** places the development of those empirical tools within the framework of the static-dynamic and North-South discussions already examined in chapter 1. From this exercise, some considerations arise:



- On the one hand, empirical approaches reproduce, to a large extent, the theoretical contradictions between the importance of dynamic effects and the abundance of static ones.
- On the other hand, North-South divergences in the empirical assessment of integration do not lie in the methods employed or the variables under study, but in terms of their assumed goals. In this regard, when it comes to LDCs, the underlying assumption is that regionalism should serve to bring them to the preconditions that allowed for economic integration in the North, which might imply the neglect of the specific goals and features of the former.
- Moreover, the scant empirical evidence in orthodox approaches to economic integration for southern countries is often argued to respond to the lack of abundant data on the subject. However, the scarce developments on specific theoretical approaches and empirical proposals to face such a challenge suggest that the unbalanced agenda of integration between the two hemispheres might obey to a far more complex causality.

Finally, the **fourth section** recalls the main tenets of the whole set of theoretical and empirical approaches reviewed along the two chapters to reflect on the central role of trade in the study of integration. Although regionalism is often characterised as a complex process involving a number of transformations, exchanges remain the core measure of analysis for both orthodox and heterodox approaches. Beyond the evidence of the multiple interpretations to which commerce is subjected, a further issue derives: as trade is acknowledged to play quite a different role in LCDs and developed countries, the fact that the specific features of southern countries play a secondary role in both theoretical and empirical approaches might as well involve fundamental confusions on how welfare can be expected to react to changes in trade patterns.



## **3 THE MOROCCAN PATH OF ECONOMIC INTEGRATION AFTER INDEPENDENCE**

### **3.1 INTRODUCTION**

On the basis of the premises set out in the previous chapters, the following sections will analyse the path of integration undertaken by Morocco since its independence. In this regard, our study is guided by the consideration of international trade as a sector of foreign policy shaped by international agreements and socioeconomic circumstance. As a consequence, our consideration of integration as a political choice among various options within a framework regulated by major stakeholders of global economic relations brought us to focus on the role of two kinds of agents: those taking decisions on behalf of the economies they represent, and those evaluating them on behalf of internationally agreed standards. Accordingly, our analysis builds on the already examined interactions between theory, empirical assessment and reality in the realm of economic integration.

The first part of this chapter deals with the historical, socio-political and economic context in which Moroccan integration into its regional environment took place. Supported by historical research on archive documents, it describes particularly the transition from French-Spanish colonial rule to the current Euro-Mediterranean framework. Special attention will be paid to the prevalence of North-South integration over South-South schemes. To this extent, an actor-centred approach will

guide our explanation on the outcomes of the process and their relation with its former official goals.

The second part, instead, looks at the same process from the point of view of International Economic Organisations (IEOs). A careful assessment of their functions in terms of the theories explained previously in this work will lead us to complete a heterodox explanation on the role of agents in the theory and practice of integration. Rather than providing a unambiguous truth on the issues of our concern, this exercise aims at questioning the neutrality of agents and hence their absence from the discipline -and the agenda- of economic integration.

### **3.2 OVERVIEW OF THE MOROCCAN ECONOMY: BEYOND LOWER MIDDLE INCOME**

The conventional macro-economic indicators provide a standardised picture of countries (see **Annex 1**<sup>1</sup>) and a clear-sighted judgement of their behaviour (Desrosières, 1993, 2000; Hartwig, 2006; Broome and Seabrooke, 2012; Fioramonti, 2014; Hirschman and Berman, 2014). In this light, it is interesting to observe how many of the snapshots that characterise Morocco within the international economic arena place it in a paradoxical position. Certainly, Morocco is often described as a well-performing economy<sup>2</sup> in comparison with its Arab and African neighbours. However, its allegedly privileged geographical location (Leymarie and Tripier, 1993) and progressive modernisation (Escribano and Lorca, 2003) does not seem sufficient to rescue it from the group of

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<sup>1</sup> Country Profiles elaborated by the European Institute for the Mediterranean and released every year in the *Mediterranean Yearbook*. Available here: <http://www.iemed.org/publicacions-en/historic-de-publicacions/anuari-de-la-mediterrania> (As Mauritania is not considered a Mediterranean country in terms of European policy, it is the only Maghreb country for which these data are not provided every year).

<sup>2</sup> In 2016, a World Economic Forum report stated: “About one-fifth of Africa’s GDP comes from a set of countries we call growth stars, with high rates of growth and a high score on stability. These countries, among them Côte d’Ivoire, Ethiopia, Kenya, Morocco and Rwanda, are not dependent on resources for growth, are actively reforming their economies, and are increasing competitiveness.” (Barton and Leke, 2016). In addition, the Global Competitiveness Index (2016-17), elaborated by the same institution, placed Morocco in position 70 out of 138, more than half of the non-European countries in the region.

“lower-middle income countries”<sup>3</sup>, as we will further develop in the first part of chapter four. In this regard, Morocco remains at the same among the most open economies in the area (Haddad, 1993; Escribano and Lorca, 2003; Bouoiyour, 2008; Escribano, 2012), but one of the less regionally integrated countries (Escribano and Jordán, 1999; Escribano, 2000; Achy, 2007; Martínez et al., 2008; Ghelam and Silem, 2009).

Morocco’s high level of trade liberalisation, together with the scant self-sufficiency of its domestic economy (Escribano and Lorca, 2004; Cepillo, 2007; Iglesias, 2010), reveals its high dependence on international economic relations. In this respect, economists and institutions often address two major underlying determinants when describing the Moroccan economic structure and its particular insertion in the international economy:

- European colonialism -along with the characteristics of the decolonisation process (Belal, 1968; Belal and Agourram, 1969; Berrada, 1988; Berrada and Saadi, 1992; Akesbi et al., 2008; Berrada, 2016).
- The SAP agreed with the IMF in the 1980s (Akesbi, 1985,1986; El Malki and Doumou, 1992; Clement, 1995; Hibou, 1996; El Aoufi et al., 2005; Catusse, 2010; Zemni and Bogaert, 2011).

Most of these authors underline the continuity that characterised the post-colonial economic structure. The maintenance of colonial trade patterns was only disturbed by a massive capital flight that was compensated by a model of economic planning, policies of large infrastructures and public works (Benhadi, 1975; Berrada and Saadi, 1992). Since the 1980s, the bid for export development models and the financialisation of the economy would contribute to digging into asymmetric North-South relations (El Malki, Doumou, 1992). A harsh debt crisis stimulated the privatisation of sectors participated by the State with the aim to lighten the burden of public finances. Together with policies of low wages (Berrada, 1986), price deflation and liberalisation

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<sup>3</sup> According to the World Bank's classification, which analyses each year the GNI of countries according to their income using the Atlas method, lower middle income countries like Morocco would be those with a GNI per capita of between USD 1026 and USD 4035. For more information check <https://blogs.worldbank.org/opendata/new-country-classifications-2016> (last access 15/05/2018).

of agricultural prices (Akesbi, 1985, 1986), such recipe was supposed to lay the foundations for the Moroccan take-off (El Malki, Doumou, 1992). However, the 1990s would show, in Morocco as in other southern countries, the limits of development models based on the exploitation of comparative advantage. The policies of liberalisation-modernisation that had led experts and journalists to foresee the awakening of the 'Moroccan dragon' (Leymarie and Tripier, 1992) would end up languishing in a soft landing accompanied by a drop of exports (Escribano and Lorca, 2003).

From this confluence between continuity and modernity derives a dual agricultural sector that combines export and subsistence (Akesbi, 2009, 2015; Akesbi et al., 2008, 2010). The influence of the primary sector over the rest of the economy is related to the number of active population employed (around 40%) rather than to its actual contribution to national product or public finances (Berrada and Saadi, 1992; Berrada, 2016). Such dual structure explains as well the anchorage of Moroccan manufactures to the Northern shore of the Mediterranean, the growing ties between the financial sector and non-productive activities, and a process of privatisation whose means and outcomes have been widely questioned (El Malki and Doumou, 1992; Saadi, 2004; Catusse, 2010). These dualities together reinforce and are reinforced by other socioeconomic features:

- the Moroccan system of formal and informal labour markets (Berrada, 1986; El Malki and Doumou, 1992),
- its model of social welfare (Catusse, 2005),
- its public and private finances (Berrada, 2010, 2016),
- its migration flows (Faini and De Melo, 1995; Cogneau and Tapinos, 2000)
- the imbalances between rural and urban areas (Escallier, 1990),
- the concentration of activity in coastal poles (Escallier, 1972; Gauché, 2010; Zemni and Bogaert, 2011) and
- the contribution of the education sector to economic development (El Aoufi, 2012; Berrada, 2016)

### 3.3 DID MOROCCAN INTERNATIONAL INTEGRATION START WITH MOROCCAN INDEPENDENCE?

When the Protectorate officially began after the Treaty of Fez<sup>4</sup> (1912), integration (economically and financially) had already been underway for several decades (Rivet, 2012). However, with regard to the conventional tenets of economic integration, several fundamental objections oppose this process to orthodox definitions of such processes. As shown in previous chapters, a certain consensus exists in the field of integration regarding the basic premises and objectives for integration to take place (Meade, 1955; Lipsey, 1960,1970; Balassa, 1961; Hansen, 1969; Bhagwati, 1971; El-Agraa, 1988; Baldwin and Venables, 1995; Jovanovic, 2006; Hosny, 2013):

- i. two or more countries
- ii. that voluntarily decide to reduce economic barriers to trade and,
- iii. if so, to establish economic cooperation links with the aim of achieving a net improvement in their welfare.

The prerequisites for the success of these processes often include:

- a. complementarity (Meyer, 1956) or competitiveness (Meade, 1955; Jovanovic, 2006) between the integrated economies and
- b. the favourable effects of the associated division of labour (Holzman, 1976; Krugman, 1991; Jovanovic, 2006),
- c. freedom of movement of goods, services and -as the case may be- people in the integrated area (El Agraa, 1985)

In this respect, a number of these authors coincide in distinguishing these processes for their discriminatory behaviour (Baldwin and Wyplosz, 2012) against economic relations with the rest of the world and their inward-looking perspective (Jovanovic, 2006). Accordingly, the net improvement in the relative utility of regional consumers and producers is regarded as second best (Lipsey and Lancaster, 1956) compared to

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<sup>4</sup> On 30 March 1912, this agreement between France and the Sharifian empire established a Protectorate regime in most of its territory. On 27 November of the same year, an agreement was signed between the Spanish Minister of State, García Prieto, and the French Ambassador, León Geoffroy, to "specify the respective situation of France and Spain in the context of the Sharifian Empire" and to "bring their interests into harmony with those of Morocco" (Marchat, 1971, p. 81).

international free trade, which would represent the first best. Given the particular patterns of economic relations with European countries under the colonial rule and the continuity that followed, the question arises whether these notions explain accurately the process of Moroccan integration into a regionally integrated Europe.

### **3.3.1 The French-Spanish Protectorate (1912-1956) as a process of economic integration**

Certainly, between 1912 and 1956 Morocco participated in a process of trade expansion, productive specialisation and international division of labour that, in the long term, led to a net increase in output (Bunle, 1931; Garnier, 1939; Joly, 1948). It is also true that trade barriers were progressively reduced. Moreover, the establishment of formal cross-border links with European partners could be considered as part of what Tinbergen (1954) would call “positive integration”.

Be as it may, it is not commonplace in the discipline of economic integration to consider colonialism as a case of study. Indeed, scholars and institutions tend to describe Euro-Moroccan economic relations as having started in the Seventies. The webpage of the European Union External Action Service (EEAS) characterises the process as follows<sup>5</sup>:

“Economic relations between Morocco and the EU are of long standing. One of the main commercial agreements, made in 1976 and brought in force in 1978, includes economic and financial aid in addition to commerce. It is under this agreement that industrial products from Morocco enter the EU at zero duty.”

When inquiring on that period, it is difficult to get access to the above-mentioned or to previous agreements through the official information provided by the EU. The same can be said for trade figures and other legal arrangements having guided Euro-Moroccan relations until the Nineties. Nevertheless, historical research and current trends

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<sup>5</sup> [https://eeas.europa.eu/delegations/morocco/4347/morocco-and-the-eu\\_en](https://eeas.europa.eu/delegations/morocco/4347/morocco-and-the-eu_en) (last access 15/05/2018)



support the hypothesis that Euro-Moroccan integration might be rooted in previous colonial relations rather than on the factors highlighted by neoclassical economic theories. Some evidence in that regard would arise from the following features:

- Morocco's main current European partners are its former metropolises, France and Spain
- The Moroccan agricultural exporting sector is largely related to the French presence during the Protectorate
- Euro-Moroccan relations were bound by a preferential colonial treaty (Treaty of Algeciras) since 1906 (Rivet, 2012)
- The Treaty of Rome (1957) establishing the EEC foresaw the maintenance of privileged relations with former colonies on behalf of historical arguments

In this vein, our second hypothesis was that subsequent AAs aimed at safeguarding such exchanges within the new legal framework of the European Common Market. Also, following such hypothesis, further questions arose on the interaction between North-South and South-South schemes of integration. In this case, the research handled in this work about the processes of South-South integration undertaken by Morocco since its independence suggested that the choice to maintain and deepen former relations with European partners might have been done at the expense of integration with its Southern neighbours, namely Maghreb countries. Supporting this hypothesis:

- Claims for a united Maghreb were at the basis of the anticolonial movements in the area until independence
- Such claims faded away contemporarily to the Moroccan and Tunisian bid for strengthening economic ties with the European Community
- The revival of the Maghreb project arrived at the end of the Eighties, when the model of open regionalism arose on the wavelength of Neoliberalism
- No significant advance occurred in terms of trade integration among Maghreb countries after the creation of the Arab Maghreb Union (AMU), while the EU maintained a growing weight both on economic and political terms

- The AMU does not act as a regional interlocutor with EU countries, except from the informal 5+5 Dialogue among Western Mediterranean countries<sup>6</sup>

Therefore, in view of the mentioned questions and hypotheses, we focused on the impact of colonial relations on the current situation of Euro-Maghreb relations. Historical research on the French National Archives<sup>7</sup>, together with socioeconomic, political and historical literature on the period under review, show that Maghreb integration in European markets started with colonialism and continued after decolonisation through renewed agreements in accordance with the rules of the European Market and the GATT. In particular, regarding Morocco, historical documents on diplomatic relations and economic data reveal that no big disruption in terms of economic integration followed Moroccan independence. Rather, the privileged economic relations that France -and Spain- held with Morocco before independence were extended to all the EEC countries after European integration. Thus, in the following pages, this chapter will further explain the extent to which some of the major on-going economic agreements between Morocco and the EU stem directly from such period.

### **3.3.2 The role of colonialism in centre-periphery relations**

Research on previous relations to the current framework of integration is of particular importance when dealing with the transition between late European Imperialism and the new economic order of the post-WWII. This is because the colonial economic systems established since mid-XIX century hold four major features of great relevance in terms of economic integration:

- a. Trade relations between colonies and metropolis tended to be intense, privileged and sometimes exclusive
- b. The economic structure of the colonised territory often underwent vast transformations related to the needs and interests of the metropolis

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<sup>6</sup> The European partners in this informal dialogue are Portugal, Spain, France, Italy and Malta.

<sup>7</sup> This part of the research was carried out during the month of July 2016 at the *Archives Nationales de France* (Pierrefitte-sur-Seine, Paris).

- c. The capital used for economic transformation and the new patterns of consumption were intimately linked to the major economic actors of the metropolis
- d. The set of alliances forged between capital owners of the former system and those arrived with the colonial rule spurred mutual interest and cooperation in a wide range of sectors

Then, once political independence is achieved, previous ties remain embedded in trade patterns, in domestic economic sectors and, often, in interweaving relations among private and public agents. In that respect, the newly independent country remains, a priori, in a situation of economic dependence whose disruption would entail at least a dramatic shock in the short-term. The dilemma arises between keeping a peripheral economic structure within the orbit of the ex-metropolis or delinking its economy from it. The latter usually implied, against the background of post-WWII, swinging between Third World countries and the leading powers of the Cold War.

On that basis, we have studied the transition path followed by Morocco after the end of the French-Spanish Protectorate.

### 3.3.2.1 Political independence and economic transition in the French Mediterranean periphery

In 1948 France had established the entry of Moroccan products in franchise<sup>8</sup>. In fact, bilateral advantages had always been settled in the form of quotas instead of tariff preferences during the Protectorate. This was due to the fact that the Treaty of Algeciras (1906) banished the establishment of tariff preferences by any of the signatory countries.

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<sup>8</sup> In a note on the possible consequences of Morocco's association to the EEC, the Inspector General for External Affairs explained the previous economic relations with Morocco: "Since September 1948, the Moroccan economy has benefited from considerable export facilities to France, thanks to the existence of "duty-free quotas". This regime, which made it possible to provide aid to the young Sharifian industry, largely in the hands of French citizens, continued after the independence of our former protectorate in 1955. These quotas had been calculated very widely and, for industrial products, they were far from being used; in any event, no serious competition problems arose for French activities. Moreover, for raw materials, the non-existence of customs duty on entry into France makes the fixing of a tariff quota unnecessary."

Note à l'attention du Secrétaire Général du Comité Économique Interministériel afférente à l'éventuelle Association du Maroc à la CEE de l'Inspecteur Général Chargé des Affaires Extérieures, 22 juin 1964. AN 19880053/201. Pierrefitte-sur-Seine, Paris

Such compromise sought to solve the quarrel for hegemony over Moroccan soil, namely among France, Germany, UK and Spain. As a consequence, by alleging the will to protect Moroccan sovereignty, the Treaty granted equal tariff preferences among the twelve signatory countries.

However, the Fifties shook the order of Mediterranean relations. On the Southern shore, a wave of liberation movements placed colonialism in the spotlight of the new era<sup>9</sup> (Parker, 2013) and forced the old powers to withdraw. On the Northern shore, Europe fortified its external economic borders and demolished internal ones. However, this shift towards an inward-looking perspective did not imply neglecting its economic and political links with Southern countries (Ollivier, 2005). In this state of affairs, whereas ‘Maghrebism’ was the most popular ideological option among the leading elites of Moroccan independence (Santucci, 1972; Ageron, 1983; Guermoune, 1988), Europe remained as an essential partner.

The intricate relations between France and its colonial empire were at the forefront of intra-European negotiations since the beginning of the regional project (Ollivier, 2005; Calandri, 2012). The French struggle with the US (Calandri, 2012), first, and with its European partners later (Ollivier, 2005), allowed the country to include in Treaty of the European Community the exclusive and unilateral maintenance of pre-independence relations with Morocco and Tunisia through a special Protocol<sup>10</sup>. As far as Algeria was concerned, Article 227 of the Treaty

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<sup>9</sup> Regarding the relationship between Cold War and anticolonialism, Parker (2013, p. 125) affirms: “Decolonization served as the main conduit by which the Cold War reached –and in a sense created- the “Third World”. It could do so in a variety of ways, and from either direction. The superpowers could inject the Cold War into anticolonial struggles, sometimes disfiguring them beyond their own purposes. The discovery of this Third World agency grows principally from historians’ embrace of “transnational” approaches and archives, and from the integration of area-, empire-, and subaltern-studies into the literature on postwar global relations. Together, these suggest an evolving scholarly definition of decolonization and its place in international history. The ultimate dimensions of the process –already underway by the time of the Cold War, which first slowed and then sped it along- make it a larger and longer-running twentieth-century story than the superpower conflict.”

<sup>10</sup> “Protocole relatif aux marchandises originaires et en provenance de certains pays bénéficiant d’un régime particulier à l’importation dans un des Etats Membres” annexed to the Treaty of Rome (1957). A communication from the French Ministry of Foreign Affairs concerning the situation with Maghreb countries in that period asserted: “The Treaty of Rome had, under pressure from the French negotiators, included special provisions to facilitate the association of the countries of the Franc Area; indeed, a Declaration of Intent included in a document entitled

recognised its belonging to the French territory and hence to the European economic area. By virtue of these considerations, trade patterns prior to decolonisation remained valid, but circumscribed to France's unilateral concession of preferences. To that extent, the “declarations of intention with a view to the association with the European Economic Community of the independent countries belonging to the franc zone (Morocco, Tunisia) and the Kingdom of Libya”<sup>11</sup> and Article 238 of the Treaty<sup>12</sup> were the only way for Maghreb countries to have a say in the renegotiation of their status.

### 3.3.2.2 Independence within interdependence

In the case of Morocco, the consensual endorsement of the “independence within interdependence” (Rivet, 2012) with France defined the post-independence scenario. The decolonisation of Morocco consisted of a partial divorce whereby the links of economic integration were protected to a large extent. At the same time, Maghreb integration was a strong political slogan promoted as the symbol of South-South emancipation. The double defy of starting a process of post-colonial disintegration while laying the foundations of an independent region arose in a delicate period of Nation building. To this effect, since its independence, economic and industrial policies in independent Morocco were addressed to the adjustment of its productive structure to a contradictory purpose: combining empowerment and continuity in its process of reinsertion into the world economy. This, in the domestic sphere, implied a strong struggle between change and permanence in the

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“Final Act”, and annexed to the Treaty, stated that the Member States were ready “to propose to these countries negotiations with a view to the conclusion of economic association agreements with the Community”. But, simultaneously, a special Protocol authorized, in the meantime, the maintenance of the preferential regime instituted between France and its former protectorates, while excluding however from the benefit of the free practice among our partners, the products of these countries imported into France”.

Note du Ministère des Affaires Étrangères Français sur l’association du Maroc et de la Tunisie à la CEE, 18 juillet 1969, Paris. AN 19880053/194. Pierrefitte-sur-Seine, Paris.

<sup>11</sup> Note du Ministère des Affaires Étrangères au Conseil de la CEE sur l’Algérie, N° 82/CE, 25 juillet 1968, Paris. AN 19880053/196. Pierrefitte-sur-Seine, Paris.

<sup>12</sup> Dossier de la Commission Européenne au Conseil sur les relations entre la CEE et les pays du Maghreb (Algérie, Maroc, Tunisie), Secret, 14 octobre 1964, Bruxelles. AN 19880053/189. Pierrefitte-sur-Seine, Paris.

highest spheres of power (Vermeren, 2010; Rivet, 2012) with important consequences on the national economy.

Moroccan integration with Europe will hence be conceived as a process of peripheral reconnection (Deblock and Regnault, 2009). By restoring previous forms of cooperation, a new model of development relying on liberal obedience and without industrialist aspirations replaced colonial domination, formerly based on the direct exploitation of natural resources and cheap labour. Although it took different shapes according to economic, social and political changes occurred in both sides, this neo-colonial model (Oualalou, 1980) gained momentum since Moroccan independence.

The colonial legacy consisted of an agro-mining model<sup>13</sup> where scarce diversification and priority to foreign markets characterised economic and capital flows (Jaidi, 1992). The agricultural sector, which employed more than three-quarters of the Moroccan population<sup>14</sup> at that time, appeared as the very essence of 'colonial dualism': as for Algeria and Tunisia, a traditional structure of self-consumption and low productivity coexisted with another introduced by colonial settlers, much more productive and designed for exports<sup>15</sup>. The case of cereals harvest is interesting in this regard: although they were produced for self-

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<sup>13</sup> The export agriculture set in motion during the protectorate had brought together the best lands under the ownership of the settlers and a number of Moroccan partners, orienting the production system towards the demand of the metropolis (wine, citrus, etc.) (Rivet, 2012). Mining, on the other hand, was mainly concentrated in the exploitation of phosphates, of which Morocco is still one of the world's leading producers and exporters (Mensah, 2003).

<sup>14</sup> The reports of the European Commission on the Maghreb economies of the Maghreb states that in 1967 agriculture employed 70% of the Moroccan working population.

Communication de la Commission Européenne au Conseil sur les relations avec la Tunisie et le Maroc, Confidential N°267, 9 février 1968, Bruxelles. AN 19880053/189. Pierrefitte-sur-Seine, Paris.

<sup>15</sup> A report by the Commission on relations with the Maghreb countries affirmed this respect: "In the three countries two agricultural structures coexist; one is that of the traditional, low-productivity and largely self-consuming sector; the other, on the other hand, more clearly oriented towards the market and in particular towards exports, was generally introduced or developed by the French colonists - Although it is difficult to attribute the different crops precisely to one or the other sector, it can be affirmed that the cultivation of cereals, dried vegetables, olive trees and certain fruit trees (fig, date tree) as well as livestock are in most cases part part of the traditional sector. The modern sector, on the other hand, is oriented towards high-yielding fruit crops (citrus, apricots), early fruit and wine."

Communication de la Commission Européenne au Conseil sur les relations de la CEE avec les pays du Maghreb, Secret N°524, 14 décembre 1966, Bruxelles. AN 19880053/187. Pierrefitte-sur-Seine, Paris.

consumption, surpluses were exported to France under a special quota system. The progressive abandonment of the traditional sector led to an unprecedented cereal shortage in the early 1960s. From 1957 onwards, an attempt had been made to tackle the crisis with the operation *Labour*, which sought to spur agricultural productivity through mechanisation. However, the higher profitability of the modern sector ended up diverting political attention and economic funding to the latter. As regards export-oriented sectors, Morocco produced significant quantities of citrus (oranges, mandarins), primary resources (such as phosphates) and wine. Indeed, the latter was the most important agricultural export of Maghreb trade, mainly due to the weight of Algerian sales<sup>16</sup>.

Also the Moroccan private sector owes to this period, since it built on the fortunes grown during the Protectorate through the exploitation of trade, land and urban real estate (Belal, 1968; Saadi, 2005). In addition, Larabi Jaïdi (1992) points out that the historical context (autarchy and shortage of provisions due to the WWII, and the increase in capital flows that followed its ending) had led to the implementation of several industrial activities linked to sectors such as tinned food or livestock farming under the initiative of French private groups. In any case, economic relations between Morocco and its ex-metropolis remained similar to those established a few years before independence.

With regard to the secondary sector, along the lines of developmental theories, Moroccan economic policies tried in those years to spur endogenous and self-centred development (Belal and Agourram, 1969; Jaidi, 1992; Saadi, 2005) by building a national industrial system. The process was accompanied by incentives to export agriculture, tourism and by the association between private and foreign capital (Munier, 1965; Saadi, 2005). Furthermore, the commitment to monetary emancipation was achieved with the creation of Dirham in 1959 (Belal and Agourram, 1969). Nevertheless, tensions between the Government and the Monarchy, which led to the cessation of Prime Minister Abdallah Ibrahim in the same year, and the financial problems underlying the first Five-year Plan for Moroccan independence (1960-1964) (Munier, 1965) undermined its ambitions.

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<sup>16</sup> Note du Ministère de l'Économie et des Finances sur le Maghreb et la Politique agricole commune, N°880, 15 Novembre 1966, Paris. AN 19880053/189. Pierrefitte-sur-Seine, Paris.

### 3.3.2.3 The ‘pro-liberal’ turn and peripheral reconnection

The accession of Hassan II to the Throne in 1961 entailed a breakup with the tenets of the Non-Aligned movement and a the pro-liberal turn, though closely guided by the State (Berrada, Saadi, 1992). In this framework, economic incentives were diverted towards the agricultural sector -while the distribution of the lands of settlers was still pending- and tourism, relegating industrial development to a secondary role and privileging continuity in North-South relations (Jaidi, 1992). However, since the beginning of the 1970s, the Moroccan economy underwent a new transition shaped by some economic and political turning points:

- the rise in phosphate prices on the world market,
- the acknowledgement of the limits of the agricultural sector,
- the Moroccanisation of the economy (Pascon, 1977; Berrada, 1988; Jaidi, 1992; Saadi, 2005),
- social instability and turmoil in urban areas, and
- a deep crisis among ruling actors that would reach a critical point at the beginning of the decade, with two successive coup attempts against Hassan II (Vermeren, 2010; Rivet, 2012).

Against that backdrop, economic planning in the 1970s emphasised export promotion and adaptation to the new patterns of the international division of labour (El Malki, 1974, 1982; Jaidi, 1992). State intervention focused on the production of intermediate goods by building technically evolved plants for chemicals, cement or sugar production. Compared to heavy industry, that option allowed to exploit domestic demand and resources while reducing costs of implementation, given its lower technical demands and the contribution of protectionist measures (Jaidi, 1992). Besides, that formula was complemented with the participation in transformation activities (textiles, dairy products, electrical assembling, etc.) through financial holdings dependent on the State<sup>17</sup> (1992, p. 5). Also, huge public concessions were made to Moroccan companies controlled by important families that dominated the sectors of real estate and public infrastructure (Saadi, 2005).

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<sup>17</sup> Office de Développement Industriel (ODI), Société Nationale des Investissements (SNI), Caisse de Dépôt et de Gestion (CDG).



According to Berrada and Saadi (1992), the salience of public works intensified capital flows between the public and private sector far more than they were between the private sector and the rest of the economy. This would favour a “significant economic and financial concentration that will take the form of diversified economic groups” (Saadi, 2005, p. 395). However, the consequences of the Oil shock for an economy depending on foreign markets for most of its inputs (energy, capital goods) led to resize industrial ambitions in successive plans (1978-1980 and 1981-1985) (Malki, 1982; Jaidi, 1992). Besides, the rapid saturation of the domestic market (Saadi, 2005, p. 388) stimulated the will to boost international exchanges, until then exploited only for certain agricultural resources, fishing or mining (pulp, canned goods, phosphates). International trade offered new opportunities linked to the structural changes in the international economy in the 1970s and to the growing weight of delocalisation (Jaidi, 1992). Morocco hence sought to exploit its “comparative advantage” through low wages (Berrada, 1986; Jaidi, 1992; Saadi, 2005), abundant workforce and a strategic geographical location (Jaidi, 1992).

### **3.3.3 The economy of Morocco in the orbit of the EEC**

In the 1980s, the Moroccan economy would suffer the impact of a geopolitically shaken decade. Regarding global trends, the country experienced the repercussions of the foreign debt crisis, the policies of the Washington consensus, the rise of Neoliberalism and the reconfiguration of hegemonic powers. In terms of regional affairs, it swung erratically between North-South and South-South strategies. The country began the decade by leaving the Organisation of African Unity (OAU), requested then for accession to the European Community in the middle of the decade (Flory, 1986) and at the end of the Eighties was a member of the AMU. Meanwhile, the accession to the Common Market by Greece, Spain and Portugal pushed European borders southwards: the Mediterranean Sea became a frontier and the Moroccan economy literally stayed at its doorstep.

Thus, in the economic field, growing indebtedness, together with the severe drought that ravaged the agricultural sector between 1980 and 1981 and with the fragility of the other pillars of the Moroccan economy,

led to an acute crisis in the early 1980s. It was initially tackled through a stabilisation plan (1977-1980), which did not prevent the establishment of a SAP (1983). The guidelines that the IMF and the WB applied to around fifty Southern countries in that decade (Akesbi, 1985) entailed the abandonment of interventionism to definitively embark on integration into the world economy through trade liberalisation, specialisation based on relative endowment factors and export-led growth (Akesbi, 1985; Jaidi, 1992; Malki, Doumou 1992; Clément, 1995). Later, growing optimism about transformations on the national and international scene stimulated euphoric diagnoses of the so-called Moroccan economic “take-off” (El Malki and Doumou, 1992). According to those views, growth ought to be rekindled through industrial and trade policies aimed at “increasing economic efficiency and strengthening the country's export potential” (Jaidi, 1992, p. 23). At the end of the decade, Morocco sealed its commitment with global integration by joining the GATT (1987) and hosting, in 1994, the WTO's birth ceremony.

Apart from macro-economic adjustment, the SAP implied a selective privatisation process that reached its peak in the 1990s under the prerogatives of the Washington Consensus (Achy, 2013, p. 2). Among its measures, the programme foresaw:

- The ‘*demoroccanisation*’ of the financial sector,
- the establishment of the dirham's external convertibility (which allowed profit repatriation),
- the privatisation of public enterprises and
- the reform of the financial market to attract foreign investment (Saadi, 1995, p. 396)

Such reforms were meant to boost competitive growth and to avoid rentier behaviours in private sector and interventionism by the State. However, according to Saadi (2005), the liberal turn of the economy implied a strong financialisation process (mainly through large state-owned holdings), the development of financial activities by private groups previously concentrated in other sectors, and the withdrawal of certain groups towards the financing of more remunerative activities (Berrada and Saadi, 1992; Hibou, 1996; Catusse, 2005, 2008; El Aoufi et al., 2005).

Far from the expectations raised by the trio “liberalisation-privatisation-budgetary austerity” (Saadi, 2005, p. 396), the ephemeral Moroccan take-off through the exploitation of outsourcing (Achy, 2013) lasted until the end of the 1980s. After that, the upward trend gradually languished until growth figures fell below the average of many developing or emerging economies (2013, p. 2). Thus, in the late 1990s, growth in Morocco declined and its economic and political model seemed exhausted (Akesbi, 2010, p. 53). The rise of competitor countries in the world market and the dismantling of the WTO's Multi-Fibre Arrangement diverted the production of labour-intensive goods towards more competitive destinations (Achy, 2013, p. 5). Thus, the contribution of the manufacturing sector to GDP, as well as its capacity to generate employment<sup>18</sup> and its presence in its traditional markets declined over the two following decades<sup>19</sup>, weighed down by excessive specialisation in resource-intensive sectors abundant in unskilled labour (2013, p. 2). Lahcen Achy (2013, p. 1) interprets the process as follows:

“Morocco offers an interesting case of how industrial policy has been smoothly transformed in the context of liberalisation and privatisation in order to continue to serve the purpose of rent-distribution, private sector control and the exercise of power. Resources and regulatory functions of some government institutions may have shrunk or weakened in the era of economic liberalisation. Nevertheless, the State's role in regulation and control has mutated over the years and now it is directly involved in new spheres of power.”

In contrast, the weight of the services sector increased, helped by the growth in telecommunications (Hibou, Tozy, 2002) and financial

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<sup>18</sup> Achy's (2013, p. 4) calculations based on data from the Haut Commissariat au Plan indicate a contribution by the manufacturing sector of an average of 10,000 of the 120,000 jobs created annually by the economy as a whole.

<sup>19</sup> Lahcen Achy (2013, p. 4) emphasized the paradoxical conjuncture of the Moroccan manufacturing sector in 2013: “While, manufacturing value added represents on average 25.4 percent of GDP in the Middle income countries (MICs) and 21.6 percent in developing countries (LDCs), it has always remained under 20 percent in Morocco's recent history. More worrying, the manufacturing sector's contribution to GDP has been hovering around 15 percent in recent years.”

services. Thus, Moroccan financialisation took place against the backdrop of an economic structure exposed to the fluctuating capacity of the agricultural sector to contribute to GDP and to absorb a large workforce in a labour market unable to cope with its demographic growth structure<sup>20</sup>. In this respect, despite the fact that the private sector gained weight in the economy since the beginning of 2000, with its contribution to GDP exceeding 25%, Achy emphasizes that the manufacturing sector hardly created new jobs and that the number of companies has fallen due to high abandonment rates (Achy, 2013, p. 5).

In 1999, King Mohamed VI embarked on a deep transformation of the economy when he succeeded his father to the throne. Its strong commitment to openness and modernisation entailed in that period a considerable effort to open up politics to internal demands and, above all, to international requirements (Vermeren, 2001; Vairel, 2007; Fernández-Molina, 2016). In economic terms, tourism, real estate and infrastructure boosted growth figures (Akesbi, 2010) while a wide range of State investment initiatives for a *mise à niveau*<sup>21</sup> of private sector were implemented in a “scattered, overlapping and non-focused” manner (Achy, 2013, p. 13).

The year 2005 appears as a decisive turning point in the management of the primary and secondary sectors. The implementation of an industrial plan prepared and monitored by the American consultant McKinsey opened the door to what Nourredine El Aoufi called “the

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<sup>20</sup> Lahcen Achy (2013) notes that the value added of the agricultural sector fell since the 1990s to around 15 to 18% during the first decade of the 2000s. However, its key role in the country's economic prosperity lies in domestic consumption and in the job market, as it employs around 40% of the population. Even in 2016, bad harvests due to adverse weather conditions led to a net destruction of jobs in the domestic economy despite a slight increase in industry and services. According to data from the Haut Commissariat au Plan on the labour market in 2016: "The national economy lost 37,000 net jobs, resulting in an increase of 26,000 in urban areas and a loss of 63,000 in rural areas, against an average annual creation of 27,000 jobs during the years 2014-2015 and 95,000 during the period 2008-2013. The overall volume of employment thus rose from 10 679 000 in 2015 to 10 642 000 in 2016. This job loss is the result of the creation of 126,000 paid jobs, including 25,000 in urban areas, and the loss of 163,000 unpaid jobs, all of which were recorded in rural areas”.

<sup>21</sup> Promoted and financed by the European Union and UNIDO, the "Modernisation et mise à niveau Industriel" programme proposes a series of reforms to integrate developing country enterprises into the global economy through the principle of "strategic competitiveness" and with the aim of strengthening GVCs. For more information about the program: [https://www.unido.org/fileadmin/user\\_media\\_upgrade/What\\_we\\_do/Topics/Business\\_investment\\_and\\_technology\\_services/CUP/IUMP/Brochure\\_IUMP\\_new\\_English.pdf](https://www.unido.org/fileadmin/user_media_upgrade/What_we_do/Topics/Business_investment_and_technology_services/CUP/IUMP/Brochure_IUMP_new_English.pdf)

return of planning in a neo-liberal version”. The Emergence Plan (2005-2009), the *Pacte National pour l'Émergence Industrielle* (2009-2014) and the *Plan d'Accélération Industrielle* (2014-2020) focus on the promotion of several *metiers mondiaux* (global business) through public incentives ranging from the establishment of Tax Free Zones to the implementation of clusters or training structures aimed at meeting the needs of those sectors in terms of manpower. Through the concept of “competitive modernisation”, the plan presented a strategy articulated around eight sectors considered key for the Moroccan economy:

- 1) offshoring (concentrated in French Francophone markets plus Spain)
- 2) the automobile sector
- 3) the aeronautical sector
- 4) electronic devices
- 5) agriculture
- 6) fisheries
- 7) textiles and
- 8) the ‘artisanat industriel’ (industrial handicraft)

The latter disappeared from the plan in 2009, while the first three, gathered around the Med-Zones or *maquiladoras Méditerranée*, gained momentum since then. In the five-year plan of 2014, however, the central strategy was articulated around the creation of “performing ecosystems” through fiscal incentives of diverse nature, complemented by large infrastructures (Tanger-Casablanca *TGV*, ports, green energy) that, according to forecasts, would further open the Moroccan economy to foreign investment.

In the agricultural sector, the *Maroc Vert* project, launched in 2008, reproduced a similar logic. The analysis and diagnosis of McKinsey led to a proposal to modernise the sector and adapt it to the dynamics of the international market. The official goal was to mitigate the dualist structure inherited from the colonial period through an “aggregation” strategy: that is, the implementation of a model of *large investor farmers* that gather around them dozens of small and medium-sized farms. Notwithstanding, the plan was based on two largely asymmetric pillars: one aimed at strengthening agriculture with high productivity and added value, and another to the *accompagnement solidaire* of small subsistence

farms. Out of them, the most favoured in financial terms remains, by far, the first pillar (Akesbi, 2009).

### 3.3.4 Economic Integration Beyond Theory

The choices and trends followed by Morocco since the beginning of the XX century reveal the complexities lying behind any process of international economic integration, especially when it comes to formerly colonised territories. In this regard, as far as theory is concerned, theories of integration do seem to take into consideration the specific features of such countries. Therefore, some of the core tenets of orthodox approaches fail to grasp such complexity:

- a. ***Countries at the centre of the analysis:*** the consideration of countries as individual subjects entitled to voluntarily decide on integration through economic agreements, the Moroccan case would only be susceptible of analysis since its independence in 1956. However, as seen above, integration had clearly started before.
- b. ***Trade agreements as catalysers of integration:*** without diminishing the essential role of trade, agreements are not always the key milestone of a process of integration, nor do they always pursue an increase in exchanges. Sometimes, they appear rather as a means for formalising already existing exchanges within a normative regulatory framework. To this extent, it is also questionable that an increase in trade is always a core goal of economic integration, as it will be shown later in this chapter.
- c. ***The economic rationale of integration:*** the assumption that economic integration decisions should respond to economic rationality neglects both the political aspects of the choice and other individual interests that might go beyond economic ones. In this regard, economic rationality would definitely argue in favour of North-South integration in Morocco right after independence. However, the strong claims for South-South integration with Maghreb countries might have an explanation overcoming the scope of utility functions.
- d. ***The relationship between trade, output and welfare:*** especially when it comes to post-colonial economies, it is somehow hazardous that net trade creation entails welfare improvement through the means of higher output, without taking into consideration the characteristics of

such trade. Among other reasons, the assumption that output equals welfare neglects redistributive issues, which are often of major importance in post-colonial economies.

- e. ***Welfare as a goal:*** welfare, understood as utility maximisation, is a core concept of orthodox economics and the ultimate goal of economic integration according to theory. However, if one accepts that trade agreements respond also to certain alliances between leaders whose ambitions might be, to a certain degree, different from those of the citizens to which they represent, it would be misleading to consider the links between trade, growth and welfare as a straightforward chain.

Given such complexities, the following sections will enquire on the political and historical determinants of this process in Morocco, as well as the role of agents in the confluence between its options at hand and the choices undertaken. Key for this exercise is to consider economic integration as an instrument of foreign policy. Eventually, decisions about integration are political choices discussed and endorsed by political actors.

### **3.4 REGIONAL OPTIONS AND STRATEGIC CHOICES: THE POLITICAL ECONOMY OF MOROCCAN INTEGRATION**

After having reviewed the economic and political factors determining the anchorage of the Moroccan economy to its former metropolis after independence, we will discuss the external factors, actors and actions that influenced the erratic path followed by Morocco in terms of regional integration. Notwithstanding, the comprehension of the whole set of political and economic factors influencing the process requires widening the analysis to the surrounding context. To do so, we identified the actors, interests and goals involved in each major turning point of Moroccan regional integration until nowadays. Special attention will be paid to project of United Maghreb and its collision with the successive Euro-Maghreb frameworks that followed decolonisation. In this regard, the review of this process will be key to understand the extent to which the ambiguous relationship between the European Community and Maghreb countries shaped Mediterranean policies and, more in general,

the current European approach towards neighbouring countries. Indeed, in our view, no country in the European neighbourhood represents better the blessing and curse of continuity in North-South economic relations after independence as Morocco and Tunisia do.

As mentioned before, the aftermath of the Moroccan and Tunisian independencies was marked by the discrete continuity of trade flows<sup>22</sup> in the midst of a geopolitical turmoil triggered by the transformations in Mediterranean relations (Calandri, 2012) and by the construction of the Single Market around the steel curtain (Ollivier, 2003). Nevertheless, in spite of certain political and economic gestures of rupture, the scope of changes was rather ambiguous.

At the beginning of the 1960s, while France faced the withdrawal of its imperial domains and the intensification of intra-European ties (Baladur, 1972; Ollivier, 2003), Morocco made steps forward to lead the cause of the neutral and decolonised African countries (Zerbo, 2003; Rivet, 2012). However, translating discourses into facts was more complex in a country where foreign trade accounted for half of Gross National Product (GNP) and there was almost no value chains linking domestic sectors among them (Munier, 1965). Thus, while France managed to save its current account balance through competitive devaluations and a certain opening towards the markets of the North, Morocco hardly intervened in its customs regime. This, despite damaging almost exclusively French imports (Munier, 1965), allowed for a scant reduction of Moroccan dependence on its former metropolis.

Nonetheless, political instability would soon threaten the balance of power that France had managed to maintain hitherto by filling the gap between the old and new orders (Catroux, 1953; Turpin, 1958; Ollivier,

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<sup>22</sup> The defence of Moroccan interests by France in the EEC on numerous occasions proves that the maintenance of economic relations was a fact and that it required legal legitimacy. As an example, the Directorate of External Economic Relations stated in a note drafted during the negotiations of the Association Agreement: "France has an interest in the association. Apart from political considerations, economic realities must be stressed. The three countries of North Africa currently constitute for our producers a privileged market where our preferential links still allowed us to sell in 1964, 3.900 million F. and in 1965, 3.800 million F. of French products. In 1965 Algeria made about 75% of its purchases in France, Morocco 38% and Tunisia 39% (44% in 1964, year not disturbed by the crisis). We export to these countries five times more than our five EEC partners combined (771 million dollars against 156 in 1965)."

Note du Ministère de l'Économie et des Finances sur le Maghreb et la Politique agricole commune, N°880, 15 Novembre 1966, Paris. AN 19880053/189. Pierrefitte-sur-Seine, Paris.



2003). At the same time, the independence of Algeria in July 1962 left the country in a legal vacuum within the European Single Market. Furthermore, the signature of the Evian Agreement between Algeria and France entailed the continuity of certain relations that were contradictory with a number of Communitarian principles<sup>23</sup>. This happened parallel to the British demand for membership of the European Community, which placed the Maghreb exception on the table as an uncomfortable example before eventual negotiations with the Commonwealth<sup>24</sup>.

On the one hand, France was clearly keen to maintain its “special ties” with the southern Mediterranean - and, especially, with Algeria. On the other hand, it wanted to avoid granting similar privileges to the relations between Britain and its former metropolises. In the quest for a compromise, it managed to maintain “a more ambiguous attitude on imports coming from Algeria” to prevent the Commonwealth from benefiting from similar historical preferences within the Community<sup>25</sup>.

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<sup>23</sup> In a presentation to the EC on the situation of Algeria after independence, the French delegation stated: “On the multilateral level, if we compare the situation of Algeria which became independent after the Treaty of Rome, with that of Morocco and Tunisia which were independent before the Treaty of Rome, we note that : Algeria was not linked to a member of the Common Market but to the Six: Algeria's particular situation vis-à-vis France is not covered by any particular legal text: there is no protocol covering relations between Algeria and France as there is for Morocco and Tunisia. There was hence both greater integration and greater fragility in relations between Algeria and the Common Market. There were thus theoretically three solutions to take these multilateral relations into account. The first was the break-up, which we did everything we could to rule out. The other two were the association with the Six or a protocol guaranteeing the existing customs regime between Algeria and France, a system that would at least have been retained if Algeria had been independent at the time of the signing of the Treaty of Rome.”

Annexes au rapport intérimaire de la Commission au Conseil au sujet des conversations exploratoires engagées avec l'Algérie, 24 juin 1964, Bruxelles. AN 19880053/196. Pierrefitte-sur-Seine, Paris.

<sup>24</sup> In a communication on the situation in the Maghreb before the CAP, the French Foreign Economic Relations Directorate said to this respect: “France has therefore decided very clearly to apply levies to Moroccan or Tunisian products already under regulation. (...) But it is very important to remember under what conditions these precedents were established. On July 30, 1962, when the regulations came into force, English negotiations were in progress. The main issue on the agenda at the time was imports from the Commonwealth. On this particular point the negotiations lasted until August 4, 1962. To avoid setting a precedent for the Commonwealth, the French government chose to apply agricultural levies to Morocco and Tunisia.”

Note du Ministère de l'Économie et des Finances sur le Maghreb et la Politique agricole commune, N°880, 15 Novembre 1966, Paris. AN 19880053/189. Pierrefitte-sur-Seine, Paris.

<sup>25</sup> Note du Ministère de l'Économie et des Finances sur le Maghreb et la Politique agricole commune, N°880, 15 Novembre 1966, Paris. AN 19880053/189. Pierrefitte-sur-Seine, Paris.

Nevertheless, in return, it would be compelled to worsen the terms of trade with Morocco and Tunisia by applying them customs duties.

### **3.4.1 The formula of Association as a postcolonial compromise (1962-1969)**

French unilateralism in the maintenance and modification of preferences and, more in general, asymmetry of bilateral economic relations, led Morocco and Tunisia to request the opening of talks for a negotiated formula of Association<sup>26</sup>. However, the differences between their legal statuses<sup>27</sup> and the nature of their goals brought them to begin separately talks with the Six. Notwithstanding, in the eyes of the Community, both their basic concerns and their central demands were similar. The advances in European integration exacerbated the need for a bilateral or multilateral agreement replacing unilateral French concessions:

- the imminent implementation of the CAP,
- the entry into force of the CET and
- the proliferation of AAs with Mediterranean partners, leaving without effect the relative advantages acquired by the Maghreb in the Treaty of Rome<sup>28</sup>.

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<sup>26</sup> Note on the possible consequences of the Morocco-EEC Association by the Permanent Representation of the Interministerial Committee for Community Affairs: "A Protocol annexed to the Treaty of Rome specifies that its application does not require any modification to the special customs regime granted to Moroccan products on entry into France. However, as this protocol is an option and not an obligation for the French authorities and does not give Morocco any rights, Morocco might fear that one day we might abandon it and therefore prefer a bilateral convention, to which it would be a signatory, which would guarantee it exemption on entry into France and the other EEC countries. Morocco would no longer be at the discretion of French goodwill."

Note à l'attention du Secrétaire Général du Comité Économique Interministériel afférente à l'éventuelle Association du Maroc à la CEE de l'Inspecteur Général Chargé des Affaires Extérieures, 22 juin 1964. AN 19880053/201. Pierrefitte-sur-Seine, Paris.

<sup>27</sup> Dossier de la Commission Européenne au Conseil sur les relations entre la CEE et les pays du Maghreb (Algérie, Maroc, Tunisie), Secret, 14 octobre 1964, Bruxelles. AN 19880053/189. Pierrefitte-sur-Seine, Paris.

<sup>28</sup> France's decision to apply less favourable conditions to Morocco and Tunisia since 1962, as well as the protectionist regulation of the agricultural sector on the Community market and the conditions of agricultural production in Morocco, led to exports like cereals falling from 89% of the value of Moroccan exports to the EEC to only 3% between 1957 and 1964. Citrus fruits, wine and primary products, the main exports of the Maghreb countries, will also suffer important

After the endorsement of AAs with Greece (1961) and Turkey (1963), the opening of talks with Spain and Israel would transform the framework of Euro-Mediterranean relations in the years to come. In that period, both Morocco and Tunisia, and Algeria shortly after, would base their requests on agricultural preferences, technical and financial support, and on the improvement of conditions for the Maghreb workforce in the territory of the Community.

Against that backdrop, internal and external circumstances stimulated Franco-Moroccan understanding. After a period of relentless degradation of its traditional agricultural exports, Morocco was hit in 1964 by economic recession, inflation and low currency reserves (Munier, 1965; Belal, Agourram, 1969). It called for the cooperation of “fellow industrialised countries and international financial organisations” (Munier, 1965, p.302) to help it with a five-year austerity plan (Munier, 1965). Such programme was focused on economic opening and international integration by exploiting its comparative advantage. Those circumstances would push Morocco to ask its ex-metropolis for advocacy on its interests in Brussels<sup>29</sup>. In this regard, the Rabat’s “deliberate option in favour of Europe”<sup>30</sup> was interpreted as an unequivocal political gesture that contrasted with the growing difficulties in relations with Tunis. Therefore, privileging Morocco in the negotiations for an eventual

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consequences following the association of Mediterranean countries with the Community and due to the growing integration of the European market.

Télégramme à l’arrivée en provenance de la Délégation Française auprès de la CEE au MAE de Paris, N°405/08, Boegner, 6 avril 1965, Bruxelles. AN 19880053/201. Pierrefitte-sur-Seine, Paris.

<sup>29</sup> Note on the Association of Morocco with the EEC from C. Beaurepaire, Inspector General for External Affairs of France, to Mr Dromer, Secretary General of the Interministerial Economic Committee for European Economic Cooperation: “After much hesitation and despite a certain internal political opposition, the Sharifian Royal Government began exploratory talks in Brussels a few months ago with a view to examining the conditions under which an economic association agreement could be established between Morocco and the EEC. (...) The Government of Rabat has now taken a definitive option and, in addition, has requested that the French representatives become, when the time comes, the defenders of the Sharifian position within the Group of the Six. Assuming that the French Government is politically favourable to the conclusion of such an agreement, it is interesting to examine the following points: What would be the quota and tariff modalities of this association? What consequences could this agreement have on trade in industrial products between France and its former protectorate?”

Note à l’attention du Secrétaire Général du Comité Économique Interministériel afférente à l’éventuelle Association du Maroc à la CEE de l’Inspecteur Général Chargé des Affaires Extérieures, 22 juin 1964. AN 19880053/201. Pierrefitte-sur-Seine, Paris.

<sup>30</sup> Note du Secrétaire Général du Comité Interministériel pour les Questions de Coopération Économique Européenne pour le Premier Ministre sur le Maroc et la CEE, 1 septembre 1964, Paris. AN 19880053/201. Pierrefitte-sur-Seine, Paris.

association was seen not only as an opportunity to reward the liberal turn of the country, but also as an appealing opportunity for other European partners to enjoy French preferences regarding its primary reserves (zinc, lead, phosphates)<sup>31</sup>. Furthermore, having a certain margin of choice in the process of Moroccan industrialisation would help to prevent those inputs from competing with European industries:

“Finally, an association agreement between Morocco and the EEC could have other indirect effects on the economies of European powers; indeed, it is certain that Rabat will obtain financial aid which will be partly allocated to industrial investments. It will then be essential that the donations or credits are not intended for the construction of industrial complexes, unprofitable given the exiguity of the Moroccan market, but whose existence would hinder the performance of similar European installations; it is here that the main reference is made to a zinc foundry. The difficulties of the foundries in the EEC countries, especially France, would be greatly increased if Morocco kept all its lead and zinc ores to transform them on site into metal; moreover, a Moroccan foundry could not operate under normal conditions of profitability<sup>32</sup>.”

In 1965, the formula proposed by the Commission and backed by France was a “*Zone de Libre Échange Aménagée*”<sup>33</sup>. Such a solution

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<sup>31</sup> Note du Conseil sur les relations avec le Maroc et la Tunisie, N°566/65, 17 juin 1965, Bruxelles. AN 19880053/190. Pierrefitte-sur-Seine, Paris.

<sup>32</sup> Note à l’attention du Secrétaire Général du Comité Économique Interministériel afférente à l’éventuelle Association du Maroc à la CEE de l’Inspecteur Général Chargé des Affaires Extérieures, 22 juin 1964. AN 19880053/201. Pierrefitte-sur-Seine, Paris.

<sup>33</sup> Note on the association of Morocco and Tunisia in 1969: “Practically, and in particular because of the reduction in requests submitted by Morocco and Tunisia, in order to facilitate the conclusion of an agreement, the members of the EEC gave their assent to the establishment, with the Maghreb countries, of so-called “arranged” free trade zones, containing trade and tariff provisions, but excluding financial aid and labour regulations. Thus, it was a question of defining the contours of a specific trade and association regime different from that applied with the EAMAs and that concluded with Greece and Turkey. It should be recalled that on the Sharifian side, opposition was expressed against an agreement incompatible with the theses of neutrality and political non-engagement.”

Note sur l’association du Maroc et de la Tunisie à la Communauté Économique Européenne, 21 avril 1969. AN 19880053/194. Pierrefitte-sur-Seine, Paris.

would allow the transfer of French privileges to European partners, while regulating the different legal situations of Maghreb countries without undermining their intention to get integrated among them. However, the position of the Maghreb countries was ambiguous in this regard. In addition, successive diplomatic crises, regulatory problems and the harsh opposition of Italy to the concession of extra-community preferences in sectors of its interest, delayed the conclusion of the agreements until 1969.

The consolidation of preferential Euro-Maghreb relations hindered European ambitions in terms of integration (CAP and CET) in favour of French interests. In addition, the EEC found itself in a complicated position before the GATT, according to which the legality of building a satellite network via preferential agreements was unclear<sup>34</sup>. While key dates for the accomplishment of the Common Market approach, the urgency of a short-term solution pushed both parties to conclude a partial agreement limited to rules of commercial nature. Financial cooperation had to be postponed to further negotiations of a wider agreement whose conclusion was foreseen for 1974. Meanwhile, European partners could demand substantial counterparts adaptable to the legal framework in force in the Community. Among the main Communitarian demands, some were openly asymmetrical, as it was the case in the request for compensation guarantees to private investors affected by nationalisation measures. In the field of agricultural products, a compromise was reached through quotas and import calendars. In this way, a partial agreement was resolved on April 1, 1969 with almost total liberalisation of exchanges in the secondary sector and a complex scheme of preferences for the most sensitive agricultural products.

### **3.4.2 Second generation AAs in a wider Mediterranean perspective (1970-1978)**

Since 1969, Communitarian efforts focused on political integration: how and to what extent was the Community to become a single body in the field of foreign policy? (Smith, 2004; Bindi, 2010). A number of factors would complicate the answer:

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<sup>34</sup> Communication de la Commission Européenne au Conseil sur les relations de la CEE avec les pays du Maghreb, Secret N°524, 14 décembre 1966, Bruxelles. AN 19880053/187. Pierrefitte-sur-Seine, Paris.

- i. The enlargement of the Community to nine members (among which, the UK);
- ii. the extension of the Yaoundé convention (1963-75), once focused on Francophone Africa, to former British colonies in the Commonwealth and to some territories in the Pacific and the Caribbean (Bindi, 2010);
- iii. the urgent need to curb the flows of extra-community workers in the midst of the decline of the *Trente Glorieuses* (Castles, 1986; 2006) and
- iv. the increasingly unsustainable situation of Algeria within the Common Market.

In France, the resignation of Charles de Gaulle in April 1969 led to the presidency of George Pompidou, who presented an ambitious plan that synthesised his ideas on the future of Europe through three keywords: *completion*, *deepening*, and *enlargement* (Bindi, 2010, p. 18). Thus, in the attempt to overcome the limits of economic cooperation, the European Political Cooperation was launched with the aim of articulating common positions on foreign policy (Murphy, 1989, 2003) on priority issues regarding regional areas of particular interest: Middle East, South Africa, Central America and Afghanistan (ECSC, 1988).

In the same period, the miscellany of agreements, reforms, conflicts and statements that shook the Mediterranean borders of the Community reached an impasse. Awareness on the problems that the peculiar Mediterranean framework caused on transatlantic relations led the Council to request an inclusive proposal to the Commission (Calandri, 2012, p.42). Besides, the so-called ‘Rossi report’ before the European Parliament (EP), on December 8, 1973, criticised the links “tied in disorder” under the auspices of a “run-of-the-river policy” (Berdar, 2007, p.94). That statement pushed the EP towards the search for a joint policy “rather than a cosmetic arrangement of treaties already concluded” (2007, p.94).

During the discussions on the above-mentioned proposal at the European Council (June 6, 1972), French Foreign Minister Maurice Schumann spoke for the first time about applying a “global approach” (Berdar, 2007, p.98) to the Mediterranean. In fact, the evolution of the principles and goals of the AAs would show once again the convergence between French interests and Community solutions in this area.

The US would counterattack before the GATT by demanding the opening of the citrus market and the removal of barriers to foreign industrial products (Calandri, 2012, p.46). Notwithstanding these difficulties, both economic data and archive documents show that the endorsement of the commercial agreement barely changed the direction or intensity of trade in any case<sup>35</sup>. In fact, although the agreements of 1969 managed to survive despite their legal ambiguity, Morocco would see its advantages erode progressively immediately after its endorsement. Several factors influenced the decay:

- a. The Community enlargement to Nine members
- b. The scant compliance of such agreements with GATT provisions<sup>36</sup>
- c. The proliferation of AAs in the Mediterranean
- d. The application of the system of generalised preferences<sup>37</sup>
- e. The deficiencies in the conventional price system<sup>38</sup>

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<sup>35</sup> In a report by the EEC's Commercial Advisers in Morocco in 1971, France was confirmed to be strengthening its position as the main supplier (31%) and customer (36.6%) of the products that Morocco exchanges with the Community market. Other partners (USA, Germany or Italy) remained as before the agreement.

Rapport des conseillers commerciaux des pays de la CEE au Maroc, 16ème, 23 juin 1971, Bruxelles. AN 19880053/199. Pierrefitte-sur-Seine, Paris.

<sup>36</sup> In 1970, Morocco and Tunisia complained that they had not been informed of the removal of their dossiers from the GATT agenda and requested that they be decoupled from the rest of the Mediterranean agreements, the two countries lodged complaints "on account of the different legal nature of the provisions of the Treaty of Rome under which the agreements had been concluded." Télégramme en provenance du Secrétaire Général du SGCI sur l'Association CEE-Maroc et Tunisie, N°1296, F.Irion, 8 juillet 1970, Bruxelles. AN 19880053/194. Pierrefitte-sur-Seine, Paris.

Other GATT measures, such as the condemnation of certain provisions of the agreements concluded with Spain and Israel on citrus fruits, caused them to flood the European market - in a season marked by overproduction - in fear of seeing this preference eliminated in the short term. This brought Morocco to sell below the conventional price and to suffer, therefore, the withdrawal of a preference subject to compliance with that price.

Sommaire des conclusions de la 3ème réunion du Comité d'association CEE-Maroc, N°6/70, 23 mars 1970, Bruxelles, AN 19880053/205. Pierrefitte-sur-Seine, Paris.

<sup>37</sup> "Like the Tunisians, the Moroccans expressed their concern that the entry into force of this system, as well as, for the rest, the consequences of the "enlargement of the Community", would result, through the sharing of preferences with the other developing countries, in draining the substance of the agreement." Télégramme à l'arrivée en provenance de la Délégation Française auprès de la CEE au MAE de Paris sur le Conseil d'Association CEE-Maroc, N°1099-1108, Boegner, 12 juin 1970, Bruxelles. AN 19880053/205. Pierrefitte-sur-Seine, Paris.

<sup>38</sup> The greater export capacity of the Spanish and Israeli economies often drove them to disregard conventional prices. Therefore, less than a year after the entry into force of the Association Agreement, Morocco complained of a 7% reduction in its exports to the Community, while Spain and Israel increased their exports by 40% and 28% respectively (Ibid.).

- f. The export coverage rate for exports began to fall steadily<sup>39</sup> as diversification efforts on both products and buyers found to be unfruitful and the weight of European imports on Moroccan trade continued to grow<sup>40</sup>.

A second-generation AA was established in 1976 against that backdrop. On the basis of the premises of the Global Mediterranean Policy (GMP), which planned to extend the agreement to the financial and technical fields (as agreed upon during the negotiations of the previous agreement after Moroccan insistence). European partners negotiated three parallel and similar agreements for the three Maghreb countries (EC, 1982). Only the technical and financial assistance policy, demanded by Maghreb countries and required by the US (Calandri, 2012, page 42) would entail a significant difference with the former version.

#### 3.4.2.1 The ‘unspoken exit’ of Algeria

First and foremost, the GMP was meant to give consistency to the four types of agreements that coexisted in the Mediterranean without a coherent articulation. Such a mixture was to become even less performant after the Communitarian enlargement to Nine (Oualalou, 1982). In particular, the increasing bias towards the northeast of the Community made it essential to enhance the political and economic weight of the EEC in the Mediterranean in order to rebalance power relations. Thus, for the first time, the Mediterranean appeared as a region for the Community. This shift implied the need to define its geographical, political, legal and economic limits. To this extent, the EEC foresaw that the insertion of the British colonial legacy into the European orbit would help meeting that goal:

“While it is true that the enlargement of the Community has the effect of shifting its centre of gravity northwards, the historical links which bind Great Britain to the Mediterranean region multiply the reasons for developing a Mediterranean policy on a basis of parity and will strengthen the trend in that direction” (EP, 1973, p.38).

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<sup>39</sup> From 86.3% in 1969 to 71.1% in 1971, according to official documents managed by the EEC (Ibid.).

<sup>40</sup> “While the EEC’s share of imports is decreasing, it is strengthening its export position” (Ibid.).



The coexistence of non-preferential treaties (Yugoslavia) with preferential ones (Spain, Israel), AAs with non-European countries (Morocco, Tunisia) and AAs with European countries susceptible of accession (Greece and Turkey) had to be translated into one formula capable to embrace the peculiarities of each case. Furthermore, for the Algerian situation to be resolved, the upcoming arrangement had to add further provisions on employment, financial and technical assistance that compensated for its 'unspoken' exit from the Common Market. Besides, such treatment had to be extended to Morocco and Tunisia based on principles of affinity and non-discrimination between Maghreb countries. Thus, the idea was that the agreements entered into force "at the same date and if possible before the expiry of the agreements concluded with Morocco and Tunisia" (EP, 1973, p.24). Also, the finding that "trade between Maghreb countries and the Community has scarcely been influenced by the conclusion of AAs" and that trade between the EEC and the Maghreb would have developed less than the total foreign trade of the Community (EP, 1973) were interpreted as evidence of the need to deepen the content of the agreements. These, moreover, were presented as the only escape for Maghreb countries to overcome underdevelopment:

"In view of the intensity of the relations between the Community and the Maghreb countries, the only possibility for these countries to escape from their state of relative underdevelopment lies in an improvement and more effective regulation of their relations with the Community. It is therefore important to start studying as soon as possible the ways and means of a general approach to relations with the Maghreb countries. In order to promote regional cooperation among the African countries, and the economic development of the countries of North Africa, it will be necessary to open, so far as possible, global and simultaneous negotiations with the three countries" (EP, 1973, p. 55).

However, it was noted that, given the "affinities" between the Northern and Southern shores of the Mediterranean, it was "particularly desirable to ensure, in the sphere of common regional policy, that

development cooperation is not to be put into practice at the expense of certain groups of the population” (EP, 1973, p. 55).

On the basis of those premises, negotiations between the Commission and the three countries began in July and October 1973, continued in autumn 1974 and April 1975, and were eventually completed in January 1976. The agreements entered into force on November 1, 1978, with unlimited duration but subject to periodical reviews. However, in view of the requests by Spain and Portugal to join the EEC, it was chosen to wait for the conclusion of such negotiations to re-examine the agreements within the new context.

In general, the texts of the agreements established a liberal exchange scheme in relation to industrial products (already recognized in the previous agreements), although with quantitative restrictions in the case of textiles that were to be temporary, as well as in cork and petroleum products (abolished in 1979). However, most of the industrial products imported into the EEC from the Maghreb remained linked to the primary sector. Furthermore, in the case of the textile industry, of great importance both in Morocco and Tunisia, they were asked to “voluntarily” restrict some of their exports to the EEC due to the Community crisis in the sector since 1978. An exception to this was textile exchanges belonging to intra-industrial trade and, therefore, to European companies with delocalised activities in those countries, for which such restrictions did not apply (EC, 1982, p. 19).

Notwithstanding, according to Najib Akasbi (2015), despite the extension of the range of products under preferential regime, access to those being “important for Morocco and sensitive for Europe (like tomatoes, potatoes, oranges, tangerines, etc.) was kept under restrictive conditions: entry prices, quotas, calendars” (Akasbi, 2015, p.44). This, according to him, shows a transformation in the modes of protection rather than a true step towards liberalisation.

### **3.4.3 The Mediterranean enlargement and the Maghreb ‘sub-region’**

If there is an outstanding moment of the Moroccan bid for regionalism, it happened in the 1980s. As previously mentioned, *open regionalism* spread in that decade, and few countries in the world remained careless about it. For its part, in the span of a decade, Morocco left the OAU, asked for European membership, joined the GATT and

participated in the establishment of the AMU. The latter is particularly interesting because the state of intra-Maghreb relations in the early 1980s hardly allowed to predict that such would be the decade of regional integration in the area. Finally, the creation of the AMU arose parallel to the process of European *mediterraneisation*, which provided the Common Market with most of the agricultural products that Maghreb countries used to export hitherto.

In the 1980s, the confluence of the CAP with the Mediterranean enlargement of the EEC had a great impact on Euro-Maghreb relations: the extension to twelve members after the accession of Greece, Portugal and Spain turned the EEC self-sufficient or even created surpluses in a good number of products until then acquired in Morocco, Algeria and Tunisia (Guth and Aeikens, 1980). In this respect, while the EEC's Mediterranean policy continued to preach the trade liberalisation as a key to development and shared prosperity in the southern basin, the entry of three Mediterranean economies into the protectionist framework of the European agricultural policy hindered the possibilities of North African partners to exploit their comparative advantage in the sector (Akesbi, 2016). Besides, this situation and its political consequences were not restricted to primary products, since also the preferences granted to industrial sectors would decay as a result of the adhesion. Indeed, not only preferential access to the Community market for industrial products had a limited impact given the low level of industrialisation of some of the beneficiary countries (Guth and Aeikens, 1980), but it also led the Community to abandon certain projects and proposals that it had previously promoted around the Mediterranean. In an analysis previous to the enlargement, Guth and Aeikens (1980, p. 9) noted:

“There are certain Mediterranean countries in particular whose industrial trade interests will be affected as industrial products (chemicals, machinery and transport equipment, manufactured goods). (...) Where the steel industry is concerned Spain's accession will further increase overcapacity in the EEC and endanger Algeria's and Egypt's plans to step up steel production for export (...). More problems may also be caused by the fact that there are plans in some Mediterranean countries (Algeria, Egypt, Jordan, Morocco, Tunisia), as well as in the applicant countries, to

set up a fertilizer industry or expand the existing one. The most serious effects will be felt in the textiles, clothing and footwear industries. The structural problems in these sectors in the Nine will be aggravated considerably by enlargement. Since these industries are very important for the overall economy of the applicant countries as well, efforts will be stepped up to make market access more difficult for non-member countries.”

Morocco faced the transition in a context of deep economic and financial restructuring as a result of a sharp increase of the external debt in the first years of the decade (Benlahcen, 1991, p. 116), which added up to its dependence on the European market. To this extent, the application of the SAPs under the IMF and WB not only required a vast restructuring of the domestic economy and a drastic reduction of the expansive policies implemented until then. It also required substantial liberalisation of exchanges with the aim to improve prices according to the orthodox logic of international trade (Benlahcen, 1991, p. 130). According to this, growth would be achieved through a process of export expansion accompanied by parallel efforts to reduce imports. Taking into account that the integration of the three central Maghreb economies in the European market remained at similar levels to those of the colonial period (Sid Ahmed, 1993), the margin of manoeuvre to reduce or renegotiate such conditions appeared rather limited.

Against this background, the transformations in European Mediterranean policies following the expansion could be summarised in two major milestones:

- the first had to do with the modification of the Cooperation Agreements of 1976 and with the special role of Fishery agreements in it;
- the second, with the need for the EEC to articulate a new approach to Mediterranean policies.

Therefore, around 1988, the agreements linking Morocco and the European Community had undergone remarkable changes that, in general, translated into fewer margins of market and more financial cooperation. Within this framework, the EEC provided economic and

technical assistance to Mediterranean countries to support the reforms adopted in the framework of the SAPs. Financial and technical cooperation were also applied to the Fishery agreements whereby Spain extended to the Community the preferences it had inherited from colonial times (Holgado and Ostos, 2002).

In any case, both the reconfiguration of the Mediterranean market and the economic circumstances in which it took place made it necessary to accomplish an exhaustive review of the GMP (Sánchez, 2003). In a context marked by the adjustment and liberalisation policies in the three Maghreb economies, together with the growing weight of the intra-Community market and the significant geopolitical changes on the Eastern flank of Europe, the existing framework seemed limited. From the end of the decade, a new package of policies would be explored to support economic reforms, promote private investment and enhance access to the Community market (Sánchez, 2003).

In the 1990s, Euro-Maghreb relations would definitively dilute within the wider scope of the Mediterranean framework. This trend was reinforced by the closure *sine die* of the Moroccan-Algerian border in 1994. Conforming to this tendency, Morocco deployed an extensive program of domestic and external measures that would boost its role as a valuable interlocutor in North-South relations (Dkhissi, 2015; Akesbi, 2017). On the one hand, a vast programme of privatisations accompanied the abrogation of the 'Moroccanisation' Act<sup>41</sup> (1993), the implementation of a new Investment Code (1995) complying with international standards and a number of monetary and financial reforms (El Aoufi et al., 2005; Achy, 2013; Berrada, 2016; El Mataoui, 2017; Oubenal and Zeroual, 2017). On the other hand, trade liberalisation with the EU continued through the signature of an AA in 1996 whose main red lines regarded

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<sup>41</sup> The institutional Moroccanisation of 1973 had been approved with the aim to enable Moroccan citizens to recover part of the national assets owned by foreigners since the colonial period. The final goal was to spur development through investment and a more equitable redistribution of income. However, its results remained limited. Contrary to expectations, foreign capital kept important interests in the secondary and tertiary sectors, while high-level positions of Administration and large indigenous capital seized most of the gains on the national side (Berrada, 1998). More precisely, the effects of Moroccanisation on foreign capital were only significant for small individual capitalists established in Morocco. French groups could sell part of the shares of their subsidiaries to nationals. Henceforth, not only their financial risks decreased, but they could also benefit from significant liquid resources and secure their presence in Morocco (El Aoufi, 1990). As a result, a renewed alliance between foreign and indigenous capital favoured the former status quo between Morocco and Europe.

the limits imposed by the CAP (Akesbi, 2015). After the entering into force of the AA in 2000, Moroccan international exchanges experimented a progressive increase until the crisis of 2008. After overcoming the shock, growth resumed with certain vigour.

### **3.4.4 The Euro-Mediterranean Association and the quest for ‘shared prosperity’**

The new framework of Euro-Mediterranean relations must be understood against a backdrop of deep transformations. The need to modify the cooperation agreements with riparian countries from the South after the enlargement towards the Mediterranean became more urgent with the endorsement of the Maastricht Treaty (Hamdouni, 1992). Furthermore, the fall of the Berlin Wall compelled the Community to reshape its relations with its Eastern neighbours. The confluence of such events would profoundly transform the morphology of European borders and would increase the importance of regional foreign policy.

The Lisbon Declaration of the European Council in 1992 sought to convince the European Community not to disregard the Maghreb, whose stability, prosperity and integration appeared as priorities for European partners (Echeverría, 1995, p.53). However, in spite of the gestures deployed in support of Maghreb Union, the structure of exchanges would make it clear once again that the EU would not abandon its traditional bilateral and asymmetric region-country approach. In addition, Mauritania and Libya were never taken into consideration as part of the same block (1995, p.55). In any case, the EU would launch from 1992 a “Mediterranean-renewed policy” based on the Euro-Mediterranean approach proposed in Lisbon (Hibou and Martínez, 1998; Frikha, 2002) and endorsed by the European Council in the meetings of Essen (1994) and Cannes (1995) (Frikha, 2002).

As previously mentioned, bilateral relations would be governed by a new generation of AAs. Nonetheless, their economic provisions were limited to following the lines already promoted by the Bretton Woods institutions within the frame of SAPs (Hibou, Martinez, 1998). In its multilateral dimension, in November 1995, the Euro-Mediterranean Conference of Barcelona released a Declaration establishing the Euro-Mediterranean Partnership, “by providing a multilateral framework that complements the bilateral relations based on the AAs” (Pace, 2006;

Remiro and Martínez, 2012). Formally inspired by the Conference for Security and Cooperation in Europe (CSCE), the Barcelona Declaration endorsed commitments in three areas:

- A political and security component aiming to create a common space of peace and stability that respects human rights and democratic principles
- An economic and financial component, with the gradual establishment of a free trade zone by 2010
- A social, cultural and human component aimed at developing human resources and foster understanding between cultures and exchanges between civil societies

The other major novelty was the progressive transition and adaptation of partner countries to the European regulatory framework, summarised by the concept of *acquis communautaire*. According to this, Mediterranean countries were to get closer to the norms of the Community Law under the justification of the search for a progressive compliance with international standards. Frikha (2002) interprets the progressive adoption of Communitarian rules in the Euro-Mediterranean area as a sort of “pre-adherence to globalisation”, whereby the procedures launched by the EU in the Mediterranean basin would lead to a Free Trade Zone inspired by the model of the Common Market and in accordance with the system regulated by the WTO.

On a different note, the prevalence of North-South relations in the Maghreb was reinforced by the launch of the US initiative *Eisenstadt* in the late 1990s to promote the integration of Maghreb via foreign investment and the expansion of the domestic market (Migdalovitz, 2011). Without going further in the details of its subsequent failure, it is interesting to see how the Maghreb became an international political subject without any actor behind to play such role. The concept of Maghreb was institutionalised as a geopolitical space opposed to the Middle East and distinct from the rest of Africa. Nonetheless, it seems from the gap between economic figures and political significance that its main characteristic lays in not existing as such or having failed in the attempt (Lamrani, 2013).

Be it as it may, more than twenty years after the outset of the Barcelona Process, the limited extent of its achievements (De Ville and Reynaert, 2010) has not blurred the image of this framework as a major

turning point in Mediterranean affairs. Although the Euromed Association was not an unprecedented initiative and would not attain any of its main goals, its establishment remains as the cornerstone of North-South dialogue and integration in the Mediterranean. In this regard, the most powerful asset of this framework seems to be its capability to prevail over time and reality as a promise of “stability and shared prosperity”, as stated by the Barcelona declaration.

The binding nature of regional imbalances explains well the comprehensive breadth of the European approach since the Barcelona Declaration (1995). As already addressed, security and economic concerns in the south spurred northern actors to protect their economic interests and to expel any risk of expansion (Bicchi, 2007; Cebeci and Schumacher, 2017). Despite the widening scope of AAs, the idea of regionalism was progressively diverted from quantitative to qualitative issues. Accordingly, the degree of adaptation to the *acquis communautaire* became the benchmark of Mediterranean integration. According to its logic, compliance with European norms would also facilitate South-South integration in the area regarded by the *acquis*. This approach to the norms of Community law from different areas ranging from the customs nomenclature to the technical rules of intra-Community trade, under the rationale of seeking progressive conformity with international standards, reinforced the image of the EU as a normative model of regional integration (Whittman, 2011). Indeed, in addition to its objectionable contribution to South-South integration due to the various rhythms and statuses accorded to the five countries of the AMU, the other major criticism levelled at the Euro-Mediterranean region is its purely European nature (Hibou and Martínez, 1998, p. 2-3):

“So the Partnership is most of the time presented as a purely European project, concerned above all with redefining the interests of the Old Continent in a changing region: redefining economic relations with one of its peripheries, creating a common foreign policy and attempting to preserve a backyard against a more dynamic American policy in the region. Moreover, Europe is inventing a new diplomacy, trying not to create a break with its tradition of openness towards the countries of the South or with regard to national traditions of cooperation. It is in



this context that some have seen the Partnership as a neo-colonial project, while others perceive it as a rebalancing in European construction and foreign policy.”

For the signatories of the Southern Mediterranean, some authors point out that the interest of the agreement lies in the maintenance and legal protection of the *status quo*. According to Hibou and Martínez (1998, p. 8):

“As in the past, aid, debt and cooperation can be part of a process of empowering governments in relation to their social bases: thanks to these levers of action, the ruling elites can, to a certain extent, do without popular support and try to strengthen their means of action in the face of actors who might want to emancipate themselves.”

### **3.4.5 From the Euro-Mediterranean Region to the Southern Neighbourhood of the EU**

Since the beginning of the 2000s, growing Communitarian unease about migrations (Benantar, 2013) and security (Neuvonen, 2015) would enhance Moroccan means for negotiation and consolidate its prior status in Euro-Mediterranean policies (Belguendouz, 2005; Jaidi and Martín, 2010; Remiro and Martínez, 2012). Mohamed VI would exploit this trend since 1999 by enacting a foreign approach based on what Irene Fernández-Molina (2016) defines as a “(neoliberal) economic and pragmatic thrust”, relying on the concept of ‘economic diplomacy’ and upholding its privileged relationship with the EU. Helped by its geographical position, the Moroccan international approach has increasingly lied on a strategic use of micro-, meso- and macro-economic agreements whose scope overcomes the straightforward logic of trade liberalisation and growth.

At the same time, the enlargement to the EU-24 (2004), which pushed the Community borders towards the East, triggered further transformations in the Euro-Mediterranean area. Growing concerns about

excessive expansion stimulated an internal debate on the convenience of reformulating EU's approach to new neighbours with no prospect of accession. The ENP was hence drafted for the new border countries of the East, but was then applied also to SMCs. French advocacy of the Mediterranean interests in opposition to Atlantic Europe culminated in its extension to all the surrounding countries. As the then President of the Commission Romano Prodi put it, the idea was to create around the new European orbit a "ring of friends", whose status was placed somewhere beyond Association, but remaining away from membership (Gänzle, 2007). In fact, the first proposal addressed the possibility of achieving a level of integration and liberalisation comprising the four freedoms, i.e. free movement of "people, goods, services and capitals" (Gstöhl, 2008).

The ENP was appeared as a global cross-border approach whose core lied in a bilateral and differentiated application according to the specificities of the partner country (Del Sarto and Schumacher, 2005; Nidhi, 2009). Thus, the general umbrella of the ENP would serve to negotiate with each neighbouring country the degree to which it accepted to harmonise its political and economic relations with the *acquis communautaire*. As membership was not foreseen as a reward for the regulatory effort, this would come through financial cooperation and improved access to the Community market. In this manner, the neighbourhood policy became a global instrument directed to three different sets of countries united by the common feature of lacking a perspective of adhesion:

- the true new neighbours that started to share borders with the EU after the enlargement;
- the old neighbours from the Mediterranean basin, for whom membership is not an option *a priori* as for they are not European States;
- and the Caucasus (Armenia, Azerbaijan and Georgia), without common borders with the Union.

Nevertheless, since Mediterranean relations were already governed by a regional framework, some clarification was needed in that respect. To this end, in the communication outlined by the EC in 2003, it stressed the Communitarian duty to "promote regional and subregional cooperation and integration, as necessary conditions for political stability, economic development and the reduction of poverty and social

divisions in its common environment” (EC, 2003, p.3), mainly in reference to the SMCs. Indeed, the communication asserted that the “big difference” between the southern and eastern borders of the EU lied in the “existence, in the Mediterranean region, of an explicit regional dimension that calls for the development of initiatives and interregional cooperation in a wide variety of sectors” (EC, 2003, p. 9). Thus, regardless of the apparent contradictions between bilateral-differentiated principles and regional goals, the EC asserted: “intensification of regional and subregional cooperation and integration between the southern Mediterranean countries will be strongly encouraged within the framework of the new ENP” (p.10).

Within this framework, Morocco would become the “privileged neighbour” in EU southern border. Together with Ukraine in the East, it remains the country that benefits from more funds in the neighbourhood<sup>42</sup>. Also, in response to its compliance with EU rules and will to deepen its relationship with the Community, Morocco would be rewarded with a *Statut Avancé* (EEAS, 2008) in 2007. This document, emanating from the “more for more” principle of the ENP, was not a binding agreement but a sort of declaration of intent addressing a roadmap to strengthen bilateral relations. Among the declared goals, the preparation of a Comprehensive and Deep Free Trade Agreement (CDFTA) was foreseen with both countries. The main ambitions of this arrangement concerned the facilitation of the establishment of enterprises in the area and further provisions in terms of investment, service liberalisation and improved mobility for certain groups of professionals. However, the complex economic and political circumstances that would rise up in the years to come, let alone the inherent complexities of the negotiations, would bring talks to a stalemate both in Morocco and Tunisia.

To add up to the overlapping regional initiatives in the Mediterranean, in the 2007 French presidential campaign, Nicolas Sarkozy promoted the creation of a Mediterranean Union with more specific objectives in areas of common interest. According to him, the dubious achievements of the Euro-Mediterranean Association were to be overcome through a narrower regional scope. He suggested that Portugal,

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<sup>42</sup> <https://epthinktank.eu/2016/11/22/how-the-eu-budget-is-spent-european-neighbourhood-instrument/>

Spain, Italy, Greece and Cyprus formed an entity that would work closely with the EU and develop common institutions (Remiro and Martínez, 2012; Hoekman, 2016). The Mediterranean formula caused distrust in the Community and open rejection from several Member States, who criticised the “deficit of Europeanism” (Remiro and Martínez, 2012, p. 162). On the other hand, Southern Mediterranean countries appeared to show little enthusiasm. Moreover, Turkey clearly opposed it in response to French reluctance to Turkish accession to the EU. In this state of affairs, the proposal was re-adapted to make it “digestible for all” (Remiro and Martínez, 2012, p. 161). In March 2008, the European Council approved in Paris “the principle of the UfM”, which included all the Member States and the Mediterranean countries not belonging to the EU. On the scope, goals and evolution of the UfM in its first years of existence, Albinyana (2017) affirms:

“The UfM was born as a balloon that had lost its air, amidst a pompous Summit of Heads of State and Government in Paris, the only one so far that has gathered all 43 Euro-Mediterranean countries. Indeed, the headlines that (former French President) Sarkozy’s project managed to grab were transformed by the politics and diplomacy of negotiations into a downsized project of much lesser impact and tainted with a strong flavour of intergovernmentalism. The previous Barcelona Process had been underpinned by a set of principles regarding human rights, good governance and international law that had been subscribed by all the parties involved. In contrast, the UfM abandoned the pursuit of political and legal reforms in the region, which mirror the EU’s mission, and instead is focused on the political dialogue among “equal” partners and on the implementation of concrete projects. The latter appears to be in line with classical functionalist thinking: the belief that flexible and transnational institutions with clear practical functions can ameliorate international economic stagnation and security tensions.”

The events of 2011 would definitely weaken the prospects of this multilayered regional framework and forced, once again, their review and

reform (EC, 2011). However, paradoxically, sub-regional initiatives in the Maghreb came back to the fore. Indeed, the EC affirmed in 2013 that the Arab Spring had stressed “political, economic and social challenges that can only be effectively faced at the regional level” (EC, 2013) and manifested its engagement in the region by recognising the importance of supporting the integration of Maghreb countries. For the EC, regional cooperation in this area would help to solve common challenges such as instability in the Sahel region and energy security, the need to create jobs and fight against climate change (EC, 2012). In addition, it affirmed that the Maghreb sub-region could play a pilot role in the Mediterranean area, while preserving coherence with broader initiatives such as the UfM or the Mediterranean Solar Plan (EC, 2012, p. 14).

In the reviewed ENP (EC, 2015), Morocco seems to have lost its pole position among ‘good pupils’ in favour of Tunisia. Sherif and Kausch (2018, p. 22) affirm in this regard: “As the EU is engaged in soul-searching on how to approach its periphery and on its role in the world more broadly, Tunisia appears to offer a handy testing ground for decisive EU action in the neighbourhood.” The rising of Tunisia exemplary case of “democratic transition” compared to its Arab peers stimulated the EU to accompany the process through financial and political cooperation. As an illustration, Colombo and Meddeb (2018, p. 38) underscore:

“Tunisia was one of the main and most active beneficiaries of the EU’s new approach vis-à-vis civil society (European Endowment for Democracy [EED], 2018). This approach was enshrined in the EU’s vision, goals and priorities for cooperation with Civil Society Organisations (CSOs) in external relations unveiled in September 2012 (European Commission, 2012; Council of the European Union, 2012).”

In the meantime, sluggish progresses in the negotiation of the EU-Morocco DCFTA were further hampered by growing tensions regarding the legality of the current Agricultural (2012) and Fishery Agreements

(2014) on behalf of their relationship with the parts of the Sahara classified in the UN list of Non-Self-Governing Territories<sup>43</sup>.

### 3.4.5.1 Neighbours of Neighbours: the diversification of Moroccan economic diplomacy

In the same period, Morocco signed a number of North-South and South-South bilateral and regional agreements in an effort to diversify its partners and exchanges. Concerning bilateral integration, FTAs with the United Arab Emirates, Turkey and the US came into effect between 2003 and 2006. According to Fernández-Molina (2016), the latter responds to a pattern of triangular games whereby Morocco tries to balance its foreign relations with Northern hegemons, namely the US and the EU. Following this argument, the causality of integration is not to be circumscribed exclusively to economic reasons.

Regarding South-South arrangements, the initiative that raised more expectations was the Agadir Agreement. Sanctioned in 2004 by Morocco, Tunisia, Egypt and Jordan, it was open to Arab Mediterranean countries bound to the EU through an Association or an FTA. The ultimate goal was the establishment of a Mediterranean Free Trade Area (MAFTA) that coalesced with the guidelines of the Great Arab Free Trade Area (GAFTA) signed in 1997. However, its provisions regarding the Pan-Euro-Mediterranean system of Rules of Origin (RoO), following

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<sup>43</sup> On 21st December 2016, the European Court of Justice (ECJ) stated that the “Liberalisation Agreement must, however, be interpreted, in accordance with the relevant rules of international law applicable to relations between the European Union and the Kingdom of Morocco, as meaning that it does not apply to the territory of Western Sahara”. (ECJ, Case C-104/16 P, art. 132)

Later, on the 27th February 2018, the ECJ ruled in case C-266/16 that “the EU-Morocco Fisheries Agreement is valid, for not applying to the waters of Western Sahara.” It implies that the agreement remains valid, but in the new protocol (the Agreement has to be renewed in July 2018), in order to comply with the ECJ verdict, the Commission has to explicitly exclude Western Sahara from the territorial scope of the agreement. The ECJ invalidated the agricultural agreement because it was applied to Western Sahara and hence did not comply with international law, in particular with the principle of the relative effect of treaties (Vienna Convention) and the principle of self-determination. One year later, the same Court asked for an explicit exclusion of the disputed territory from the fishery agreement, since the EU cannot recognise Moroccan sovereignty over Western Sahara adjacent waters. Since then, EU-Moroccan relations are at stake. Despite the ongoing negotiations, the economic diplomacy of both actors is struggling to find a compromise between the Moroccan political lines and EU law.

the European *acquis communautaire*, spanned doubts about their compatibility (Zorob, 2008). This case will be explored in detail in the following chapter.

In the last years, the turbulence concerning Agricultural (2012) and Fishery agreements (2014) and the shift of Moroccan political discourse and economic diplomacy towards Africa give good account of the importance of trade as an instrument of foreign policy (Hoekman, 2016). On this matter, it is necessary to emphasise the growing role of Morocco as a player of economic diplomacy (Fernández-Molina, 2016): in its relations with EU, Morocco has more than capitalised on EU's migratory concerns and 'externalisation' of borders (Zaragoza, 2016). On the other hand, regarding South-South initiatives, it has started an ambitious process of political reintegration in the African continent preceded by a series of strategic economic agreements. In particular, in the occurrence of the Moroccan return to the African Union (AU)<sup>44</sup> on the 31st January 2017, Mohamed VI underscored in his speech the extent of its achievements:

“Since 2000, Morocco has signed nearly a thousand agreements with African countries, in various fields of cooperation. By way of comparison, do you know that between 1956 and 1999, 515 agreements were signed, whereas 949 agreements have been signed since 2000 - in other words, almost twice as many! During this period I, personally, was keen to give fresh impetus to this action, by making more visits to various African sub-regions. On each of the 46 visits I paid to 25 African countries, numerous agreements were signed involving the public as well as the private sector. My action has been particularly geared towards the field of training, which is at the heart of my country's cooperation with sister nations. This has enabled a number of African students to continue their higher

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<sup>44</sup> Former OUA until 2002. The Sirte Declaration of 9 September 1999 defines the institutional transition from the OUA to the AU, which was officially established on 9 July 2002 in Durban. All African states are members, except Morocco. On the one hand, Algeria denied the Moroccan return to the Organisation and pointed out that Morocco joined a new institution. On the other hand, Morocco noted that the Constitutive Treaty of the AU makes explicit reference to the OAU, which celebrated its 50th anniversary in Addis-Ababa in 2013, and whose accounting records still listed Moroccan unpaid quota.

education in Morocco, thanks to the thousands of scholarships given to them.”

Certainly, the return of Morocco was preceded by an intense series of diplomatic visits and economic agreements that helped the Alawite kingdom attract the favours of a good number of countries and overcome the hostilities of others historically aligned with Algerian positions in the Sahara dispute. To this extent, special mention deserve the agreements made with Nigeria and the demand for accession to the Economic Community of West African States (ECOWAS), as they would both entail a sort of isolation of Algeria through the tightening of physical and commercial ties between Morocco and West Africa. Having ratified the death of the AMU during the King's official speech during the African Summit, Morocco requested its admission to the ECOWAS less than one month later. A strong emphasis on its African roots, features and plans has since then seized growing aspects of Moroccan public and private affairs.

Although the dynamism shown by Moroccan exports towards the region confirm the potential gains of this request<sup>45</sup>, Moroccan belonging to the Euro-Mediterranean area raised concerns about its accession among Members of the region. On the one hand, a preliminary report released at the Abuja Summit on the 16th December 2017 warned about potential collisions among the different regional frameworks in which Morocco takes part. On the other hand, a number of private actors in countries like Nigeria (the biggest market in the region) have expressed their opposition to Moroccan accession by arguing the threat posed by its relationship with the EU. According to their view, through the intermediation of Morocco, EU countries might be able to advantageously introduce its products in the area. Regardless of the outcomes of such affaire, it appears that in the multifold analysis of the interactions between North-South and South-South frameworks undergone by Morocco, the presence of the EU is never a negligible one. However, to what extent do IEOs take these factors into account?

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<sup>45</sup> Data on this subject will be elaborated in the following chapter.



### 3.5 THE ANALYSES OF INTERNATIONAL ORGANISATIONS ABOUT MOROCCAN INTEGRATION

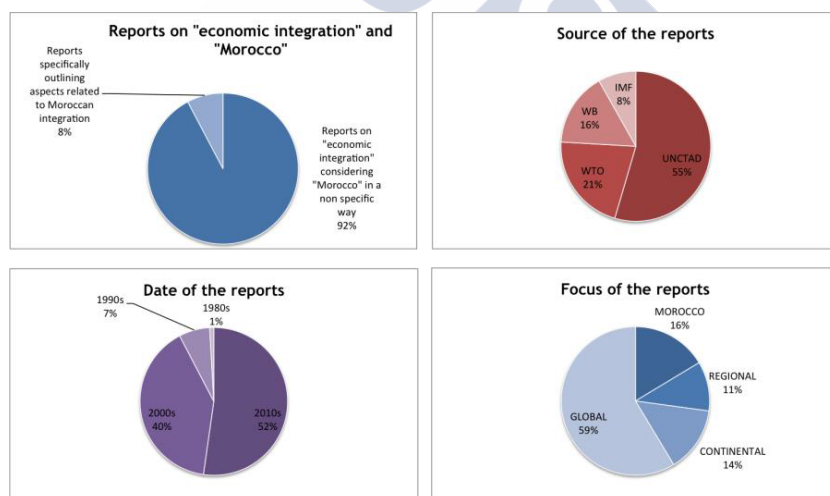
Beyond the theoretical axioms and empirical contributions that constitute the economic fundamentals of integration, regional cooperation schemes are, fundamentally, legal arrangements emanating from political decisions. It is for this reason that Chapter 1 and Chapter 2 pay great attention to the role of IEOs in regulating their characteristics, their limits and, in general, the agenda governing economic regions. In this vein, this section analyses how economic theories and geopolitical aspects interact in the discourse of these institutions. In the case of Morocco, in order to analyse the contribution of IEOs to its path of integration described above, the written contributions that these institutions have released on “economic integration” of Morocco has been explored during six months of this research. Although our work focuses particularly on regional processes, the choice of a broader range of integration options (which can also be bilateral or multilateral) was justified by the need to go deeply into the aspects related to the agenda-setting impact of such institutions. For the scope of this thesis, it is key to seize role they attach to regional integration according to the context and the aspects that they underline. Therefore, this enquiry was developed as follows:

In the repositories of documents published by WTO, UNCTAD, WB and IMF on their web pages, a search was conducted that contained the key words “economic integration” and “Morocco”. With more than 3,000 search results reviewed, those that specifically outlined selected aspects related to Moroccan integration were chosen, ruling out those where Morocco is simply quoted in lists of countries or as part of sets in which its role is not specified. Once this first screening was made, the 232 resulting documents were ordered chronologically, from 1983 to 2017, identifying them according to the following criteria (**See Annex 2**):

- Institution from which they emanate
- Title of the document
- Theme (keywords in Annex 2)
- Integration framework (N-S, S-S, bilateral, multilateral)
- Specific content about Morocco.

Of the 232 documents, 116 were published in the current decade, while 89 of them belong to the years 2000, 15 to the 1990s, and only two documents from UNCTAD date from the 1980s. It is worth noticing that this asymmetry might be related, above all, to the choice of the source. Being repositories of digital or digitised documents, the case might be that the documents released before the date of their creation have not been uploaded on a systematic manner. Regarding authorship, 120 were released by the UNCTAD, 47 by WTO, 35 by the WB and 18 by the IMF. In this case, it would be the relevance of trade for each IEO (addressed more directly by the UNCTAD and the WTO) what explains the different weight of each institution in the material collected. The 12 remaining documents were published jointly, by two or more of the institutions analysed.

Figure 3.1 Distribution of the research material



Source: own elaboration with IEOs' reports.

From this first classification, these documents were identified according to their major topics and regrouped in four big sets:

- i. **Analysis:** those that focus on the evaluation and characterisation of quantifiable and comparable aspects

related to regional and multilateral processes in which Morocco participates. This type includes, therefore, the documents that examine the figures of a particular phenomenon such as commerce, growth or FDI.

- ii. **Monitoring:** those that evaluate the implementation of domestic policies or integration programs promoted and/or financed by the institutions themselves. In these, more than characterising certain aspects of the Moroccan economy or its integration, their objective would be to evaluate the solutions applied by public and private institutions to specific issues related to integration.
- iii. **Recommendation:** those that propose measures or lines of action aimed at improving specific aspects of Moroccan integration, either from the point of view of regulation (changes in domestic economic policies, in the financial sector, etc.) or from a broader perspective by suggesting strategic options for medium or long-term development.
- iv. **Promotion:** those whose main objective is to present and promote actions, measures or strategies that such institution has designed or which it considers beneficial for the economic development of one or more countries. Unlike recommendations, directed to a particular case, these proposals have a more general scope.

Nonetheless, in most cases a single function does not predominate. On the contrary, it happens usually that descriptive contributions go accompanied of prescriptive conclusions. In this regard, as will be further explained in detail, the dominant pattern throughout the reports is the presence the following links:

- regulatory goals are often manifested through analysis and monitoring
- legitimation goals are pursued through recommendation and promotion

In addition, it was also observed that, although each IEO appears to resort more often to one or some of these patterns, an underlying shared

approach can be grasped in cross-sectional diagnoses and complementary recipes over the decades.

Besides, in each of these classifications, documents that adopt an “holistic” contribution to the insertion of Morocco in its regional and global environment, were distinguished from those that propose a ‘sectorial’ insight, concentrated on some specific aspects related to Moroccan international integration or to the national economy. Also, documents that focus exclusively on Morocco (alluding to the country in the same title of the communication), are distinguished from those that focus on some of the regional or geographic sets where it takes part, and from those that adopt a more general approach. These last ones turned out to be the most numerous, while only 38 documents were specifically concentrated on Morocco, 25 in the areas where it belongs (Middle East and North Africa (MENA), Mediterranean, Maghreb...) and other 33 refer to the continental geographical area. This division allowed us to understand how the roles of international institutions discussed previously in this work are displayed in the specific case the Moroccan path of integration.

In sum, the exploration of this material in the following sections aims to seize the interactions between the economic fundamentals of the institutional discourse, on the one hand, and the Moroccan options and choices in the field of economic integration, on the other hand. For this, we will start from the relationship between the two main axes that articulate most of the classification (descriptive and prescriptive) with two temporal axes (present and future), together with the functions linked to them (regulation and legitimation).

### **3.5.1 Analysis and monitoring in the explanation of crosscutting features**

Although the Moroccan path of integration has expanded in different directions during the last thirty years, the approaches of IEOs focus on the analysis and monitoring of three non-exclusive schemes whose functioning is articulated through the tenets of *open regionalism*:

- South-South cooperation, with special interest in the construction of a Pan-African area,
- The integration of the Maghreb and Arab markets,

- The inclusion of these in the Euro-Mediterranean framework.

Thus, in practice, all the communications endorse the principle of ‘second best’ and regional integration is understood as a springboard towards global commerce. In this regard, South-South cooperation frameworks are proposed as an essential step in preparing developing countries towards North-South integration. However, each one of these schemes is treated with a different focus depending on the goals to be pursued and the prevailing context.

In a first approach to the contents, methodologies and purposes of those analyses, we notice the different perspective from which the various integration schemes of Morocco are approached. In this respect, its insertion in the Euro-Mediterranean context is analysed differently from its participation in South-South cooperation schemes and, more specifically, in the Arab and Maghreb areas. In the first case, priority is given to studies that monitor the effects of the AAs signed following the Barcelona Process or the implementation of specific measures such as the system of RoO. In the second, despite the fact that such regional areas are also established on the basis of integration agreements, they prioritise the analysis of the ‘physical’ characteristics of such regions and forecast the room for reinforcement of intra-regional cooperation rather than monitoring the existing arrangements.

Taken as a whole, the underlying premise behind these contributions is that overcoming the low level of South-South integration would contribute to making better use of the North-South Euro-Mediterranean regional framework. Special mention should be made of the study of the Agadir Agreement signed in 2004 between Egypt, Jordan, Morocco and Tunisia. Despite being a South-South agreement, it is part of the project to create a Euro-Mediterranean FTA along the lines of the *acquis communautaire*. Consistent with this logic, the studies on its effects also followed mostly the monitoring discourse that is usual for studies on the Euro-Mediterranean area.

Regarding broader South-South integration schemes with a continental perspective, the nature of the analyses, mainly led by UNCTAD, has changed in recent decades following the evolution of international trade. Thus, in the 1990s, their contributions were mainly linked to monitoring intra-and inter-regional trade and investment flows. However, the last two decades have seen a rise in the promotion by the

UNCTAD of a FTA among the different regions of the continent to facilitate the insertion in GVCs and the achievement of the Millennium Development Goals (MDGs). This appears to conform to the growing delocalisation of sectors like services or transports after their liberalisation under the GATS, as well as to the growing role of logistics in the agenda of international trade.

Among the studies that aimed at evaluating the processes of regional integration where Morocco participates, there is also a mounting interest in certain features of South-South regionalism regardless of their poor performance along the years. In this regard, the integration of Maghreb did not acquire relevance in the agenda of IEOs until fifteen years after its founding agreement was ratified. Furthermore, in most cases, the assertion of the failure of integration came along with estimates of its costs and potentialities. Contrary to this pattern, the application of the Agadir Agreement underwent a continuous and detailed monitoring from the first years of its implementation.

In the next page, **Table 1** synthesises the evolving contribution of IOs in this respect. It classifies by decades the main topics and types of assessment chosen for the treatment of the subject, focusing not only on the centre of the analysis but also on the way it is presented. To this extent, the function of agenda setting underlined by authors such as Kahler (1995), Avant et al. (2010) or Amin (2014b) is apparent in the growing presence of a region whose main characteristic is not to be integrated. In the reports of these institutions, Maghreb became anew the subject of regular studies after fifteen years of existence, but only to become an example of a non-integrated region whose nonexistence is affirmed to be both full of potential and cost generator.

Regarding the role of such approaches, it can be seen that the choice of monitoring roles (MN) (Grabel, 1999; Martins, 2008) and analysis roles (AN) is not neutral. The *ex-ante* analyses and the focus on the 'objective' characteristics of the analysed area predominate in approaches to South-South integration, and especially in the case of Maghreb. On the contrary, in the works on the Euro-Mediterranean region, the monitoring of implemented policies is privileged, with much less emphasis on the characteristics of economic relations prior to the integration agreement. Both Euro-Mediterranean and Maghreb schemes follow longstanding relationships and are related to a 'natural neighbourhood' that then

derived in RIAs that, by the way, are not too distant in time. However, whereas Maghreb integration appears as a failed attempt and desirable project, the Euro-Mediterranean is presented as a scheme whose relative success depends on the achievement of the first.



Table 3. 1. Approaches, methodologies and variables used by IEOs

INTEGRATION	SUBJECT	TYPE		APPROACH		VARIABLES		CONCLUSIONS	REFS.	
		AN	MN	Ex ante	Ex post					
1990	Euromed		X	-		Analysis of relevant economic figures	GDP growth/Trade flows Evolution by sector (agriculture, services)	Reforms are needed in Mediterranean countries in order to gain more from integration	IMF (1998)	
	Maghreb		X	X		Analysis of relevant economic figures - Gravity Models	Trade integration - GDP growth - Per Capita GDP - Market size - Policy Reform Index - FDI flows - Financial flows - Output volatility and financial depth - Service Liberalisation	Big market but low trade integration and ambiguous potential Poor exploitation of Euromed and global integration Insufficient policy reforms Weak private and financial sectors	IMF (2005) WB (2006) IMF (2007) IMF (2007b) IMF (2007c)	
2000	Euromed		X			CGE models	Trade flows - Per Capita GDP growth - Inflation - Socio-economic figures (unemployment, purchase power) - FDI	Although trade liberalisation and financial support to Southern countries increased, few advances were made on trade growth, FDI and convergence (slight increase in income GAPS)	IMF (2006b)	
	S-S (Africa)		X			Estimates about relevant economic figures	Trade volume and flows Investment volume and flows	Poor infrastructure Small share of intra-african foreign direct investment (FDI) due to the low level of income, lack of adequate transport and communication infrastructure, limited skilled labour and weak economic links and contacts among investors	UNCTAD (2009)	
2010	Maghreb		X			Gravity model CGE Model Trade, financial and tariff estimates Trade Analysis and Information System	Trade, tariff barriers and GDP evolution Infrastructure assessment Potential and flows of FDI	Low intra-Maghreb trade (less than 2% of regional GDP) and less than 3% of Maghreb trade High tariff and non tariff barriers, poorly integrated infrastructures High potential of electricity market, service trade, finance, transport, logistics, TTC	WB (2010) IMF (2013)	
	MENA		X			Estimates about cost of limited integration	Analysis of MENA's output traded	MENA's output traded increased from 54% to 79% between 1995 and 2007 Maghreb: the least integrated area in a poorly integrated region Cost of limited Arab integration: 1.2% GDP growth	WB (2010a) WB (2012)	
2010	Euromed		X	X		-	Description of key elements and reality-check	Duty-free imports Preferential duty margins	Proliferation of Taylor-made preferential rules of origin, underutilization and tendency to use of the MFN rate when it is low No clear regulation about rules of origin under WTO	WTO (2011)
	S-S (Africa)		X			CGE model Estimates about relevant economic figures	Analysis of relevant economic figures GDP growth Trade creation-derivation S-S Trade volume and evolution S-S FDI	Morocco as one of the five main African S-S exporters within the continent and with other Southern regions, as well as one of the countries in Africa having signed more S-S Bilateral Investment Treaties Need for an ample vision of trade, investment and business facilitator	UNCTAD (2010) UNCTAD (2015) UNCTAD (2016)	



### 3.5.2 Advocacy and recommendation: complementary recipes

As mentioned above, evaluation and monitoring are often accompanied by advocacy or recommendation of measures for solving the shortcomings revealed in the assessment. In this vein, only in 43 of the documents the analytical function clearly prevails over the prescriptive function, while advocacy appears more often than recommendation. The latter arises in 35 reports, a figure that corresponds precisely to the number of documents where Morocco is the centre of analysis rather than a part of a larger study. In any case, as for evaluation, both functions are consistent with each other and with the axioms of the economic theory on which they are based.

Table 3.2. Core issues and main focus of IEOs in the analysis of Moroccan integration

IEO	MAIN SCOPE	MAIN FIELDS OF PROMOTION			MAIN REFERENCES
		1990	2000	2010	
IMF, WB, WTO, UNCTAD	Regulation of Global Economic Order	Structural adjustment and liberalisation	Trade facilitation and harmonisation with world/EU standards	Logistics, stability and integration in Global Value Chains	
IMF	Supervising financial sector	Financial sector reform	Trade and financial integration against volatility	Fiscal consolidation	(IMF, 1996a, 1996b, 2004, 2005a, 2005b, 2005c, 2005d, 2006a, 2006b, 2007a, 2007b, 2007c, 2011, 2013, 2014, 2016, 2017a, 2017b)
WB	Financing development and infrastructures	-	Tanger investment initiative Solar energy, electricity integration and regionalisation	Strengthening regional infrastructures, energy connectivity, clean resources in the Mediterranean	(WB, 2000, 2005a, 2005b, 2006a, 2006b, 2006c, 2007a, 2007b, 2009a, 2009b, 2010a, 2010b, 2010c, 2010d, 2010e, 2010f, 2010g, 2010h, 2011a, 2011b, 2011c, 2011d, 2012a, 2012b, 2013a, 2013b, 2013c, 2013d, 2014a, 2014b, 2014c, 2014d, 2015, 2016a, 2016b, 2017)
WTO	Promoting openness and multilateral Trade	Uruguay Round Open Regionalism	International Production Sharing Aid for Trade Service Liberalisation	Compliance with RoO Aid for Trade Sectorial GVCs: energy, textile industry	(WTO, 2002, 2003a, 2003b, 2003c, 2004, 2005a, 2005b, 2005c, 2006, 2007, 2008, 2009a, 2009b, 2009c, 2010, 2011a, 2011b, 2011c, 2011d, 2012b, 2013a, 2013b, 2013c, 2013d, 2013e, 2013f, 2014d, 2014e, 2014f, 2014g, 2015, 2016a, 2016b, 2016c)
UNCTAD	Adapting Southern economies to global rules	Liberalisation Compliance with Uruguay Round FDI attraction	Market access Consensus and Capacity Building Offshoring	Adjusting sectors (textile, agriculture) to GVCs, regulatory dimensions	(UNCTAD, 1998, 1999a, 1999b, 2000a, 2000b, 2000c, 2000d, 2003b, 2003c, 2003d, 2003e, 2004a, 2005a, 2005b, 2005c, 2005d, 2005e, 2005f, 2005g, 2006a, 2006b, 2006c, 2006d, 2006e, 2007a, 2007b, 2007c, 2007d, 2007f, 2007g, 2007h, 2007i, 2007j, 2007k, 2008a, 2008b, 2008c, 2008d, 2008e, 2008f, 2008g, 2008h, 2008i, 2008j, 2008k, 2008l, 2008m, 2008n, 2008o, 2008p, 2008q, 2008r, 2008s, 2008t, 2008u, 2008v, 2008w, 2008x, 2008y, 2008z, 2009a, 2009b, 2009c, 2009d, 2009e, 2009f, 2009g, 2009h, 2009i, 2009j, 2009k, 2009l, 2009m, 2009n, 2009o, 2009p, 2009q, 2009r, 2009s, 2009t, 2009u, 2009v, 2009w, 2009x, 2009y, 2009z, 2010a, 2010b, 2010c, 2010d, 2010e, 2010f, 2010g, 2010h, 2010i, 2010j, 2010k, 2010l, 2010m, 2010n, 2010o, 2010p, 2010q, 2010r, 2010s, 2010t, 2010u, 2010v, 2010w, 2010x, 2010y, 2010z, 2011a, 2011b, 2011c, 2011d, 2011e, 2011f, 2011g, 2011h, 2011i, 2011j, 2011k, 2011l, 2011m, 2011n, 2011o, 2011p, 2011q, 2011r, 2011s, 2011t, 2011u, 2011v, 2011w, 2011x, 2011y, 2011z, 2012a, 2012b, 2012c, 2012d, 2012e, 2012f, 2012g, 2012h, 2012i, 2012j, 2012k, 2012l, 2012m, 2012n, 2012o, 2012p, 2012q, 2012r, 2012s, 2012t, 2012u, 2012v, 2012w, 2012x, 2012y, 2012z, 2013a, 2013b, 2013c, 2013d, 2013e, 2013f, 2013g, 2013h, 2013i, 2013j, 2013k, 2013l, 2013m, 2013n, 2013o, 2013p, 2013q, 2013r, 2013s, 2013t, 2013u, 2013v, 2013w, 2013x, 2013y, 2013z, 2014a, 2014b, 2014c, 2014d, 2014e, 2014f, 2014g, 2014h, 2014i, 2014j, 2014k, 2014l, 2014m, 2014n, 2014o, 2014p, 2014q, 2014r, 2014s, 2014t, 2014u, 2014v, 2014w, 2014x, 2014y, 2014z, 2015a, 2015b, 2015c, 2015d, 2015e, 2015f, 2015g, 2015h, 2015i, 2015j, 2015k, 2015l, 2015m, 2015n, 2015o, 2015p, 2015q, 2015r, 2015s, 2015t, 2015u, 2015v, 2015w, 2015x, 2015y, 2015z, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f, 2016g, 2016h, 2016i, 2016j, 2016k, 2016l, 2016m, 2016n, 2016o, 2016p, 2016q, 2016r, 2016s, 2016t, 2016u, 2016v, 2016w, 2016x, 2016y, 2016z)

Source: Own elaboration based on reports from IMF, UNCTAD, WB, WTO

The table above shows the evolution, in recent decades, of the discourse and the role of each institution when tackling the Moroccan path of integration, in particular, and the characteristics of international economic relations in general. Although the scope of action varies, the core message remains linked to the regulation of North-South relations through cooperation in order to level the playing field between developing and developed countries. The underlying premise is that reducing asymmetries in market access will encourage trade, which will bring to a mutually beneficial situation through improved multilateral integration.

The advocacy function, closely linked to the notions of legitimacy and normativity mentioned by authors such as Coicaud (2002), Clark (2011), Brown (2012) and Amin (2014b), is the most predominant throughout the material analysed<sup>46</sup>. Based on the principles of open regionalism, institutions place their suggestions in an intermediate step between the economic circumstance and the counterfactual scenarios of economic theory. However, while the role of evaluation appears as a cross-cutting function of all the institutions under study, their prescriptions are often complementary. That is, there is a rather clear division between the functions of each organisation and, therefore, in the aspects where their proposals are most prominent. In particular, despite following a common line of discourse in promoting potentially beneficial measures in accordance with the logic of open regionalism, each institution encourages a specific domain, whether financial integration, an emphasis on infrastructure or improved access to international markets.

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<sup>46</sup> In 179 of the 232 documents analysed, the promotional character prevailed over the overall message or was proposed as a logical corollary to the analyses conducted.

Table 3.3. Specific issues of advocacy by IEOs

IEO	MAIN RECOMMENDATIONS	MID-TERM GOALS	MAIN REFS.	
1990	COMMON	<b>Liberalisation and public finances adjustment</b>	<b>Growth and stability</b>	
	IMF	Financial development and integration	'Integration speeds growth'	(IMF, 1996a, 1996b)
	WB	-	-	-
	WTO	Openness, strengthening private sector	'Modern economy based on free market, private property and regional integration'	(WTO, 1998, 1999)
	UNCTAD	Better competition policy, economic integration and boosting role of private sector	Openness and integration as a means to expand trade and FDI	(UNCTAD, 1992, 1997, 1998, 1999a, 1999b)
2000	COMMON	<b>Exports diversification and regulatory harmonisation</b>	<b>Growth and multilateral trade</b>	
	IMF	Harmonizing trade regulation and reducing distortions, reforming tariffs and customs, international financial integration	Trade facilitation, entrepreneurship increase and FDI attraction	(IMF, 2004, 2005a, 2005c, 2005d, 2006a, 2007b, 2007c)
	WB	Fostering MENA integration, reducing labour market rigidities, fiscal policy, more flexible exchange rate, reducing anti-export bias	Promoting growth and employment	(WB, 2005b, 2006a, 2006b, 2006c, 2007a, 2007b, 2009b)
	WTO	Reducing non-tariff measures and subsidies	Improving competition policy	(WTO 2003a, 2005a, 2005c, 2006, 2009a, 2009c)
	UNCTAD	Deepening Euromed and intra-Arab integration, open regionalism	Developed-oriented trade liberalisation in a multilateral trade system	(UNCTAD, 2003b, 2003c, 2003d, 2003e, 2004a, 2005a, 2005, 2005b, 2005c, 2005g, 2006d, 2007d, 2007f, 2007i, 2008a, 2008b, 2008e, 2009a, 2009c, 2009e, 2009i, 2009j)
2010	COMMON	<b>Deepening Euro-Mediterranean integration</b>	<b>Integration into Global Production Sharing</b>	
	IMF	Fiscal consolidation and fostering integration with AMU countries and financial integration in Africa	Reducing rigidities to spur growth and progress in MENA region	(IMF, 2013, 2014, 2016, 2017b)
	WB	Energy and transport connectivity, financial integration and cross-border facilitation	Long term green growth in Mediterranean region and global integration of Morocco	(2010a, 2010c, 2010d, 2010e, 2010f, 2010g, 2010h, 2011a, 2011b, 2011b, 2012a, 2012b, 2013b, 2013c, 2014d, 2015, 2016a, 2016b, 2017)
	WTO	Deepening South-South integration and exploitation of Rules of Origin	Redistributing industrial location in Mediterranean region	(WTO, 2011b, 2011c, 2011d, 2012b, 2013a, 2013c, 2013d, 2013e, 2013f, 2014d, 2014e, 2014f, 2015, 2016a)
	UNCTAD	Moroccan integration in world maritime network, reducing non-tariff measures and deeper regional integration	Improving links between trade, finance and development through South-South integration and GVCs	(UNCTAD, 2010a, 2010d, 2010e, 2010f, 2011a, 2011b, 2011e, 2011f, 2012f, 2013, 2013c, 2014a, 2014d, 2015b, 2015c, 2015e, 2015g, 2015i, 2015j, 2016a, 2016f, 2017b)

Source: Own elaboration based on reports from IMF, UNCTAD, WB, WTO

These recipes, which are framed in broad programmes implemented simultaneously in several countries (e.g. Aid for Trade by the WTO, Consensus building by the UNCTAD, etc.), have a more specific character and accompany the analyses that evaluate the Moroccan economy or its international and regional integration. In this regard, the coercive nature of a large number of them should be noted, since the granting of financing or the inclusion of the country in cooperation programmes are subject to certain domestic economic policy measures. In other cases, the follow-up of the recommendations is based on the postulates of economic theory or on economic incentives that are not necessarily subject to strict conditionality.

Although economic integration and open regionalism remained central to the agenda of the institutions during the three decades under study, the explanations on how they contribute to growth have gradually changed. Apart from the transformations in the realm of logistics and GVCs coinciding with the liberalisation of sectors like textiles, services or air transports under the GATS, the analysis of the whole material suggests that the discursive evolution was more superficial than substantial. Thus, behind the new mechanisms of the international market that these organizations aspire to achieve, the same principles of the traditional theories of integration remain, altered only by contingent transformations. In this regard, despite the increasing consensus on the importance of the dynamic effects of regional processes, economic integration continues to be promoted, in most cases, by appealing to its potential for growth through trade creation, through increased investment flows and the specialization of the domestic economy in certain parts of the GVCs.

### **3.5.3 Sectorial analyses and proposals: Morocco as an example**

In addition to macroeconomic aspects, we must emphasise a growing presence of sectorial studies whose objective seems to be linked, but with peculiar characteristics, to the function of advocacy. Here the mechanism appears to work in the opposite direction: the promotion of measures or lines of action is carried out through the example of a particular country or region that embodies the dynamics promoted. Then, the analysis of the successful sector acts as a kind of reward to the country for its good practices, a manifestation of support from the institutions and an

invitation to deepen in this line. This could be interpreted as well as a way to help reducing uncertainty and as an open window to foreign investment.

Thus, these contributions appear to suggest that, although Morocco must still make certain efforts to improve economic stability in the domestic sphere and competitiveness in the international market, its commitment to insertion into the world economy appears as solid, progressive and relatively successful. In addition, it appears that throughout the decades the country is adapting to the trends of the world economy and positioning itself in sectors with more potential impact for development. This is demonstrated, according to the reading of these IEOs, by the readaptation of traditional sectors such as agriculture or textiles to GVCs. Something similar occurs with the growing importance of logistics and incentives for industrial location, in which the Tangier Med project is often cited as an example of success. There is also an accent on the Moroccan leadership in service exports, on its incursion into the aeronautical sector and its satisfactory performance in offshore structures. At the same time, its commitment to clean energy and to South-South cooperation in the electricity market is also underscored.

Regarding its path of regional integration, the reports released by these IEOs suggest that the Arab and Maghreb integration has failed, but mainly due to adverse starting conditions. On the contrary, Moroccan integration with developed countries is an example both for the Mediterranean basin and also regarding its FTA with the US. On this matter, it is often outlined that Morocco was the African country to endorse a bilateral agreement of this kind. Finally, Morocco's dynamism in business and financial intra-African relations is listed among the most noteworthy of the continent, along with Nigeria, South Africa and, until 2011, Egypt.

**Table 3.4. Issues and sectors where Morocco appears as an exemplary case study**

	MOROCCO AS AN EXAMPLE	AREA	DISCOURSE FRAMEWORK	REFS.
1990	Competition policy and liberalisation	Global	International trade and FDI	(UNCTAD, 1997, 1999a)
	Stabilisation	Africa	Public finances	(UNCTAD, 1992, 1995,
2000	Tax incentives for industrial location, linkages TNC-SME	Africa	*Charter on a Partnership between Large Enterprises and SME", by Microsoft, Royal Air Maroc, Vivendi, Ona, etc.	(UNCTAD, 2003b)
	South-South Bilateral Investment Treaties	Africa	South-South Cooperation and International investment arrangements	(UNCTAD, 2000d, 2005b)
	Investment initiative, modernisation and logistics development in ports sector	Global	Ports sector, Tanger Med project	(UNCTAD, 2005e, 2005g, 2006a, 2007b, 2007g)
	Diversified economy and net service exporter	Africa	GATS	(WTO, 2002, 2005b) (UNCTAD, 2005)
	Electricity regional integration	MENA	Policy development loan and partnership (WB)	(UNCTAD, 2005g)
			World investment Prospects (UNCTAD)	
	Increased social cohesion and stronger middle class	MENA	Moroccan economic performance, trade and investment, integration into global economy	(UNCTAD, 2008e, 2009a)
	Green growth, electricity integration and Solar Plan	Euromed	Energy sector and electricity connectivity	(WB, 2010f, 2014b, 2015) (UNCTAD, 2011e, 2017a)
	North-South FTAs	Africa	Euromed Region	(WTO, 2013e)
			Morocco, only country in Africa having signed a FTA with US	
Exploitation of Paneuromed RoO	Agadir Agr.	The Mediterranean country that best exploits the system	(UNCTAD, 2012b) (WTO, 2013e)	
Potential leader of S-S integration	Euromed	*Morocco could lead integration in the Mediterranean"	(WB, 2010h)	
Agricultural and textile sector adaptation to GVCs	Global	Plan Maroc Vert and end of Multi-Fibre Agreement	(WB, 2013b)	
Industrial upgrading within GVCs	Global	Plan d'Emergence Industrielle	(WTO, 2013a)	
Investment	Africa	Tourism, FDI Attraction, Offshoring	(UNCTAD, 2011g, 2015k, 2016c)	
Exports performance	Africa	Electronics, IT services, Steel, transport and machinery sector	(WTO, UNECA, 2011) (UNCTAD, 2012c)	

Source: own elaboration from reports by IMF, UNCTAD, WB, WTO.

Therefore, in view of the previous analyses, it could be concluded that, in spite of certain deficiencies and failed projects, the economic integration of Morocco has advanced satisfactorily. In the same way, it could be expected that the creation of commerce and the attraction of investment derived from this process to have positively contributed to welfare in Morocco through economic growth and job creation.

However, none of the reports pays particular attention to the historical evolution of integration until the moment of the assessment. Neither the distribution of -expected or verified- welfare does, be it in terms of territorial imbalances, income inequality or the structure of the labour market.

Apart from this, three striking features arose in our exploration that grasped our attention because contradictory with the historical research exposed previously in this chapter:

- The role of Europe in the Moroccan path of integration is mostly neglected, apart from some general mentions to shared colonial legacy.

- Maghreb integration appears as a failed project, but it is still promoted and financed, particularly since the beginning of the New Millennium.
- The analyses of South-South integration and North-South integration diverge in their focus and methodology of analysis.

Building on the contradiction identified between the results of historical research and those provided by the analysis of international institutions, the next chapter will enquire on these three aspects. Particularly, it will discuss the role of South-South initiatives undertaken recently by Morocco. To do so, a special focus will be put on the reasons of their promotion by IEOs and by the EU itself within the overarching framework of the prevailing pattern of North-South integration between Morocco and the EU since decolonisation.

### 3.6 CONCLUSIONS

This chapter analysed the path of integration undertaken by Morocco from two different points of view: historical research and documentation from IEOs on the subject. In both cases, our study was guided by the consideration of international trade as a sector of foreign policy shaped by international agreements and socioeconomic circumstance. Therefore, we assume integration as a political choice conditioned by the socioeconomic context and by the legal framework, regulated by major stakeholders of IR.

The first part of this chapter deals with the historical context in which Moroccan integration into its regional environment took place since independence. Supported by historical research on archive documents, it describes the transition from French-Spanish colonial rule to the current Euro-Mediterranean framework from an actor-centred approach. The second part, instead, looked at this process since the 1980s and from the point of view of IEOs. The assessment of their functions followed the theories explained in the previous chapters.

Our main findings are that Euro-Mediterranean relations and the integration agreements signed in the area in recent decades were highly determined by previous colonial ties, particularly between France and

Maghreb countries. Indeed, Moroccan dependency from the European market has been maintained since the colonial period through a set of AA that helped a process of peripheral reconnection whereby Moroccan development is bound to the political decisions and economic performance of the EU. By legitimating former privileged relations with the France and extending them to the Communitarian framework, Moroccan economic structure and international exchanges remained attached to the Mediterranean orbit of the EU. Furthermore, the wavering needs and interests of the European markets due to successive phases of enlargement determined the shape and scope of Euro-Mediterranean integration more than intra-Mediterranean dialogue did.

Although the Moroccan path of integration has expanded in different directions during the last thirty years, the approaches of IEOs focus on the analysis and monitoring of three non-exclusive schemes whose functioning is articulated through the tenets of *open regionalism*: South-South cooperation, with special interest in the construction of a Pan-African area; the integration of the Maghreb and Arab markets, and the inclusion of these in the Euro-Mediterranean framework. In this regard, South-South cooperation frameworks are proposed as an essential step in preparing developing countries towards North-South integration. Paradoxically, in the reports of these institutions, Maghreb became anew the subject of a regular study after fifteen years of existence, but only to become an example of a non-integrated region whose nonexistence is affirmed to be both full of potential and cost generator.

An assessment of the contributions made by IEOs about Moroccan integration seems to indicate that, while Morocco must still make certain efforts to improve economic stability in the domestic sphere and competitiveness in the international market, its commitment to insertion into the world economy appears as solid, progressive and relatively successful. Regarding its path of regional integration, the Moroccan relationship with developed countries is an example both in the Mediterranean basin and in its relations with the United States, since among them there is a pioneering Free Trade Agreement in Africa. Also, its prominent role in intra-African relations is increasingly underscored.

Building on the contradiction identified between the results of historical research and those provided by the analysis of international institutions, the next chapter will discuss the role of South-South



initiatives undertaken recently by Morocco in the Mediterranean. A special focus will be put on their interaction with the prevailing pattern of North-South integration between Morocco and the EU.





## **4 FROM AMU TO AGADIR: SOUTH-SOUTH AGREEMENTS IN THE FRAMEWORK OF NORTH-SOUTH INTEGRATION**

### **4.1 INTRODUCTION**

As shown in Chapter 3, according to the main IEOs involved in the regulation of integration processes, the Moroccan path of international integration in the last three decades has been relatively successful if compared to its peers. In this regard, although they underscore the need for some steps forward in terms of South-South integration, Morocco appears as a potential catalyser of virtuous circles in that direction, due to its geographical strategic position and performing strategies in a number of trade and financial sectors. The only marked exception to these overall positive views seems to fall into the Maghreb area, which is usually defined as a region whose main characteristic is the *lack of integration*.

The above reasoning is guided by the underlying premises of orthodox views on regional integration. To a large extent, IEOs evaluations and recommendations in terms of economic policy assume a direct causality between trade, growth and welfare. According to this, reducing barriers to trade improves welfare by enhancing better resource allocation and, through that means, increased trade and output growth. However, this rationale explains little about the reasons why, despite its overall satisfactory performance, Morocco has never abandoned the pool of Lower Middle Income Countries where the same IEOs classify the country.

Following the considerations previously made in this work regarding the political economy of international integration, this chapter deepens into two major contradictions identified in Chapter 3. On the one hand, it aims at examining the underlying factors behind the contradictory assertions by IEOs about its allegedly satisfactory path of international integration and the sluggish performance of its welfare indicators. On the other hand, it tries to build an explanation to its allegedly failed attempts to strengthen South-South integration by widening the scope of research to political and micro-economic reasons that might have been disregarded by IEOs and orthodox scholarship. Namely, based on the historical review of the previous chapter and following a case-by-case assessment, it closely looks at the interplay between specific South-South agreements and North-South integration in the context of Euro-Mediterranean relations.

The chapter is structured as follows. The first part examines the consistency of the presumed causality between economic integration, trade, growth and welfare in the case of Morocco. The second part focuses on the reasons beneath the establishment of South-South integration agreements in a regional framework where vertical relations have prevailed for more than a century. The main findings of both parts are summed up in the conclusions.

## **4.2 INTEGRATION AND WELFARE: STRAIGHTFORWARD CAUSALITY?**

The neoclassical approach to economic integration suggests that successful processes of integration will drive member countries to an increase of welfare through the potential effects of trade creation for specialization, FDI, income, employment and, all in all, for economic growth (Balassa, 1961; Baldwin and Venables, 1995; El-Agraa, 1999; Jovanovic, 2006). As discussed in chapter 1, these changes in trade generate static and dynamic effects in the participating economies. For instance, trade (and productive) specialization would occur according to the principle of comparative advantage, which results in a better allocation of resources and greater efficiency. In addition, the intensification of international trade is expected to lead to an improvement of economies of scale, greater competition and provides an incentive for investment, innovation and technical progress. These processes appear to be greatly

facilitated by the favourable effect of trade liberalisation on FDI attraction. Accordingly, the empirical assessment of regional integration usually lies on variables like trade patterns, FDI or GDP. Thus, by following these logics, an increased output is somehow equated with gains in welfare, and an increase in trade flows is seen as a positive step in that direction.

Notwithstanding, although there exist a relationship between trade and growth, welfare depends on further dynamics than output, like income distribution, to mention one of them. Moreover, it should not be directly assumed that the linkages between trade and economic structure are so strong that improvements in the former have a direct and positive impact on the latter. In the case of Morocco, several figures and indicators elaborated by the same international institutions analysed before (UN, WB, IMF, WTO) suggest that the above-mentioned relationship is not as straightforward as implied in a number of reports.

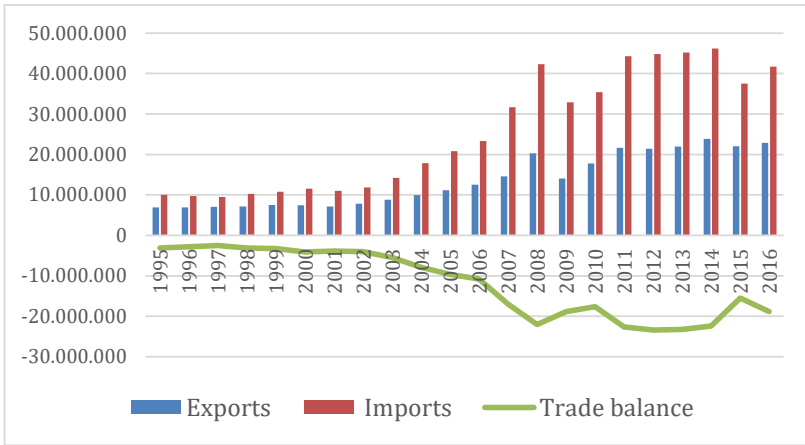
In this section we will look at the evolution and correlation of these variables for the Moroccan economy in the context of its integration strategy. Our aim is to identify, on the one hand, whether the relative success of Moroccan integration reported by the various IEOs holds in the light of variables that go beyond the evolution of trade volume and the rate of economic growth. On the other hand, we analyse the extent to which the effects of integration on growth and welfare, through trade, do explain the integration choices made by Morocco.

#### 4.2.1 Trade and growth

The relationship between trade and growth remains as one of the underlying premises of many of the policy recipes promoted by the institutions analysed in chapter 3. Nonetheless, some underlying features ought to be considered when assessing the level of economic welfare in terms of these two variables.

Undoubtedly, Moroccan **foreign trade** increased in the period 1995-2016. Exports multiplied by 3.3 and imports by more than 4 between the beginning and the end of the period (**Figure 4.1**).

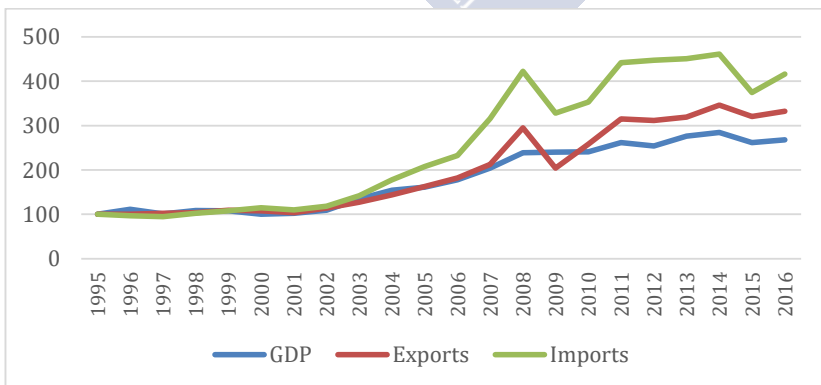
**Figure 4.1. Exports, imports and trade balance of Morocco, thousands US\$, 1995-2016**



Source: Own elaboration based on data from UNCTADstat

Between 1995 and 2016, there was an intensification of trade: exports and imports grew faster than GDP (**Figure 4.2**). This means that there was an increase in the degree of trade openness of the Moroccan economy, measured as  $(X+M)/GDP$ , from 43.6 in 1995 to 62.3 in 2016. Notwithstanding, it is worth noting that, whereas exports have risen from 17.8% to 22.1% of GDP since the 1990s, the weight of imports almost doubled in the same period, from 25.9% of GDP in 1995 to 40.2% in 2016.

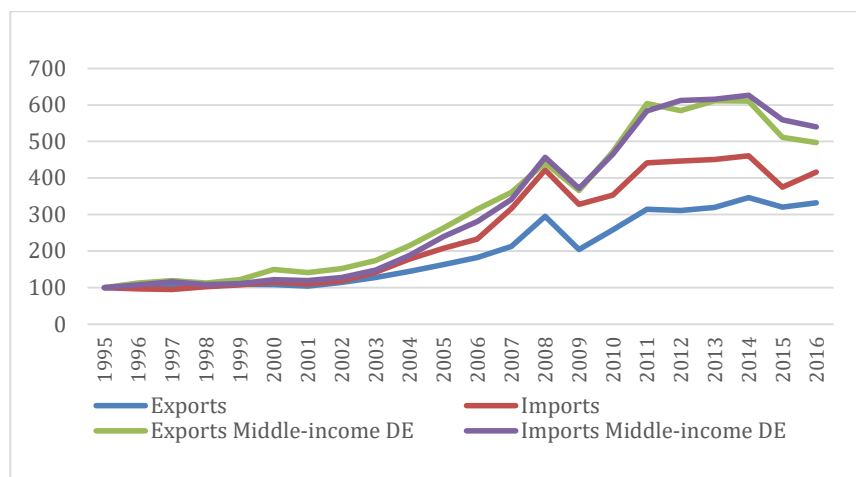
**Figure 4.2. Evolution of GDP, Exports and Imports in Morocco, (Index, 1995=100)**



Source: Own elaboration based on data from UNCTADstat

Moreover, it should be added that despite the significant growth of foreign trade in Morocco, its figures remain slightly below the average of Middle-Income Developing Countries<sup>47</sup> (**Figure 4.3**) and they were accompanied by an increase in trade deficit, as shown by Figure 4.1.

**Figure 4.3. Evolution of exports and Imports, Morocco and Middle -income Developing Economies (Index, 1995=100)**

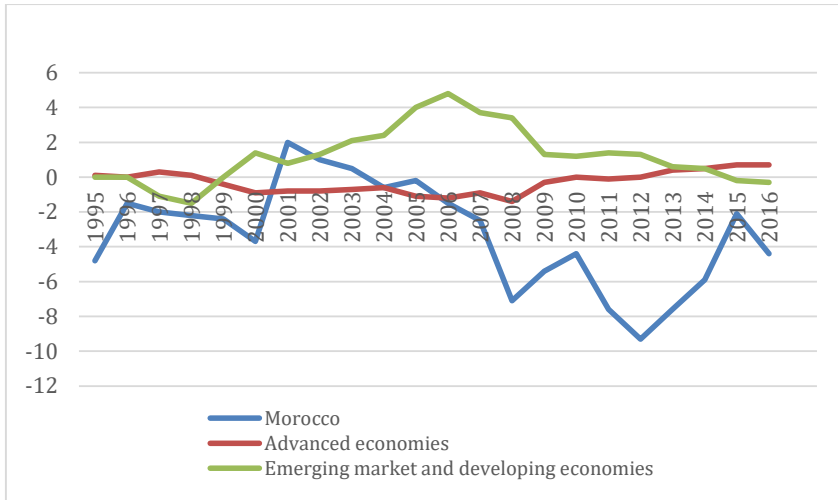


Source: Own elaboration based on data from UNCTADstat

The evolution of the Moroccan current account balance has been particularly negative, not only compared to its situation in the past, but also in comparison to other countries (**Figure 4.4**). IMF data on these issues show that, since 2002 (i.e. two years after the entry into force of the AA), Morocco has undergone a worse performance than the average of the countries in the MENA region. The same happens when compared to wider analytical groups where it belongs, such as ‘Emerging market and developing economies’. Not to say with the group ‘Advanced economies’ or, more specifically, the EU-28, whose influence on Moroccan economy can be observed also on the direct impact of its economic shocks on the latter.

<sup>47</sup> The group of countries in which the World Bank includes Morocco according to income level.

Figure 4.4. Current account balance, (Percent of GDP), 1995-2016



Source: Own elaboration based on data from IMF.

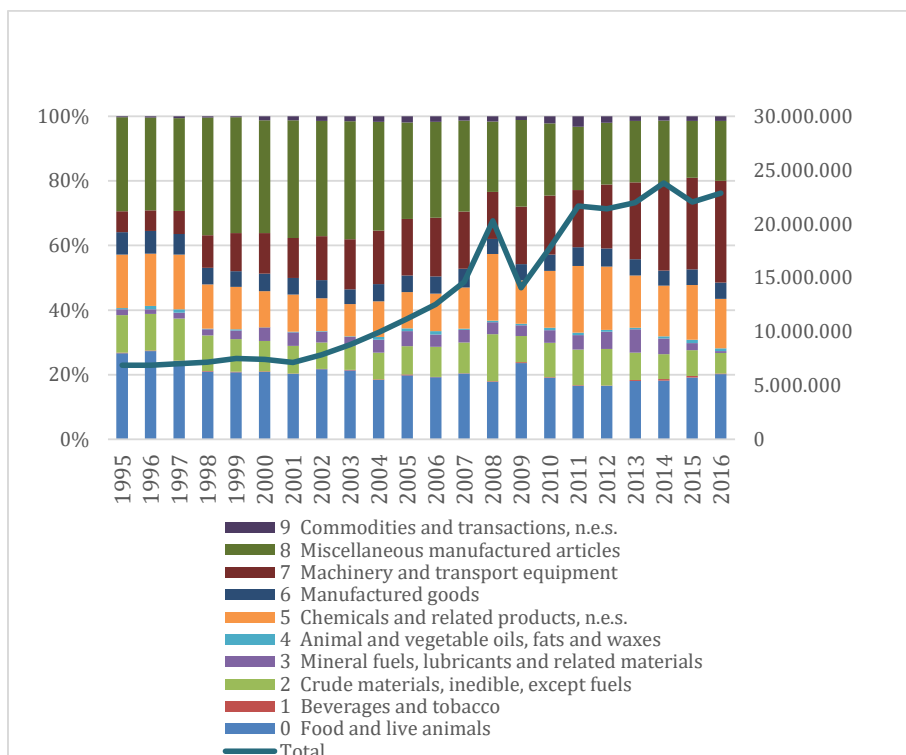
Regarding the **sectorial specialisation of trade**, as mentioned in previous chapters, Morocco exports mainly primaries, textiles and certain types and pieces of machinery. Within the first group, phosphates<sup>48</sup>, fisheries, and fruit and vegetables count for most of the sales. Among imports, petroleum, automobiles and cereals are the most exchanged products.

Taking the SITC commodity classification Rev 3, exports are concentrated in the following sectors: Food and live animals (where “Fish, crustaceans, molluscs and preparations thereof” and “Vegetables and fruits” account for 86.7% of the sector in 2016), Chemicals and related products (where 60% corresponds to “Fertilizers”), Machinery and transport equipment (where “Electrical machinery, apparatus and appliances” and “Road vehicles” account for 91%), and Miscellaneous manufactured articles (“Articles of apparel & clothing accessories” are the 82.3%) (Figure 4.5a). These four sectors accounted for 78.6% of total exports in 1995 and 85.5% in 2016.

<sup>48</sup> Morocco holds, indeed, the first place among the world exporters of phosphates.



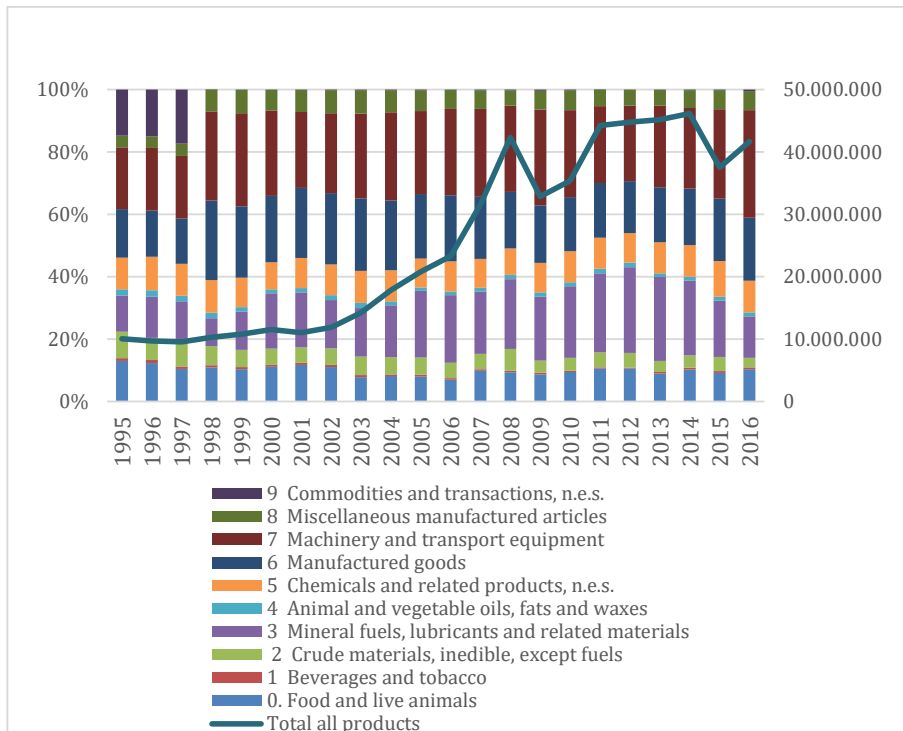
**Figure 4.5a. Morocco Exports by sector (%) and Total Exports i (thousands US\$)1995-2016**



Source: Own elaboration based on data from UNCTADstat

On the other hand, imports are concentrated in the following sectors: Food and live animals (where in 2016 45.4% corresponds to “Cereals and cereal preparations”); Mineral fuels, lubricants and related materials (where “Petroleum, petroleum products and related materials” account for 67.2%); Chemicals and related products; Manufactured goods; and Machinery and transport equipment (where “Electrical machinery, apparatus and appliances” and “Road vehicles” account for 54.2%) (Figure 4.5b). These five sectors account for 70.3% of total imports in 1995 and for 88.5% in 2016.

Figure 4.5b. Morocco Imports by sector (%) and total Imports (Thousands US \$), 1995-2016



Source: Own elaboration based on data from UNCTADstat

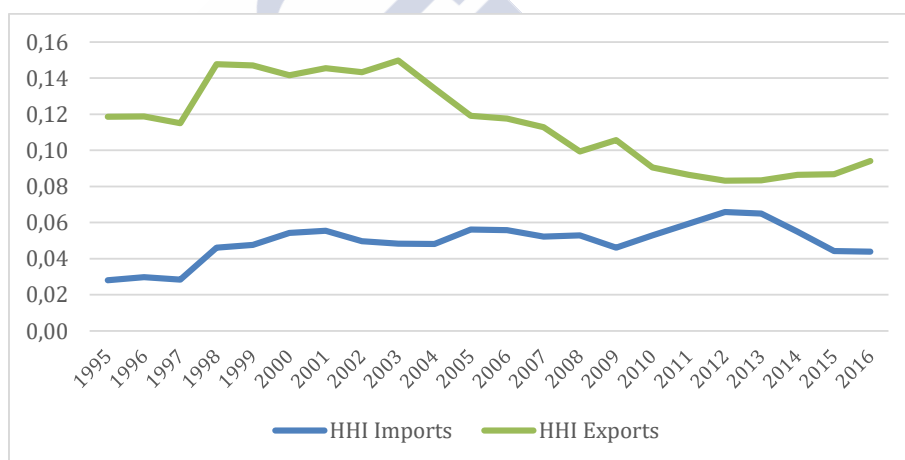
Considering a higher level of disaggregation (with the products of the SITC commodity classification, Revision 3, at the two-digit level), the concentration of exports, which was relatively high, has decreased since 2003 (which can be interpreted as a gain in competitiveness in new products). Imports, for their part, showed very low levels of concentration in 1995 and reduced their diversification from that year onwards (**Figure 4.6**). However, in recent years, the trend appears to be reversing.

We use the Herfindahl-Hirschman Index (HHI) to analyse the concentration in export and import patterns. The HHI is defined as

$$HHI = \sum_{i=1}^n \left( \frac{x_i}{X} \right)^2$$

where  $X$  represents total exports (or imports),  $x_i$  represents exports (or imports) of product  $i$  and  $n$  is the number of products. HHI is equal to 1 if the trade pattern is completely concentrated and equal to  $1/n$  for the case of equal distribution of shares between all products. In this case, taking the 63 products of the SITD Rev 3 classification at the two-digit level, the HHI could range from 0.016 to 1.

**Figure 4.6. Exports and Imports Herfindahl-Hirschman Concentration Index, Morocco, 1995-2016**



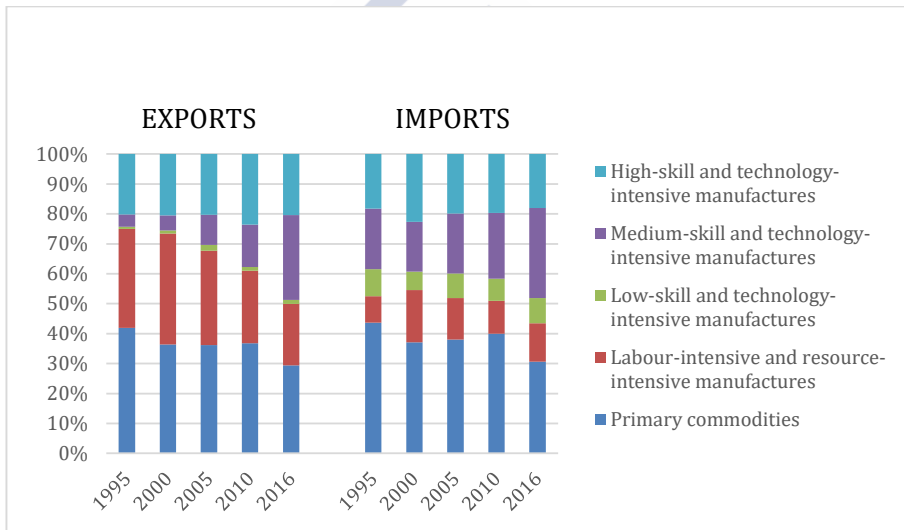
Source: Own elaboration based on data from UNCTADstat

In addition, the period under analysis saw a **specialisation of trade towards manufactures** and, in particular, to **Medium-skill and technology-intensive** industries, as well as a fall in the weight of primary products (**Figure 4.7**). Between 1995 and 2016, the share of exports of primary products<sup>49</sup> fell from 42% to 29%, while that of manufactured

<sup>49</sup> SITC 0+1+2+3+4+68

products<sup>50</sup> rose from 58% to 70%. Among manufactures, Labour-intensive and resource-intensive industries are losing weight in favour of Medium-skill and technology-intensive industries, which currently account for the largest percentage (in 2016, 40% of manufacturing exports are of this type). Also in those years, the share of imports of primary products fell from 44% to 31%, while that of manufactured products rose from 56% to 69%. Among manufactures, Low-skill and High skill lose weight in favour of Labour-intensive, resource-intensive and, above all, Medium-skill and technology-intensive industries, which accounted for 43% of manufacturing imports in 2016.

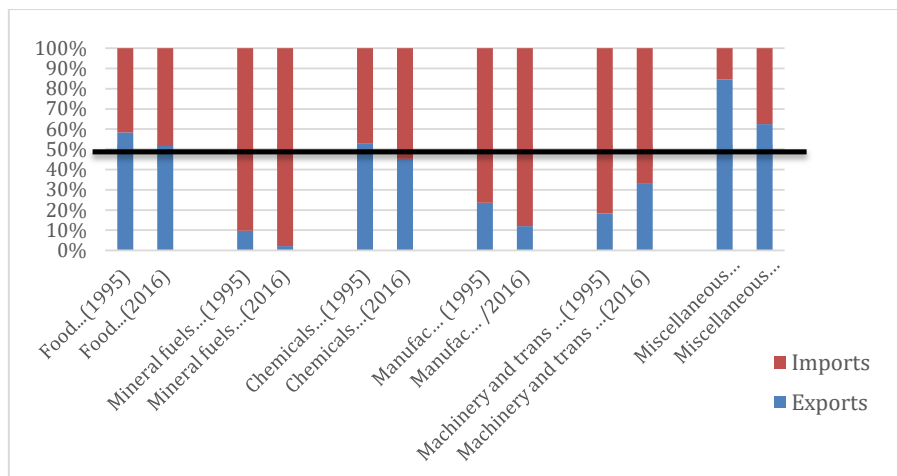
**Figure 4. 7. Morocco Exports and Imports of Primary Commodities and Manufactured goods by degree of manufacturing, 1995-2016**



Source: Own elaboration based on data from UNCTADstat

As stated above, while Moroccan exports attain 22% of its GDP, imports have overcome the 41% of GDP. In this regard, the major contributing sectors to the negative trade balance are: (3) Mineral fuels, lubricants and related materials”, (6) Manufactured goods, where 1/3 of exports and imports correspond to “Textile Yard and related products” and (7) Machinery and transport equipment (**Figure 4.8**).

<sup>50</sup> SITC 5+6+7+8-68-667

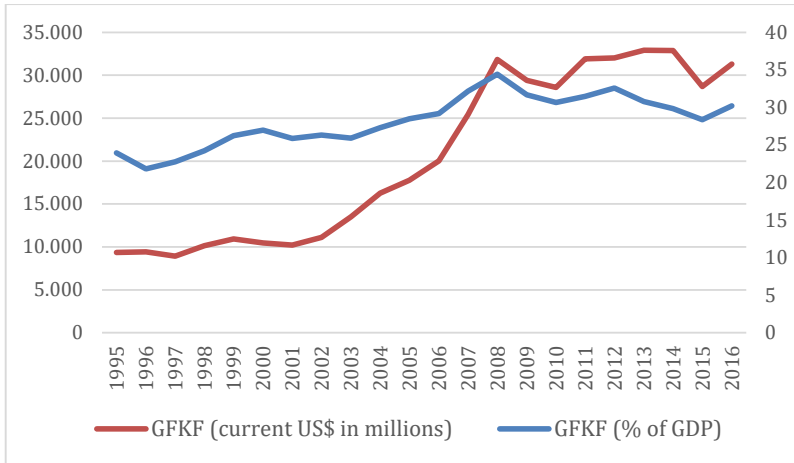
**Figure 4.8. Exports and Imports as % of total trade by sectors, 1995 and 2016**

Source: Own elaboration based on data from UNCTADstat

In **sum**, it appears that trade developments since 1995 have been relatively favourable: exports and imports are increasing, exports are becoming more diversified, the weight of primary products is falling and manufacturing, in particular Medium-skill goods, is increasing. This might be seen as a success of trade liberalisation following integration agreements. Again, following theory, trade intensification is expected to stimulate investment, in particular FDI, which leads to innovation and technical progress and, ultimately, economic growth.

In effect, the **Gross Fixed Capital Formation** increased steadily since 1995, both in absolute terms and as a percentage of GDP, especially until the onset of the crisis in 2008 (**Figure 4.9**).

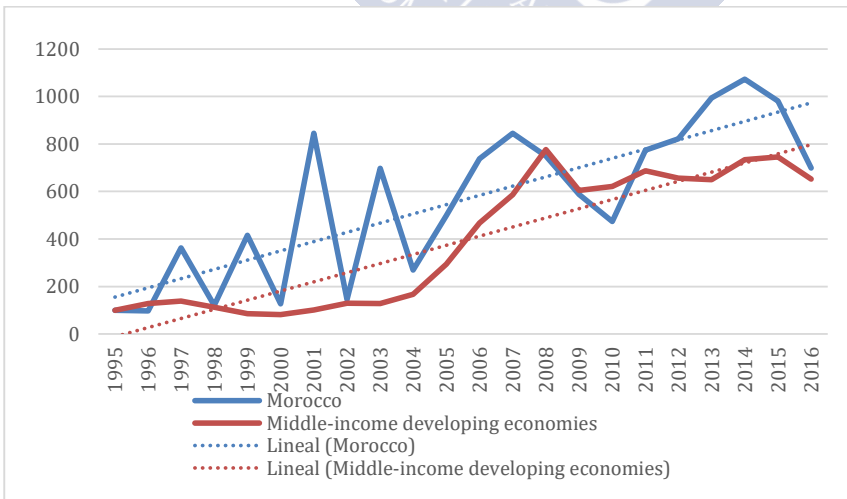
Figure 4.9. Gross Fixed Capital Formation, millions US\$ and % of GDP, 1995-2016



Source: Own elaboration based on data from World Development Indicators

The **attraction of FDI**, with the inherent volatility that this variable shows in any economy, has also been increasing in the period 1995-2016, in line with the average of Middle-income developing economies (**Figure 4.10**).

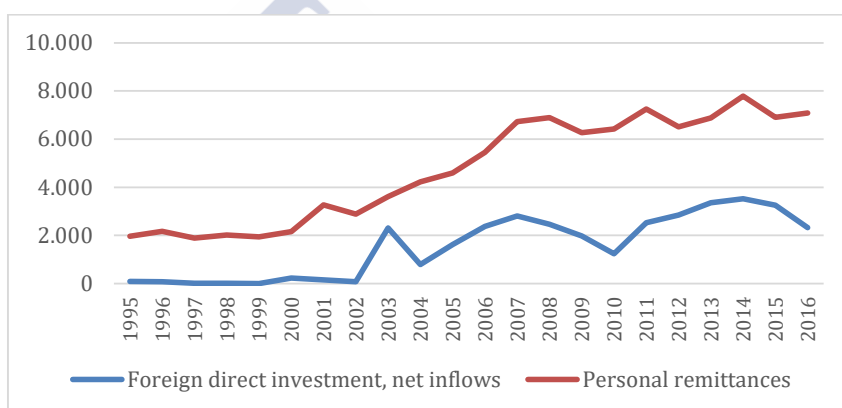
Figure 4. 10. Evolution of FDI inward flows, Morocco and MICs, (Index 1995=100)



Source: Own elaboration based on data from UNCTADstat

As shown in the previous chapter, this trend has been continuously underlined as a major achievement of Morocco in the last years as a consequence of its international and domestic policies. The FDI contribution to investment in Morocco has undoubtedly been positive. According to UNCTADstat data, its evolution as a percentage of Gross Fixed Capital Formation moved from 3.5% in 1995 to 10.5% in 2015. However, FDI is not the main source of capital inflows to Morocco. Although the FDI has grown considerably since 1995, remittances from migrated Moroccans overcome by large the weight of FDI in the country (**Figure 4.11**).

**Figure 4.11. FDI and Remittances in Morocco, current US\$ in millions, 1995-2016**



Source: Own elaboration based on data from UNCTADstat

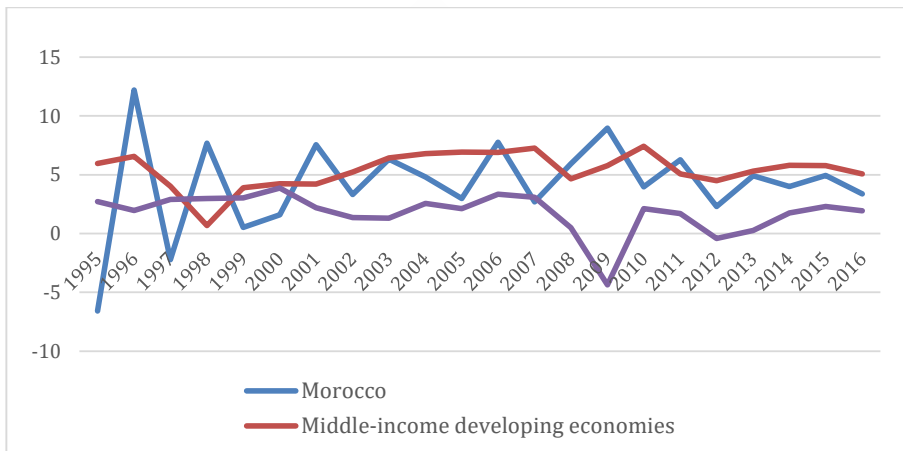
According to the World Development Indicators, FDI measured as a percentage of the GDP moved from 0.24% in 1995 to 2.24% in 2016. Nonetheless, it is worth noticing that, over the same period, inflows of remittances moved from 5.05% to 6.84% of the GDP.

In a way, remittances can also be related to integration as they derive from labour reallocation among countries and, surely, they might have direct effects on welfare as they stimulate domestic consumption. Notwithstanding, remittances are far from being the kind of capital flows that institutions and economic theory understand as dynamic effects of integration. To this regard, given that their role in development is subject to discussion (The Haas and Plug, 2006; Adenutsi and Ahortor, 2010), a

careful analysis of the Moroccan case would be needed before stating *a priori* what these stable and long-lasting capital inflows may mean.

In terms of production, Moroccan **GDP** grew between 1995 and 2016, both in absolute and per capita terms. When we compare it with the countries in its income group (MIDE) or with its main trading partner (the EU), we observe that Moroccan growth rates, although highly volatile, have been above those of the EU, especially since the crisis, but lower on average than for the MIDE (**Figure 4.12**).

**Figure 4.12. GDP, Annual average growth rate, Morocco, MICs and EU**

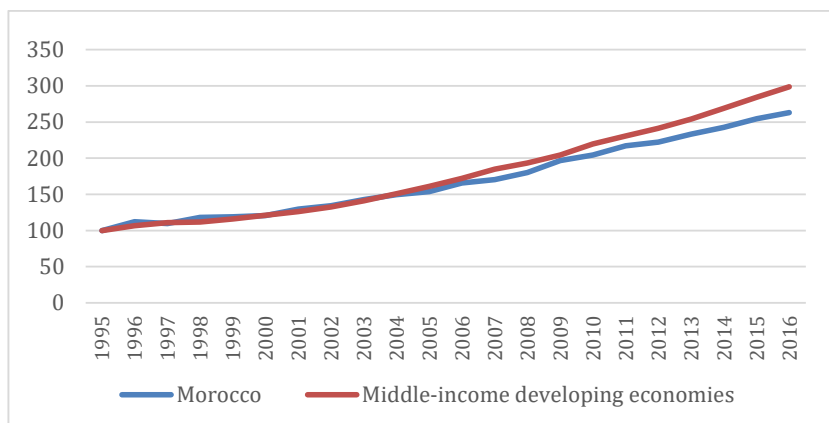


Source: Own elaboration based on data from UNCTADstat

Given these annual growth rates, between 1995 and 2016, Moroccan GDP multiplies by 2.6, while that of the MIDE is tripled (**Figure 4.13**).



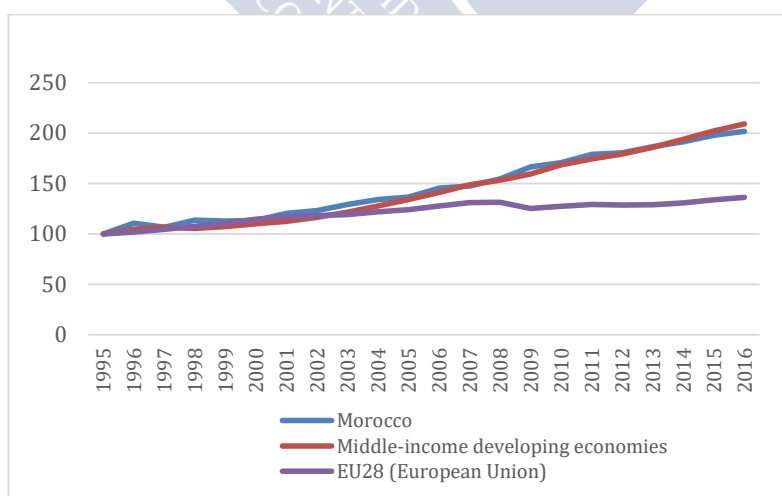
**Figure 4.13. Evolution of GDP, US dollars at constant prices (2010) in millions, Morocco and MICs, Index 1995=100**



Source: Own elaboration based on data from UNCTADstat

A similar behaviour is observed for GDP per capita. The growth of GDP per capita is also lower in Morocco than in the MIDE and higher in Morocco than for the EU, especially after the crisis (**Figure 4.14**).

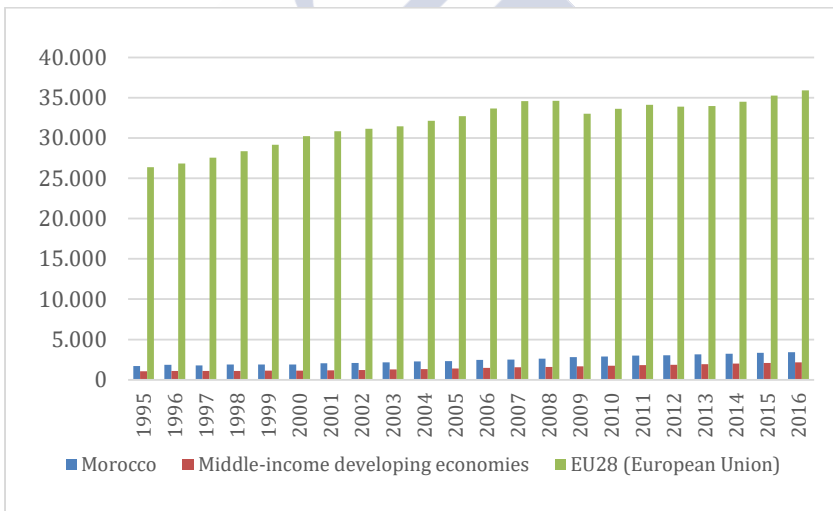
**Figure 4.14. Evolution of GDP per capita, US dollars at constant (2010) prices, (index, 1995=100)**



Source: Own elaboration based on data from UNCTADstat

With regard to the EU, there was a slight rapprochement, given that the GDP per capita of Morocco jumped from 6.4% of that of the EU28 in 1995 to 9.5% in 2016. Nonetheless, this cannot be interpreted as a major step forward, since this is not so much due to the progress made by Morocco as to the stagnation of the EU since 2008. As of 2016, Morocco's GDP per capita (at constant US dollar of 2010) was \$3,400 compared to \$35,884 in the EU28 or \$41,300 in the EU15. Thus, the North-South gap continues to be wide and the growth of GDP is not sufficient to reduce it. When we compare Morocco with the MIDE, although the Moroccan per capita income is still higher than the average for the MIDE (\$3400 compared to \$2178 in 2016), the gap is narrowing: while in 1995 the per capita GDP of the MIDE was 61.8% of that of Morocco, in 2016 it was 64% (**Figure 4.15**).

**Figure 4.15. GDP per cápita, US\$ at constant prices (2010)**

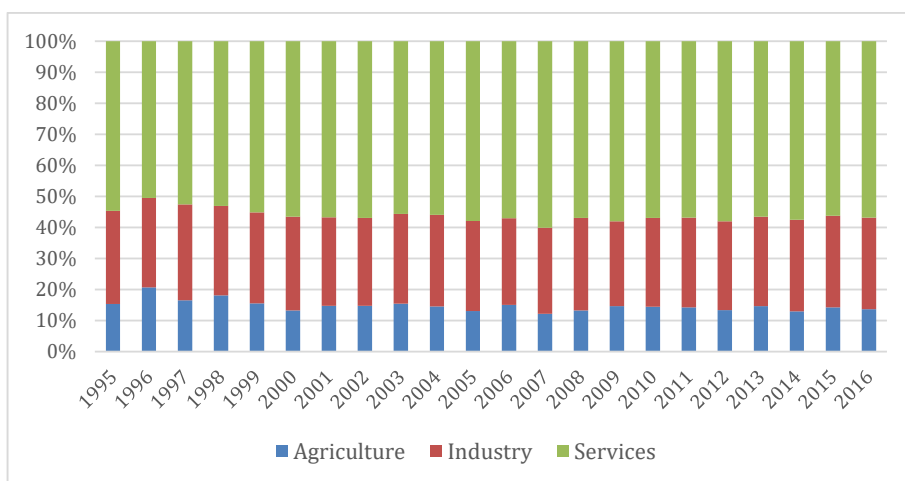


Source: Own elaboration based on data from UNCTADstat

Morocco's **economic structure** does not differ much from developed and emergent countries in terms of the weight of economic sectors. Similarly to the vast majority of current economies, the services sector already accounts for more than 56% of the GDP in 2016 (54.6% in 1995), while industry (including construction sector) contributes with around

30% and agriculture shows a slightly declining path from 15.4% in 1995 to 13.6% in 2016 (**Figure 4.16**).

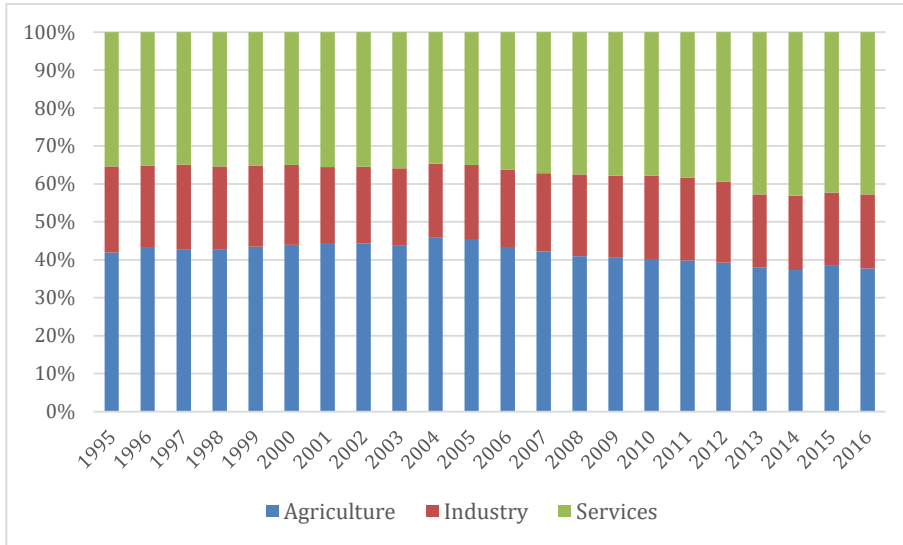
**Figure 4.16. Industry, Agriculture and Services, Value Added (% of GDP)**



Source: Own elaboration based on data from World Development Indicators

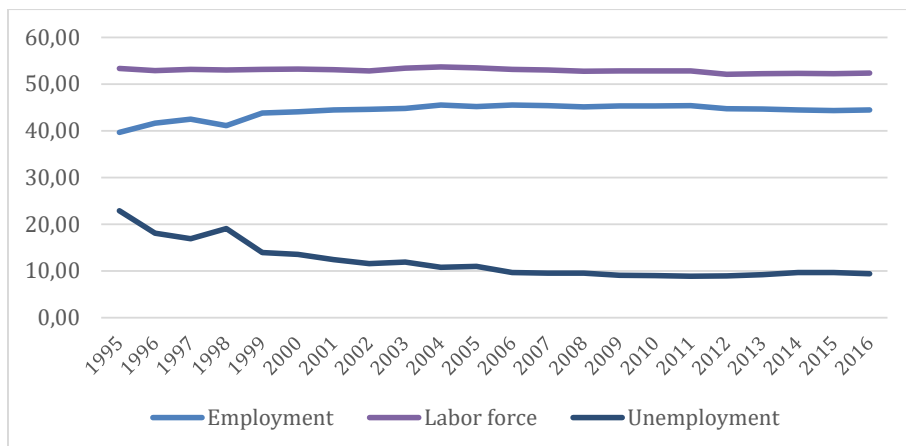
However, the structure of employment and the territorial distribution of population differs largely from these percentages: the services sector employed 35.4% of the workforce in 1995 and 42.7% in 2016; the share of industry fell from 22.6% to 19.5% and agriculture, with a much higher share of employment than its contribution to GDP, employed 37.7% in 2016 (42% in 1995), (**Figure 4.17**). The asymmetries between rural and urban areas in a country where the 40% of the population lives in the countryside reinforce the persistence of an utterly dual economy.

**Figure 4.17. Industry, Agriculture and services, Employment (% of total employment)**



Source: Own elaboration based on data from World Development Indicators

As regards the **labour market performance**, the proportion of the country's population aged over 15 that is employed increased over the period 1995-2016 from 39.6% to 44.5%. The unemployment rate decreased over the same period from 22,9% to 9.4%. Notwithstanding, it is important to underscore that these decrease in unemployment is partly explained by the decrease in labour force. The Labour force participation rate (the proportion of the population ages 15-64 that is economically active) decreased from 53,2% in 1995 to 52,3% in 2016 (**Figure 4.18**).

**Figure 4.18. Morocco: Labor Force, Employment and Unemployment**

Source: Own elaboration based on data from World Bank Development Indicators

Another reason why the unemployment rate has fallen in Morocco is undoubtedly due to high levels of emigration, especially of young people, during the period under study. According to data from WDI, **net migration**, (defined as the total number of immigrants less the annual number of emigrants, including both citizens and noncitizens), amounted to more than 2 million people between 1995 and 2012, representing 6.3 per cent of the total population of Morocco and 9.5 per cent of its working-age population in 2012.

According to the data provided by the Haut Commissariat au Plan (HCP), employment evolution over the period was accompanied with an increase in sectorial and regional disparities, on the one hand, and a tendency towards precariousness at the workplace on the other hand. This trend is particularly noticeable in the agricultural and construction sectors, which are, in fact, responsible for almost the 50% of Moroccan jobs, although only a 7,5% and a 7,4% of them, respectively, are regulated by a work contract. In addition, the low level of women participation in labour force, the growing seasonality of work after the 2008 crisis, the almost inexistent social security coverage and the weight of non-remunerated work complete a picture made of inequalities and growing asymmetries (HCP, 2015).

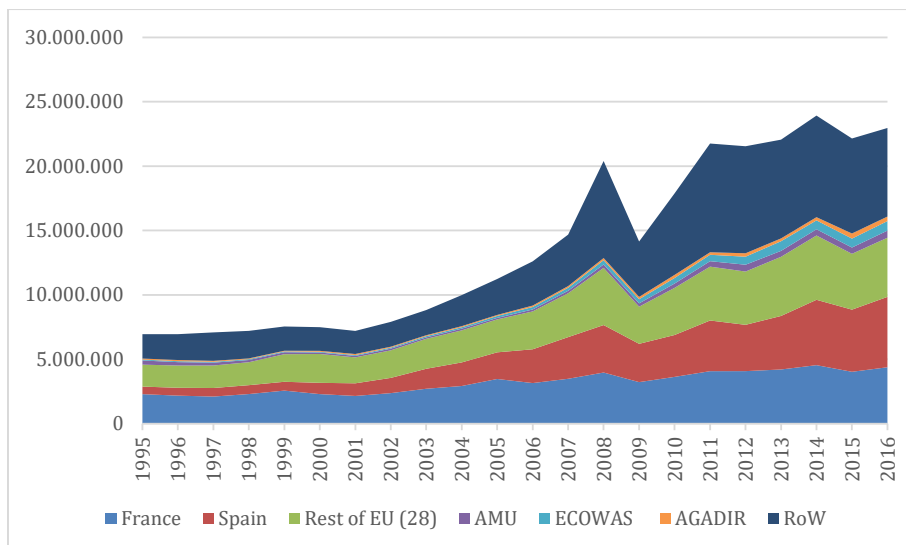
Regional disparities are large and widening. According to data from the HCP, in 2015, two regions, Casablanca-Settat and Rabat-Salé-Kénitra, created almost half of the national wealth (48.2% of GDP by value), 32.2% and 16% respectively. The third place corresponds to Tanger-Tétouan-Al Hoceima with 10.1%. Moreover, this trend is accentuated by the fact that the regions that contribute most to GDP are also those that are growing above the national average (4.5%), especially for Tanger-Tétouan-Al Hoceima (7.9%) and Casablanca-Settat (7%), according to 2015 figures.

In the light of the above data, the relative favourable evolution of GDP and GDP per capita cannot be directly interpreted as an improvement in economic development and welfare (further evidence will be provided below). But neither can economic growth, although partly linked to trade growth, be directly attributed to the process of economic integration.

Although the evolution of trade, albeit with some nuances, has been positive, it cannot be directly attributed to the effect of the regional integration agreements signed by Morocco during the period under study, as can be observed by analysing the evolution of Moroccan foreign trade with its **main trading partners**.

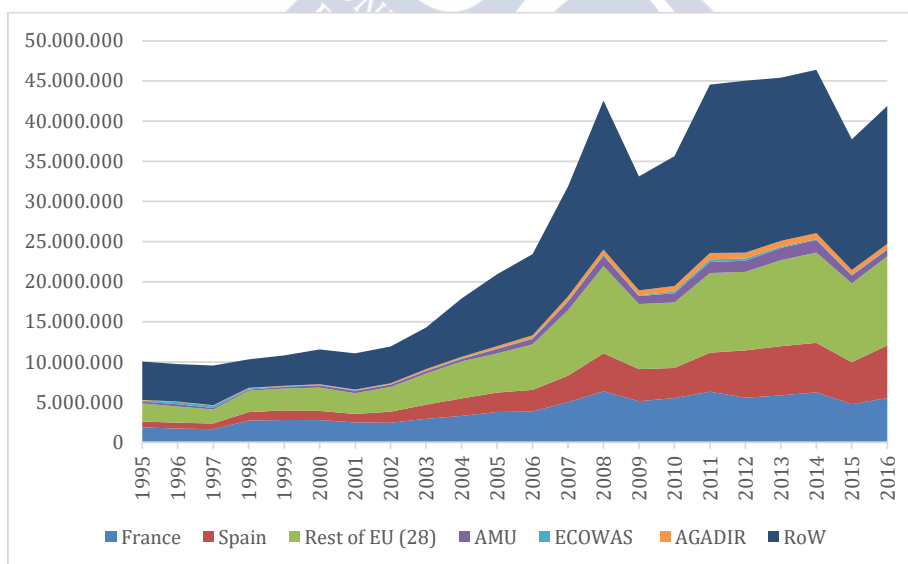
The EU, and in particular France and Spain, are undoubtedly the main destination of exports and origin of imports in Morocco. On the other hand, the trade partners belonging to the areas of integration with other countries of the South have an almost insignificant participation in the whole period (**Figures 4.19a, 4.19b**). This fact could be interpreted as evidence of the “success” of integration with the North or of the “failure” of integration with the South, despite the incentives given by the EU itself to this type of arrangements.

**Figure 4. 19a. Exports of Morocco by partner, in thousands \$, 1995-2016**



Source: Own elaboration based on data from UNCTADstat

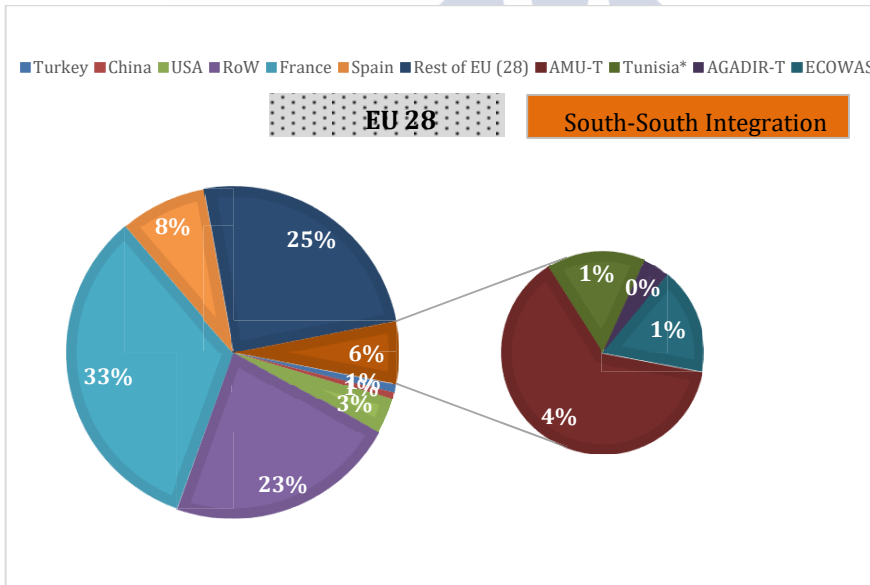
**Figure 4.19b. Imports of Morocco by partner, thousands \$, 1995-2016**



Source: Own elaboration based on data from UNCTADstat

Despite maintaining its relevance, the weight of Spain and France, as well as the rest of the EU, is not the same for exports as for imports, nor does it remain constant over time. The EU represented 66% of Moroccan exports in 1995 and 59% 20 years later. This was accompanied by the divergent behaviour between France (whose relative weight fell from 33% to 18%) and Spain (whose relative weight increased from 8% to 22% of total Moroccan exports). In turn, Morocco’s share of exports to the countries included in integration agreements with the South remained around at 6% of the total (5.9 in 1995 and 5.5 in 2015). Here again, the relative share of the different integration areas has not followed the same evolution: while Agadir members and, above all, the ECOWAS, have increased their share, this is at the expense of a decrease in the percentage of exports to AMU (see **Figures 4.20a and 4.20b**)<sup>51</sup>. Thus, this lack of intensification of intra-regional trade does not support the assertion of any real successful outcome of the integration agreements.

Figure 4.20a. Exports of Morocco by partner, 1995

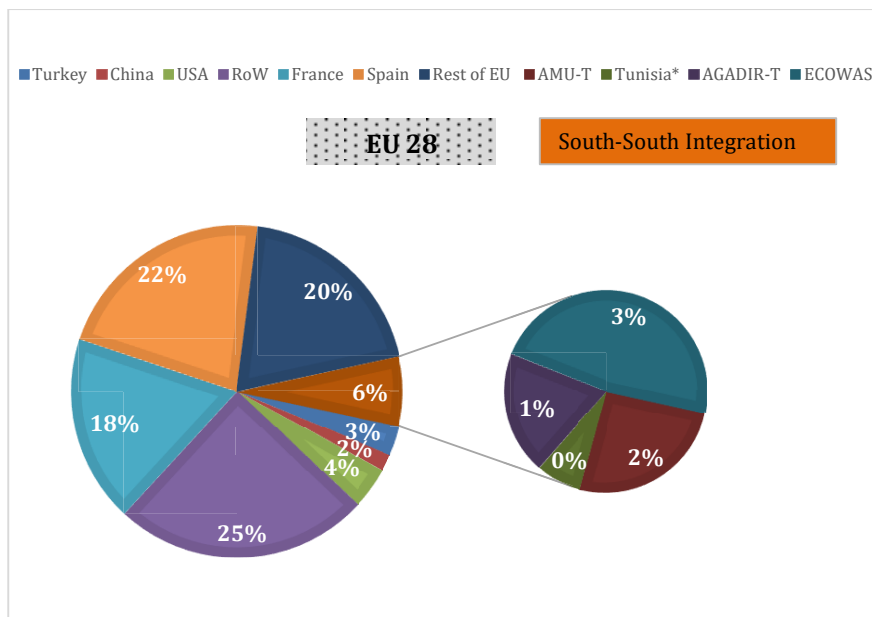


Source: Own elaboration based on data from UNCTADstat

<sup>51</sup> (\*) Since Tunisia is part of the AMU and participates in the Agadir Agreement, its exchange flows with Morocco have been taken separately from both areas in order to avoid counting them twice. Therefore, the weight of Tunisia on Moroccan trade is presented individually.



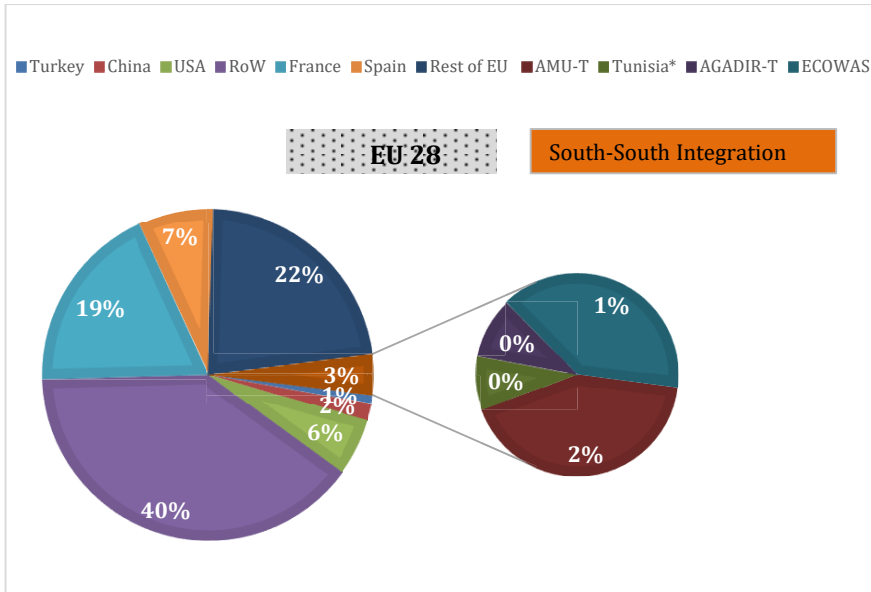
Figure 4.20b. Exports of Morocco by partner, 2015



Source: Own elaboration based on data from UNCTADstat

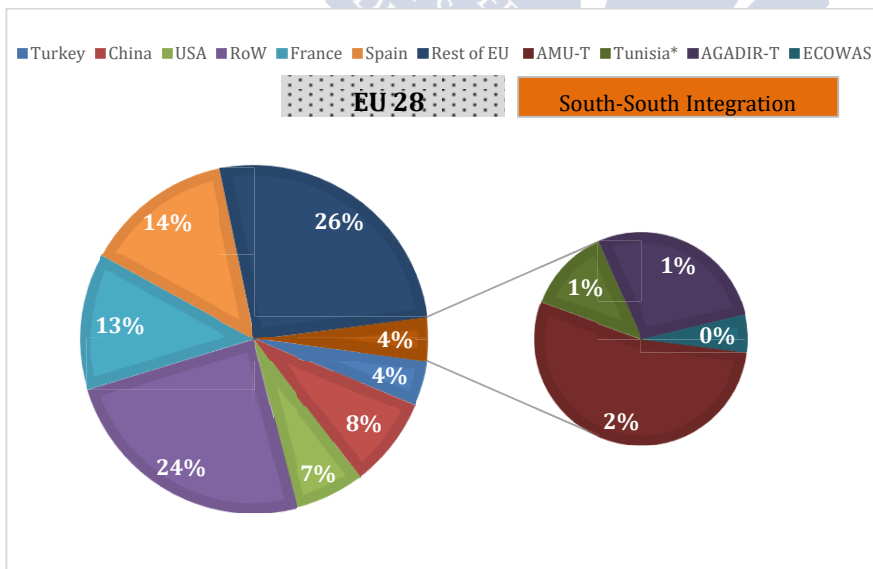
In the case of imports, EU's share increased over the period, from 48% to 53%. Here again, Spain's share is increasing and France's is falling, although less sharply than for exports. The share of South-South integration areas have risen very slightly, from 3.92% to 3.94%. In the case of imports, AMU increased its share (from 2% to 2.6%), as did AGADIR (from 0.7% to 1.6%), while ECOWAS decreased its weight from 1.5% to 0.2% (see **Figures 4.21a and 4.21b**). Although in the case of imports there is a certain intensification of intra-regional flows, the results cannot be interpreted as a success of integration agreements, especially for those with other countries of the South.

Figure 4.21a. Imports of Morocco by partner, 1995



Source: Own elaboration based on data from UNCTADstat

Figure 4.21b. Imports of Morocco by partner, 2015



Source: Own elaboration based on data from UNCTADstat

The EU maintains the pre-existing relevance of some of its members (in particular France and Spain) before the integration agreements. But the various agreements with the South, largely encouraged by the EU itself, do not seem to have yielded significant results in terms of increased intra-area trade flows. This ex-post result should come as no surprise in view of the low weight that these economies had in Morocco's total exports and imports and what the ex-ante **complementarity indices** between Morocco and these economies already suggested.

The **trade complementarity (TC) index**, proposed by Michaely (1996), indicates to what extent countries are “natural trading partners”, i.e., it measures to what extent the export (import) profile of a country j matches the import (export) profile of a country k. Then, this index of *trade compatibility* can give useful information on perspectives for trading partners that can motivate countries to participate into integration groups.

In general, two countries with a high TC index may gain from trade expansion following a preferential trade agreement more than two countries with a low TC index may do. So, the index can be particularly useful in an ex-ante evaluation of the potential gains from bilateral or regional trade agreements (Michaely, 1996).<sup>52</sup>

The UNCTAD statistics present data for this index calculated as the sum of the absolute value of the difference between the import shares and the export shares (at 3-digit SITC, Revision 3 level) of the countries j and k and divided by two.<sup>53</sup>

$$TCmixj = 1 - \frac{\sum_k |m_{ki} - x_{kj}|}{2} \quad TCximj = 1 - \frac{\sum_k |x_{ki} - m_{kj}|}{2}$$

Where, **TCmixj** is the index of trade complementarity of importer country i with exporter country j; **TCximj** is the index of trade

<sup>52</sup> The index matches only the demand of partners and does not include other trade determining factors such as distance of partners, the possibility of transport or trade barriers. When countries are geographically distant, have high transportation and transaction costs or a large difference in terms of size (a match in percentage terms does not imply a match in levels), a high complementarity index may not imply a gain from increased trade. The index may also suffer from aggregation bias.

<sup>53</sup> Exports and imports are measured by commodity but they are relative to the world, not to each other.

complementarity of exporter  $i$  and exporter  $j$ ;  $k$  is goods in 3 digit SITC Revision 3;  $mki$  is the share of goods  $k$  in country  $i$ 's total imports from the world;  $xki$  is the share of goods  $k$  in country  $j$ 's total exports to the world.

The index value ranges between 0 and 1 (or 100 percent). Where 0 indicates that there are no matches at all between country  $j$  and country  $k$  export/import pattern (there is no good imported by one country which is exported by the other) and 1 indicates a perfect correlation in the export/import pattern (one country exports precisely what the other import).

The values of the index for **Morocco as exporter and importer** towards its partners belonging to the same regional areas for the period 1995-2013 are shown in table 1. As partners, we take the EU28 as a whole and some relevant countries for the study (France, Spain, Italy and Germany); UMA, AGADIR and their respective countries; and ECOWAS and its main economies.

The countries showing highest and increasing index over the period were EU members, both as exporters and importers, but mainly as exporters, which are actually the main Moroccan partner countries in terms of trade flows. For the countries of Southern regional areas, TC index shows in general low levels.

As usual, CI values are lower for the country as exporter than as importer. The export structure of Morocco fits less with the import structure of most of its partners, since Moroccan imports are more diversified. In this regard, for 2013, we can see that the more diversified structure of Moroccan exports increasingly fits the imports structure of its partners.

Then, taking into account the qualitative information given by the TC index for the late 1990s or the beginning of the 2000s potential gains from regional trade agreements with those "Southern" countries were not to be expected to a large extent. With respect to the TC index, the situation seems to have changed slightly in recent years, particularly for ECOWAS as an importer, but given the low weight of these economies in Morocco's total trade flows, no major results are to be expected in the short term for the Moroccan economy.

**Table 4.1: Trade complementarity index for Morocco by regional group, 1995-2013**

		EXPORTER: Morocco			IMPORTER: Morocco			
IMPORTER:		1995	2003	2013	EXPORTER:	1995	2003	2013
EU (28)	France	0,258	0,249	0,305	France	0,482	0,547	0,521
	Spain	0,231	0,241	0,318	Spain	0,448	0,506	0,548
	Italy	0,245	0,245	0,292	Italy	0,435	0,528	0,514
	Germany	0,279	0,259	0,309	Germany	0,524	0,527	0,521
UMA	Algeria	0,151	0,149	0,229	Algeria	0,139	0,159	0,259
	Libya	0,224	0,196	0,288	Libya	0,141	0,154	0,211
	Mauritania	0,181	0,189	0,234	Mauritania	0,030	0,036	0,140
AGADIR	Tunisia	0,221	0,226	0,271	Tunisia	0,285	0,365	0,460
	Jordan	0,194	0,191	0,241	Jordan	0,240	0,314	0,301
	Egypt	0,167	0,173	0,237	Egypt	0,284	0,362	0,482
ECOWAS	Benin	0,197	0,196	0,220	Benin	0,150	0,164	0,255
	Burkina Faso	0,220	0,196	0,232	Burkina Faso	0,099	0,121	0,185
	Gambia	0,202	0,199	0,202	Gambia	0,092	0,255	0,123
	Ghana	0,161	0,189	0,259	Ghana	0,103	0,129	0,193
	Guinea	0,183	0,183	0,244	Guinea	0,064	0,093	0,158
	Mali	0,199	0,205	0,239	Mali	0,061	0,078	0,109
	Nigeria	0,181	0,194	0,233	Nigeria	0,127	0,115	0,202
	Senegal	0,181	0,191	0,235	Senegal	0,176	0,277	0,317
	Togo	0,235	0,204	0,213	Togo	0,187	0,257	0,239

Source: Own elaboration based on data from UNCTAD

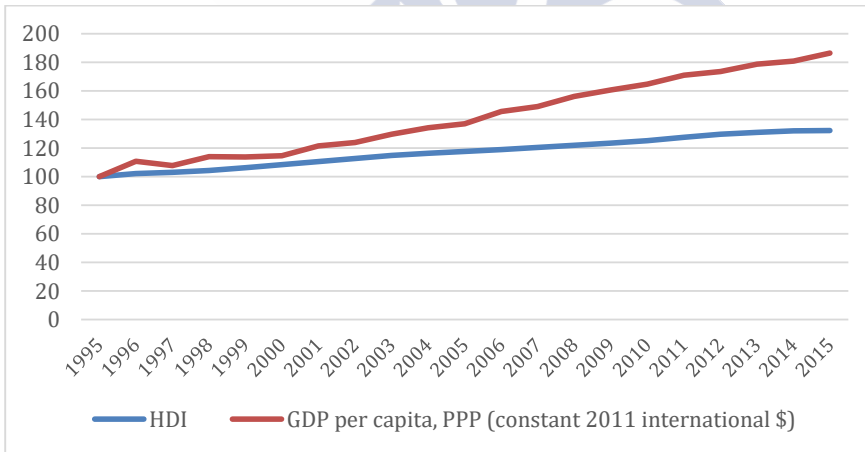
Thus, in the light of the data presented above, it can be argued that the potential effects of integration on trade, and consequently on economic growth and welfare, may not be the determining factors for the signature of such agreements by Morocco, nor for their promotion and promotion by the EU. We must therefore ask ourselves what reasons justify the insistence on these integration arrangements. This question will be answered in the rest of the chapter. But before that, we will examine whether the advances in terms of GDP and GDP per capita shown previously in this chapter are accompanied by an increase in development and welfare as suggested by the theory.

### 4.2.2 Growth and Welfare

In spite of the inherent difficulties that measuring such a complex and ambiguous concept as welfare implies, the UN Development Program (UNDP) has set one of the most influential approaches to this regard within the field of Economics and Development. The Human Development Index (HDI) tries to balance the focus on economic growth with other dimensions that have to do with national policy choices and with the way they influence people’s capabilities. Life expectancy at birth, years of schooling and Gross National Income are the main variables taken into consideration.

The available data concerning Morocco show a remarkable improvement since 1990, from 0.489 to 0.647 in 2015. In fact, the last report available situates Morocco in the 123<sup>th</sup> position in a list that currently includes 188 countries. However, HDI evolution was not as dynamic as GDP per capita (**Figure 4.22**). Between 1995 and 2015, the average annual growth was 1.6 for HDI and 4.3 for GDP per capita.

**Figure 4.22. Evolution of Morocco GDP per capita and HDI, (Index, 1995=100)**



Source: Own elaboration based on data from UNDP and World Bank WDI

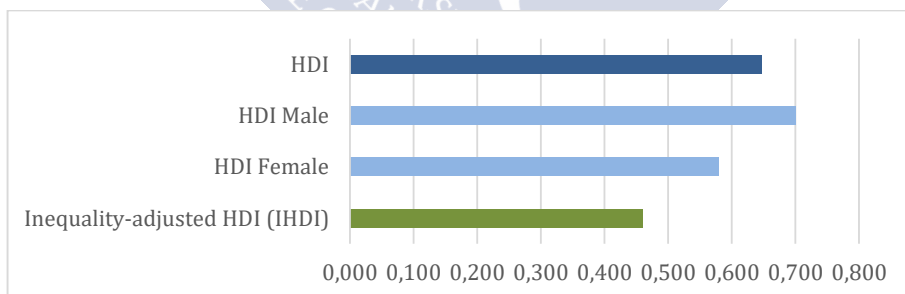
Indeed, results are nowhere near as favourable when we take into account not just the three HDI dimensions (a long and healthy life, access

to knowledge and a decent standard of living), but inequalities in distribution across the population for these dimensions.

As regards income inequality, the **Gini index** measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution (a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality). According to data from World Bank Development Indicators, in the case of Morocco, Gini index increased from 39.5 in 1998 to 40.7 in 2006.

Moreover, when looking further at Human Development Data within the framework of the HDI, other striking features arise about the distribution of welfare within the country. The Coefficient of Human Inequality, introduced in 2014 as an experimental measure that calculates a simple average of inequalities in health, education and income, shows a rising progression since 2010, leaving Morocco in the 125<sup>th</sup> place in 2015. To this regard, the Inequality-Adjusted Income Index (IHDI), which adjusts the HDI for inequality in the distribution of each dimension across the population, shows a much lower figure (**Figure 4.23**), confirming that unequal distribution is a growing constraint to welfare in Morocco.

**Figure 4. 23. HDI and Inequality (2015)**



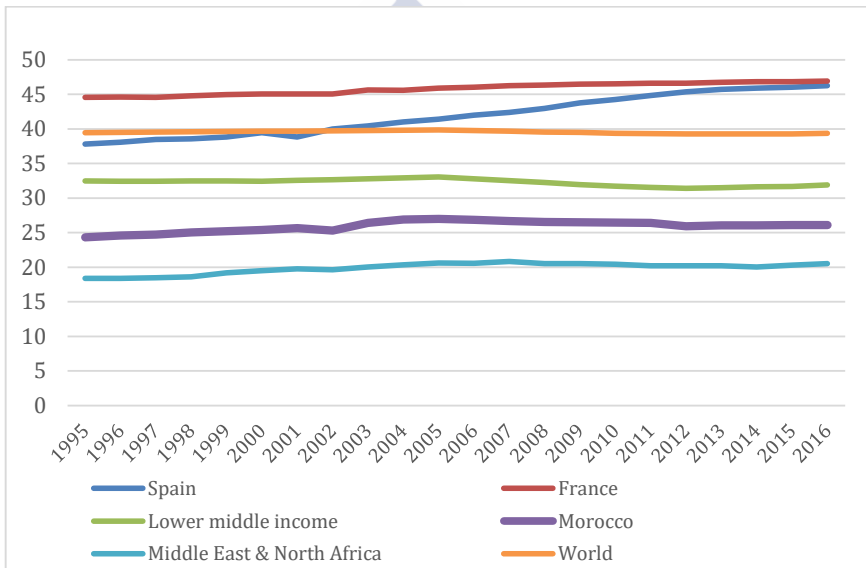
Source: Own elaboration based on data from UNDP

Therefore, the Inequality-Adjusted HDI shows worse figures for Morocco than its position in the HDI ranking suggests. Neither it can be assessed that the effects of trade and growth have been distributed equally in the country, nor can it be supposed that the good performance of Moroccan trade after the last economic crisis has pushed the country towards a more equal path of development.

In addition to inequality in the income distribution and the other HDI dimensions across the population, gender inequality is also to be underscored: HDI for women is significantly lower than for men (**Graph 23**). UNDP data for 2015 show that the mean years of schooling are 3.8 for women and 6.4 for men and estimated GNI per capita (in 2011 PPP \$) is 3.388\$ for women and 11.091\$ for men.

As for **female participation in the labour market**, which is the cause and consequence of other inequalities, it is low and increased only slightly between 1995 and 2016 (from 24.3% to 26%) (**Figure 4.24**).

**Figure 4.24. Female participation in Labor force (% of total labor force)**



Source: Own elaboration based on data from World Bank Development Indicators

The steady growing trend showed until 1999 was followed by a dramatic fall until 2002. Then, after two years of recovering, a softer but steady decline brought figures back to 1990s numbers, especially due to the recent trends of the textile sector, where they provided for most of the labour force.

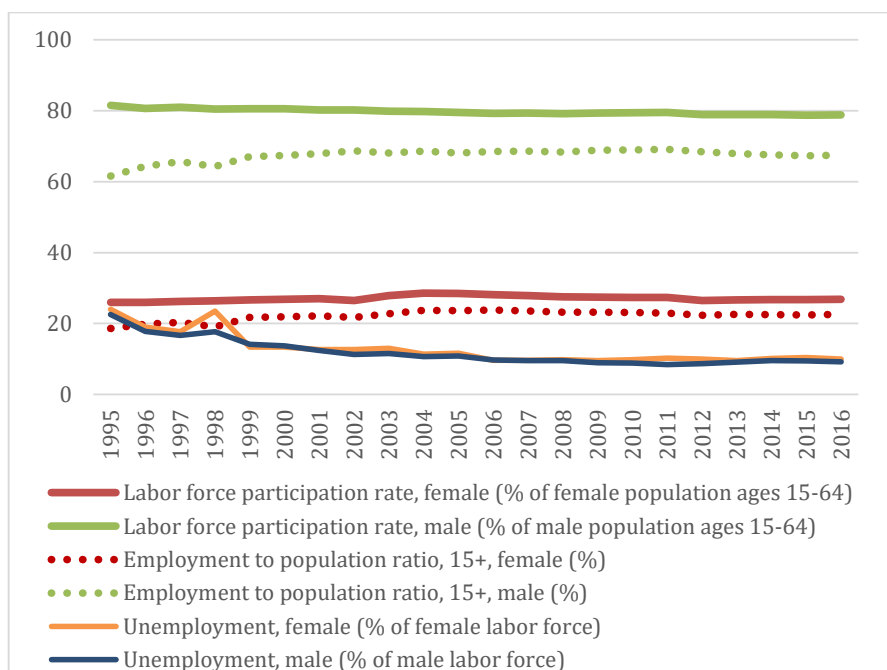
Although women's participation in the labour market is above the average for the countries of the region (MENA), it is below that of its



income group (Lower Middle Income Economies) and well below than that of European and, in general, world countries (Figure 4.24).

It is clearly the low participation of women in the labour force what makes the difference in their situation on the labour market compared to that of men. In fact, the unemployment rate (as a percentage of the workforce) is very similar for men and women (Figure 4.25).

Figure 4.25. Labor Force participation, Employment and Unemployment in Morocco by gender, (1995-2016)



Source: Own elaboration based on data from World Bank Development Indicators

A report by the WB (2015) on economic growth, structural transformation and gender inequality stated that the “recent (although not dramatic) structural transformation of the economy” has taken place at the expense of women participation in the labour market. According to this study, the relative decline of labour shares in low-productivity sectors (agriculture, services and textiles) and the slight increase in employment in high-productivity ones has entailed a “diverging path of reallocation”

whereby women remained “trapped in low productivity sectors” (2015, p. 39). In this regard, the WB warns about the gender asymmetries in labour mobility, especially when economic shocks happen:

“The population of Morocco overall has gained during the past decade in terms of welfare but this progress has occurred via non-inclusive labor market developments. Women have not improved their labor market status and, if anything, they are more dependent on their male counterparts as ever before. Rural women in particular seem to function as a ‘shock absorber’ for the economy. When the economy is doing well, rural women participate to the labor market in greater numbers but when the economy suffers this group is the first—and often the only group—to be excluded.” (WB, 2015, p. 36).

In sum, a short insight into how output is distributed among citizens considering their income, gender or occupation is enough for understanding that the straightforward relationship between trade, growth and welfare implied in economic theory neglects several major aspects of development. Also, economic statements about development as composed by growth and structural change (Panchamukhi et al., 1989) reveal themselves incomplete without a further analysis about how these phenomena take place and who remains outside of the formula. In this regard, one of the reports by the WB (2016b) quoted in **Annex 2**, regarding the causes and outcomes of the Arab Spring in MENA countries reflected on the predictability of mainstream economic indicators as follows:

“The past five years have shown that traditional performance monitoring methods are not adapted to the current MENA region. The results of individual projects, for example the number of kilometres of roads built, do not show that the country may be in the midst of a civil war. Even macroeconomic results such as GDP growth, monetary poverty and income distribution did not anticipate the Arab Spring, let alone its extensions. All countries had rising growth rates before 2010. Extreme poverty, at 2.4 per cent, had been virtually eliminated. In most countries,

inequalities were low and decreasing or stagnating. In contrast, other units of measurement, such as indicators of welfare, opportunities for expression and public accountability, and opportunities for the middle class (not the poorest 40 per cent), heralded the problems that triggered the Arab Spring and with which the region continues to struggle.” (WB, 2016b, p. 23)

In the case of Morocco, the positive performance praised by international organisations about its international and domestic choices does not take into account the widening socioeconomic gaps that these choices might have spurred. Finally, the premises about eventual convergence between countries through economic integration do not seem to fit the Moroccan path either.

#### **4.3 THE POLITICAL ECONOMY OF SOUTH-SOUTH INTEGRATION IN THE MEDITERRANEAN**

Over the past fifty years, the great number and scarce performance of South-South regional agreements have challenged the core assumptions of mainstream theories of integration. As shown in Chapter 3, IEOs like the IMF, the WB or the UN release every year reports that regret the lack of intra-regional exchanges in Africa, the failure to attract FDI due to uncertainty and instability, or the inability to unleash ‘endogenous growth’ through innovation and competitiveness. In this regard, the European Union is acknowledged to be the main example and promoter of the virtuous circle of integration. However, in spite of its efforts to export welfare through trade integration and political cooperation, the European Union finds its closest counter-example in the Mediterranean basin. If there is a place in the Mediterranean where the EU has traditionally encouraged the integration recipe, it is the Maghreb region. However, the outcomes of this support achieved so limited outcomes that the ‘non-Maghreb’ as an object of analysis gained more salience than its opposite.

Apart from relativizing the relationship between trade, growth and welfare, the statistics above highlight the centrality of epistemology in the research process. Beyond the technical accuracy of the methodology

employed, the object of study and the premises on which the analysis is based largely determine the results and the conclusions derived from the process. This goes often unnoticed when it comes to certain non-hegemonic subjects within a certain field. We argue that this is the case for some Global South/Third World/Developing countries. To a certain degree, the different aspects related to economic and political agency and structural features underlying Moroccan integration falls within a realm that Fernández-Molina et al. (2018, p. 2) call “subaltern foreign policies”:

“Mainstream scholarship tends to care little about the international action of states that are subordinate, peripheral and relatively disempowered, lying certainly outside the Euro-American core of the Western-centric global order or the club of rising powers increasingly challenging it. It only recalls their existence in three types of often interrelated instances: when these states are the targets of the action of any of the *big guys* of international politics, when they become involved in major crises and armed conflicts with regional and global spillover, and when they provide appropriate case studies to test hypotheses or illustrate theories. While the latter academic-driven interest is legitimate, it remains problematic insofar as it treats the selected country ‘cases’ as means to an end rather than ends in themselves.”

As it has been mentioned in previous chapters, the underlying premises of orthodox economics in general, and economic integration in particular, often set aside the role of the agents that take decisions and also of those who evaluate or regulate them. In this vein, the missing links between economic integration and foreign policy affairs imply a neglect of concepts like *power* and *legitimacy* in favour of the neoclassical axiom of *utility*. Similarly, global IEOs often appear as the subjects undertaking the analysis, but their direct involvement in the shape and outcomes of influence regional processes is hardly ever addressed. As institutions that promote a specific discourse and as authorities with regulatory and normative power, they have a significant influence on *what is said* and *about what*. In this vein, IEOs tend to reproduce the debates and changing trends being held in the academy, rather than focusing on the actual

political or socio-economic concerns that occupy the domestic agenda of the country at stake. Furthermore, the case of Morocco is particularly challenging in the field of Economic Integration, where its position is full of grey areas:

“From its positional in-betweenness, North Africa struggles not only to be seen as the little brother of the Middle East within the horizontal construction of the Middle East and North Africa (MENA) region that has prevailed for decades, if not centuries. At the same time, North Africa’s intimate proximity to Europe, by choice or by necessity, is inherently contentious as part of the legacy of colonialism and the product of post-colonial dependence. In sum, this liminal space looks like *not* quite the proper Middle East, *not* fully African and certainly at, *yet outside*, the exclusive borders of Europe - ‘on the outside of Europe looking in’ (White, 2001)” (Fernández-Molina et al. 2018, p. 3).

In general, beyond slight methodological approaches and thematic priorities, the assessment of South-South projects in the area provides little insight into the reasons why they have taken place. Similarly, their implications in areas that exceed the presumed objectives of the theory and the variables that seek to grasp them, remain often unexplored. Consequently, our work has focused on re-building incomplete explanations about such processes in a case-by-case manner, by considering the aspects already mentioned in this and previous chapters. In this regard, evidence from Chapter 3 suggests:

- a. Despite clear evidence on the role of (intra-)European affairs and decisions in the path of Moroccan international integration, EOIs do not address them as decisive factors behind this phenomenon. Nor do they carry out specific assessments on such influence or even on the interactions between the overlapping North-South and South-South schemes that the EU promotes in the area.
- b. Almost the opposite occurs in the case of Maghreb (non) integration. Here a number of aspects deserve attention:
  - i. Despite strong promotion and continuous efforts declared by international and domestic actors, trade integration

- among Maghreb countries has barely progressed for more than half a century.
- ii. Although United Maghreb was a strong political claim during the decolonisation period in Algeria, Morocco and Tunisia, the project faded away after independence due to a sharp deterioration of intra-area relations. Notwithstanding, an integration agreement arrived unexpectedly thirty years after against a backdrop of instability and crisis. The reasons often argued to justify such a turning remain quite shallow in this regard: arguments like the improvement of bilateral relations between country leaders or the will to negotiate as one -stronger- actor face to the European Community do not seem to find any hard evidence in subsequent years.
  - c. The Agadir Agreement, as a South-South arrangement aimed at creating an Euro-Mediterranean diagonal system of rules of origin on the basis of the *acquis communautaire* holds some characteristics that make clearly distinguish it from other S-S agreements:
    - i. It is a South-South agreement promoted and largely financed by the EU whereby signing countries should approach European trade rules and standards
    - ii. Despite a number of 'physical conditions' like the distance between signatory countries or the fact that, to a certain extent, their economies are concurrent among them, the agreement raised high expectations. Also, hopes were high that other Mediterranean countries would join afterwards. However, neither this happened, nor integration among the four countries has fulfilled expectations so far.
    - iii. Within the Mediterranean framework, the four (and only) signatory countries are long-standing privileged partners in European Foreign Affairs.

In this vein, our contribution aims at providing a comprehensive insight on those processes that can complement mainstream approaches by taking into account the following aspects:

- Both PTAs and FTAs belong to Foreign Policy Affairs, hence are political decisions.

- Their political nature goes along with a legal one. They regulate the terms of integration and respect also the regulatory framework set by IEOs and International Law.
- IEOs are not only responsible for the regulatory aspects of integration, but are also in charge of its promotion, evaluation and follow up.
- In line with the reasoning developed in previous chapters, the approach that these institutions apply to the study and promotion of a certain type of integration is not neutral or unambiguous. Rather, country profiles and their international behaviour matter on how their results are perceived.
- Not one theory fits all cases. Similarly, not all countries are evenly represented in international institutions and neither they do within the scientific field. As a consequence, some voices, needs and approaches are more willing to reach ‘universal validity’.
- When it comes to North-South and centre-periphery relations, there is solid evidence that Southern countries undergo dynamics of ‘subalternity’ face to Northern/Western ones (Fernandez-Molina et al., 2018). Often, their domestic agenda, as well as their socioeconomic structure and internal politics are largely underestimated when assessing their performance under mainstream approaches.
- History does matter. Regional processes do not necessarily start by preferential agreements. Rather, integration among countries, as well as their relationship with their main partners, are rooted in the long term. In this regard, for countries having undergone processes of colonisation, the footprint of past relations has triggered patterns of specialisation that are more complex than Ricardian logics of trade and specialisation may suggest.
- As a consequence of the premises set above, International Economic Agreements are also to be understood as mechanisms of legitimation of already-existing economic relations within the process of transition towards new regional and international economic frameworks. Accordingly, the role that IEOs play in such transitions is to be considered carefully.

With such premises at hand, the following sections analyse the political economy of the most recent experiences of South-South regionalism undertaken by Morocco. First of all, the political and

socioeconomic aspects lying behind the creation and evolution of the AMU are assessed within the framework of Euro-Mediterranean relations. Secondly, the reasons and outcomes of Agadir Agreement are examined under the same light. The chapter will conclude by characterising the current state of affairs of the Moroccan approach to South-South integration against the background of a dominant pattern of North-South relations.

### **4.3.1 Reassessing the goals of Moroccan South-South integration**

In 1960, Lipsey advanced the “natural trading partners” hypothesis. According to this hypothesis, the greater the proportion of intra-area trade, and the lesser with the rest of the world, the likelier it was that a regional agreement would enhance welfare. Over half a century later, this idea was developed by a number of economists and objected by authors like Schiff (2001). He argued that the volume of exchanges does not necessarily provide an objective measure of the extent to which trading partners are “natural”. In his view, a more reliable indicator was the degree to which the goods exchanged between them were complementary<sup>54</sup>. Other literature has pointed to the impact of export competitiveness, export concentration, geographical proximity or the institutional framework in these phenomena. IEOs’ analyses of Moroccan integration largely build on these considerations when promoting Maghreb integration despite its adverse conditions of departure. Nevertheless, some aspects remain unclear regarding the interplay between South-South and North-South agreements in the area. Their approaches often avoid focusing on the roots of such processes and apply a narrow corset to the assumed theoretical goals ‘for which’ (Cohen, 2014) they are to be promoted.

The AMU has existed for almost thirty years now. However, the treaty linking the economies of Morocco, Algeria, Tunisia, Libya and Mauritania in Marrakech in 1989 is now seen as a tale of failure or, at best, of eternal deferral of steps forward. Among the many obstacles that frustrated Maghreb integration, economists and political scientists point to political causes. The relations between the five countries have never ceased to be guided by a continuous flow of diplomatic crises that swing

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<sup>54</sup> For further information on this index applied to the Moroccan case, see **Table 1**.



between circumstantial quarrels and structural rivalry (Zouiri, 2010; Larramendi, 2018). The EU identifies two issues that hinder integration at the sub-regional and international levels. In the first case, it refers to the Western Sahara conflict between Morocco and Algeria as a direct cause of the obstruction of the development of the AMU. However, authors like Biad (2013) find part of the causes of the Maghreb regional situation in the management of the EU, highlighting the coincidence of the launch of the Barcelona Process with the moment when the AMU entered a process of crisis and recession.

Almost twenty-five years after the establishment of the UMA, a new South-South attempt rekindled expectation around the Mediterranean. The Agadir Agreement sanctioned in 2004 by Morocco, Tunisia, Egypt and Jordan and open to Arab Mediterranean countries bound to the European Union through an Association or an FTA, aspired to expand until the establishment of a Mediterranean Free Trade Area (MAFTA). Through the diagonal accumulation of RoOs, it ultimately pursued Euro-Mediterranean integration based on the Pan-Euro-Mediterranean system of rules of origin, following the European *acquis communautaire*. Nonetheless, more than ten years have gone and, as seen previously in this chapter, the virtuous circle foreseen by this peculiar South-South arrangement was never set in motion.

Beyond the trade figures already analysed in this chapter, the rationale and ambitions of both processes will be assessed in the following sections.

#### **4.4 THE (NON)-MAGHREB WITHIN EURO-MED RELATIONS**

Together, the five countries of the Maghreb had in 2010 a population of around 90 million people distributed unequally along the territory. Indeed, about 90% of the population is concentrated in northern and coastal areas (Mebtoul, 2011). Also water resources and agricultural land are concentrated in the coastal strip, where mountain ranges slow down the harshness of the desert and allow for the development of Mediterranean agriculture (Escribano and Lorca, 2007). Although demographic growth in the region has slowed down in recent years, the level of economic growth has not been able to absorb an ever-increasing

supply of surplus labour (Abad, 2013), which has progressively migrated to urban areas, widening the development gap in rural zones. On the whole, foreign trade has been characterised in recent years by current account surpluses in oil-producing countries and chronic deficits in resource-poor ones, with the EU playing a major role in both cases. On the other hand, although the financial crisis has negatively affected the entire region, its impact varied along countries.

In terms of economic structure, the Maghreb countries differ in certain respects: Libya has traditionally been rich in natural resources and poor in labour supply, and Algeria is rich in resources, but also in labour supply. Although both are involved in processes of economic transition at the moment, Libyan transformations are certainly the most challenging ones. Indeed, as Tim Eaton (2018) argues, Libya functions nowadays as a 'war economy'. For their part, Morocco and Tunisia, relatively poor in resources and with abundant labour force, have the most open and diversified economies. There, agricultural and manufacturing exports, foreign investment, remittances from migrants and tourism play a major role, as it has been shown above.

Several authors, however, do not only advocate the potential of the sub-region as an economic bloc, but they also have argued that the cost of non-South-South integration and, in particular, of non-Maghreb (Zouiri, 2010; Mebtoul 2011) could become unsustainable for the economies of the region (Zouiri, 2010). In this regard, they recall El Malki's arguments that "the Maghreb construction is not formulated in terms of choice, but in terms of survival" (El Malki, 1988, p. 212). In favour of this argument, several factors that advantageous to integration are underscored. Among them, Zouiri (2010) highlighted the characteristics of human capital, historical, geographical and cultural ties whereby a French-speaking Western model melted into a Berber-Arab-Islamic culture. Moreover, they argue, the existence of shared challenges continually highlighted by international institutions could be seen as an opportunity to overcome them from a regional approach. The high vulnerability of European trade dependence, an unattractive environment for investors, inefficient education systems, insufficient scientific and technological development, chronic youth unemployment and governance issues are often mentioned by institutions and scholars in this context.

Still, despite the avowed failure of the AMU and the scant performance of the Agadir Agreement (2004), the EU has reinforced its support to a united Maghreb as a key for stability and progress after the wave of protests that shook the Mediterranean in 2011 (EC, 2012). This appears even more paradoxical when retracing the discourse on Maghreb through the XX century. Regional claims in Morocco, Algeria and Tunisia started in the 1920s and played a central role in the quest for sovereignty during anti-colonial struggles. In this respect, beyond their actual level of integration or the suitability of the different regional frameworks in place, one central question arises: how did it happen that Maghreb regionalism as an emancipatory project ended up as an ill-performing FTA inserted within the North-South framework that it opposed?

#### **4.4.1 The AMU: a South-South parenthesis in North-South relations?**

Little after the Mediterranean enlargement of the European Community, the AMU (1989) was established on the Southern shore of the basin. Three decades had been gone since the project of a united Maghreb had faded away due to intra-regional disputes and border conflicts among almost all the countries of the region (Aghrout and Sutton, 1980). Furthermore, the so-called ‘Maghreb Cold War’ that had frozen the relationship between Morocco and Algeria since 1963 (Guermoune, 1988; Murphy, 2010) had grown bigger over ideological divergences. In addition, that quarrel provoked the exit of Morocco of the OAU, isolating itself politically from the rest of the continent. Although certain bilateral or trilateral initiatives took place in that period, the climate of confrontation and the inconsistency of the alliances remained as inner features of the Maghreb area. However, as the decade went on, the process seemed to take a new impulse.

In this regard, numerous authors attribute this shift to the mandate of Chadli Benjedid after the death of the Boumediene in 1978 (Chaalal, 2011). The politics of “positive neighbourhood” and a more pragmatic and liberal attitude from the new leader in the management of national hydrocarbons are often addressed as triggering motives of a renewed confluence between Algeria, Tunisia and Mauritania, followed by a meeting between Hassan II and Benjedid in Oujda in 1983 (Balta and

Rulleau, 1990; Chaalal, 2011) that would spur the integration process since 1986. That year, the main leaders of the parties that led the independence struggle gathered in Algiers to commemorate the anniversary of the 1958 Tangier conference (Aït-Chaalal, 2011). New meetings took place afterwards that led to the restoration of Libyan-Tunisian relations at the end of 1987. Certainly, the new impetus to political Maghreb seemed to come from the East, pushed by the particular involvement of Algeria, which unfolded gestures of friendship to all the neighbours of the region (Aït-Chaalal, 2011). Against this background, Morocco and Algeria restored diplomatic relations on May 16, 1988. From that moment on, the wheel of political integration accelerated sharply.

At the beginning of January 1989, Hassan II officially received a delegation from the Polisario Front (Aït-Chaalal, 2011) and the Algerian president made an official visit to Morocco. According to Aït-Chaalal (2011, p.47), with these gestures, “the last political obstacles in view of the signature of a Maghreb Treaty fell down.” A few months later, in the city of Marrakech, on 7 February 1989, the treaty ratifying the creation of the AMU was signed.

In view of these considerations, a step backwards seems necessary to grasp the underlying reasons behind the sometimes-contradictory explanations on the reasons why Maghreb should be an economic region whilst AMU has never worked. To do so, it would be misleading to keep the focus on *why* did integration fail, as some of the mentioned analyses do. Rather, there are reasons to wonder *why did it happen* and *how* the current situation relates to the goals pursued by the creation of a regional ensemble in 1989. As for Moroccan insertion in the Euro-Mediterranean framework, the next sections will review the political economy of the Moroccan insertion on Maghreb regionalism since the transition towards independence.

#### 4.4.1.1 The roots of Maghreb regionalism: North-South versus South-South options

To explain the roots of non-integration in the Maghreb area, it is necessary to go back to the colonial footprint and analyse the production systems inherited from that period. The three countries of the central

Maghreb began their independence with disjointed economies in which two agricultural sectors (traditional and modern) coexisted. For those specializing in the export of unprocessed crude oil, dependence on the metropolitan market was also an essential asset (Zouiri, 2010). Thus, in the attempt to implement a common strategy for the new era of independence, the obstacles that hampered the project were, among others:

- The diversity of economic development strategies
- The diversity of industry standards and references
- The weakness of project financing conditions, foreign trade and the insurance system
- Obstacles to factor mobility
- The weakness of economic movement between partners and obstacles that go beyond the customs authorities
- The lack of necessary transport infrastructure, both between and within countries

Notwithstanding, the idea of Maghreb Unity had reached strong popularity in the aftermath of decolonisation. Apart from sociocultural elements like language, religion or genealogic origins, many historians highlight colonial vicissitudes as a cohesive element of Maghreb consciousness (Santucci, 1972; Ageron, 1983; Gallissot, 2015). The resistance against colonial allegiance expanded since the beginning of the Protectorate from the Rif Mountains to the Anti-Atlas, as well as along the borders of French Algeria and in the Sahara. Notwithstanding, since the 1920s, nationalist and regionalist claims increased from two poles of the intellectual elite: Arab students in Paris and Islamic intellectuals in Fes built their anti-colonial narrative by praising a Maghreb alliance around Arab identity and against French imperialism (Ageron, 1983; Vermeren, 2010). As an example, the creation in Paris of the *Association d'étudiants musulmans nord-africains* (AEMNA) in 1928 was largely guided by the goal to “politicise in the sense of anticolonial nationalism all the Maghreb students and to raise awareness of the Muslim world towards the North-African question” (Ageron, 1983, p. 32).

After WWII, the *Comité de Libération du Maghreb Arabe* (1947), lead by the Riffian dissident Abd El-Krim, was created in Cairo with representatives of nationalist parties, but internal divergences and the prominence of national goals divided Maghreb supporters and weakened

the movement (Santucci, 1972, p. 131). Regionalist goals would be relegated until Morocco and Tunisia achieved their independence in 1956. Both of them would then support the Algerian war against France as a fair and necessary cause within the framework of the “*Maghreb des peuples*” —People’s Maghreb—. From Cairo, Abd El-Krim summoned Moroccans to “pursue the war of liberation until the emancipation of Maghreb” (Rivet, 2012, p. 560).

However, the differences between post-colonial regimes and the rise of border conflicts would relegate regionalism to a secondary place. Furthermore, the negotiated independence of Morocco entailed the preservation of the status quo in many respects. As explained in the previous chapter, continuity was facilitated by the Treaty of Rome, which preserved “imperial preferences” under the disguise of “particular regimes of imports” (Etienne, 1970, p. 174). As a consequence, Morocco, Tunisia and Algeria remained subject to French unilateral concessions within the framework of the Common Market. What is more, the different legal statuses of their economic arrangements with the European Community made it difficult and, to a certain degree, unworthy to agree on a common position that strengthened their geopolitical weight.

Despite a number of bilateral and trilateral meetings and the signature of around forty bilateral agreements (Santucci, 1972), the decay of regionalist goals would be definitely confirmed after Algerian independence. Since 1963, the debate on Maghreb unity was replaced by long-lasting border disputes. Moreover, the subsequent decline of Third-World ideals within the majoritarian Moroccan parties nourished a vision of Algeria as “the rival nation” that conceived Maghreb in terms of domination, as an instrument for its appropriation of the Sahara (Leveau, 1985, p. 251).

In February 1963, the three ministers of Foreign Affairs of Morocco, Algeria and Tunisia met in Rabat with a double goal: on the one hand, to lessen discrepancies and to re-examine feasible paths towards unification; on the other hand, to adopt “common attitudes at the diplomatic level” and to harmonise their economic policies “towards large economic ensembles like the EEC” (Guermoune, 1988, p. 284). However, by then Maghreb ambitions were already subject to the European paradigm of integration from many points of view. Morocco and Tunisia had started individual conversations with Europe in view of the signature of Association

Agreements. For its part, Algeria still belonged *de facto* to the Common Market (Valay, 1966). The low expectations raised by the political complex scenario led to the decision to “build the real Maghreb by the basis”, by trying to focus on “what can be done at the level of economy” (Santucci, 1972, p. 133) with the help of the technical assistance provided by UN Economic Commission for Africa. Since 1964, the Grand Maghreb (which included Libya and Mauritania) would become a vaguely defined intergovernmental project guided by an unclear roadmap.

In April 1964, a conference of experts in development organised by the Economic Commission for Africa exposed in Tangier the main features of Maghreb markets and proposed a sectorial strategy for industrial development in the region. With assistance from the UNCTAD, the sectorial approach was replaced in 1967 by a global one. Three possibilities were proposed to this regard (Santucci, 1972, p. 145):

- The ‘minimum’ one, foreseeing economic union as “a simple declaration of intentions”
- The ‘maximal’ one, inspired by the Treaty of Rome
- The ‘intermediate’ one, based on “interaction between trade liberalization and industrial harmonization”

Maghreb countries chose the third, but not significant outcomes would follow. The common declaration issued after the conference of Rabat in 1970 confirmed Algerian reluctance to pursue the process of Maghreb integration. The official reason was the threat that Moroccan and Tunisian Investment Acts would expose the country to the expansion of neo-colonialism through the attraction of international capital. In practice, Algeria had adopted a national plan for industrial development and its involvement in a regional strategy was subject to its possibility to lead it. In the meanwhile, the three countries had been renegotiating separately their relations with European partners.

#### **4.4.2 The energy sector as the engine of integration: Market integration in the Western Mediterranean**

Rather than the failure of Maghreb integration, the striking fact at first sight is that an integration agreement was endorsed against the turbulent regional background of the time. Even more in view of the fact that flows

of trade, capitals and workforce do not appear to have really undergone any dramatic change ever since. These two features suggest that different reasons and goals related to the regional geopolitical and economic context ought to be considered. Accordingly, a careful assessment of the terms of the agreement and of those that preceded it in the 1980s, placed within the framework of the geopolitical shocks experienced on both sides of the Mediterranean during such period, provided this research with a number of hints that brought us to the energy sector:

- i. The only sector where a trend of economic cooperation began among Maghreb countries in the 1980s that did not exist before was natural gas. A set of joint ventures was put in place in order to bring gas from Algeria and Libya to Italy and Spain through pipelines that crossed Tunisia and Morocco.
- ii. The bilateral and trilateral South-South integration initiatives came, since the beginning of the decade, from a strong Algerian advocacy for Cooperation Agreements.
- iii. The prerogatives of such agreements, as well as those of the Treaty of Marrakech, entailed regulatory changes that allowed to set up those projects within a safe legal environment.
- iv. European governance in the sector of energy underwent significant transformations in the same period.
- v. Transformations in the energy sector in Spain also appear to be related to those trends. Besides, the 1980s are the decade of Spanish accession to the Common Market.
- vi. The only merchandise that still today crosses legally the terrestrial borders that separate Morocco and Algeria (closed since 1994) is natural gas -and, to a much lesser extent, electricity.

Therefore, the following sections will deepen on the relationship between the transformations having taken place in the regional energetic landscape, the signature of South-South agreements and North-South integration in the Euro-Mediterranean framework.



#### 4.4.2.1 The Euro-Mediterranean landscape of natural gas in the 1980s: a confluence of circumstances

The development of the Euro-Mediterranean gas market had a regional dimension at its origin. Nonetheless, this did not exactly overlap with the Internal Energy Market (IEM) and had mainly a multipolar shape with the main Member States (MS) playing a central role (Rubino, 2016). Given the initial focus of the EEC on coal and nuclear energy and the following marginalisation of the EEC in sensitive questions regarding global oil supplies, natural gas remained for decades far from priorities in the regional agenda. This situation left margin for European governments to foster a quasi-monopolistic control of energy markets by their ‘national champions’ (Rubino, 2016). Since the aftermath of the oil crises in 1973, the natural gas industry in the Mediterranean entered the agenda of European integration. After that, a Euro-Mediterranean market developed in two phases:

- **1st phase:** regional markets were developed by connecting the main import hubs (in Italy and Spain) with transport pipelines to the large gas exporters in the region (Algeria and Libya) through long term contracts (LTCs) that sometimes explicitly included the *take or pay* clause:
  - The buyer took the volume risk, and the seller took the price risk
  - This was possible because the respective domestic markets were dominated by large vertically integrated utilities on both sides of the pipelines.
  - Most of these long term contracts (LTCs), after more than 40 years, are still in place in the Mediterranean exchanges
  - Moreover, the long-term contracts left no necessity, room or incentive for diversification.
- **2nd phase (transition):** European integration induced a top down transformation of the existing energy systems, toward a tightly specified target model as defined by the EU institutions (Tholens, 2014).

Therefore, since its early stages, the gas industry was dominated by bilateral relationships. The main actors of these commercial and strategic interactions were national decision makers, usually represented by state owned companies in charge of the entire supply chain in their respective

domestic markets (Rubino, 2016). This situation would change with the progressive liberalisation of energy markets promoted by European institutions during the 1990s.

#### **4.4.3 The heart of Maghreb in Hassi R'Mel: South-South (micro-economic) integration**

The Algerian reserves of natural gas, far more abundant than oil ones, were known since 1956, but they would remain a second-class resource until the 1980s (Hayes, 2006; Musso, 2015). In this respect, the European countries did not hold sufficient market shares or clear intentions to target this sector. The only exception was Italy, which had developed extraction activities since the mid-1940s following the discovery of important reserves in the Po valley, close to the most industrialised regions of the country (Musso, 2015). Twenty years later, the state-owned company Eni would hold the technical means and state support to reach the international market with ambitious proposals in the natural gas sector. For those reasons, Eni appeared to be the most suitable company for negotiations between Algeria and France on the energy supply of the Northern shore (Musso, 2015).

With the aim to secure a steady flow between the source and the market that could bear geopolitical shifts more reliably than trade in Liquefied Natural Gas (LNG), two ambitious transnational pipeline projects were proposed as early as in the 1960s: the first, which sought to bring natural gas from the Hassi R'Mel fields to France, via Morocco and Spain through the Strait of Gibraltar, was technically feasible but politically implausible under the prevailing political context. The second, which would cross Tunisia to reach Sicily, had the opposite characteristics (Hayes, 2006; Musso, 2015). It would be the second option, called Transmed, the first artery to permanently link Algerian energy to European consumption. Having overcome a number of vicissitudes that kept the project on standby during the 1970s, and assisted by Italian state funding and contributions from the European Community, the pipeline was inaugurated in May 1983.

In that period, the rise of Chadli Benjedid to power had brought about important transformations in Algerian politics and economic approach

(Khelif, 1999). After the death of Colonel Boumédiène, the national company Sonatrach and the hydrocarbon sector in general, underwent major restructuring (Musso, 2015). At the same time, the repercussions of the oil crisis had brought energy dependence back to the centre of the European agenda (Sid Ahmed, 1993; Hayes, 2006; Mañé-Estrada, 2009; Musso, 2015). Against this background, Algeria could exploit the renewed interest in natural gas over the Mediterranean.

The *Treaty of Fraternity and Agreement* signed between Algeria and Tunisia in March 1983 gave cross-border cooperation and South-South interaction a decidedly central role in comparison with the “bon voisinage” agreement that the two countries had ratified thirteen years earlier. The replacement of good neighbourliness by the concept of “concorde” introduced a more proactive approach which, from the point of view of International Law, implied a firmer commitment to long-term partnerships and the opening of the agreement to the rest of the Maghreb countries (Meliani, 1985, p. 94). With regard to border issues, Meliani (1985, p. 95) underlines the “passage from the concept of “no man’s land” to the development of a community life in the benefit of the riparians, in a perspective of positive neighbourhood”. In particular, the part of the territory that in the 1970s could not be delimited became a potential hub of cooperation and development agreed upon at the political level by the Algerian-Tunisian Grand Commission; at the political-administrative level by the “wilayate-jonctions” located in the border area; and at the technical level by the creation of joint ventures for joint industrial projects (Meliani, 1985, p. 97). This last aspect deserves special attention:

“The industrial cooperation defined by the framework agreement signed on 24 April 1983 between Algeria and Tunisia is an open, non-exclusive cooperation. The possibility of extending it to other Arab countries and public institutions (Article 1) is noted, as is the possibility of associating with a third party for better technology transfer (Article 1, paragraph 2). (...) First of all, a company will be set up for each new project and therefore the question arises as to what its legal status will be. It is a bi-national company by virtue of its economic objective, bi or multinational by virtue of its share capital and decision-making power, but national by virtue of the applicable law. Economic objective: First of all, society

has the will of promoting cooperation between two independent national states. This bilateral cooperation requires the intervention of the two States concerned but also of the industrial promoters of the two countries (Article 1, paragraph 2), which suggests the intervention of the private sector within the framework of this action. (...) The duly constituted company enjoys a set of privileges in fiscal and customs matters (Article 7), of non double taxation (Article 8), in marketing matters (Article 9), for the transfer of salaries of non-nationals (Article 10), of an import exemption for the company's workers (Article II)" (Meliani, 1985, pp. 97-98).

Thus, the Transmed gas pipeline would come into operation two months later under a favourable legal framework, which also facilitated the plans to integrate the electrical network between the two countries. Shortly thereafter, Mauritania will accede to the Treaty, for which Algeria will officially define its borders with that country. Several joint projects in the fisheries, steel and energy sectors (Aghrout and Sutton, 1990) promoted cooperation on the tripartite axis and isolated its Libyan and Moroccan flanks. They would react by announcing their reconciliation in May 1983, after thirteen years of discord (Aghrout and Sutton, 1990, p. 122), and expressed their will to improve cooperation in the economic, political and social fields.

Colonel Gaddafi had asserted his interest in joining the Algerian-Tunisian axis, but he found Algerian conditions for the resolution of border disputes unacceptable and caused his request to be rejected (Aghrout and Sutton, 1990, p. 122). Thus, in August 1984, Morocco and Libya would sign in Oujda a treaty establishing the Arab African Union (AAU), which declared in Article 8 the objective of "contributing to the unification of the Arab Maghreb and, by extension, to the realization of the unity of the Arab nation" (Aghrout and Sutton, 1990, p. 122). A couple of months earlier, Morocco had applied for membership of the European Community at the Fontainebleau Council (El Kadiri, 1992). In November of the same year, Morocco also left the OAU in protest against the inclusion of SADR in the organisation. Two years later, under pressure from its Western and Eastern partners, Morocco cancelled its treaty with Libya without any major economic or political progress (Aghrout and Sutton, 1990).

In 1986, the volatile hydrocarbon sector led Algeria to a second impasse that was felt throughout the region, where the economy of this country accounted for two-thirds of the GDP and employed half of the Maghreb workforce (Sid Ahmed, 1993). As Sid Ahmed put it (1993, p. 760):

“If historical oil price readjustments lead to a fourfold increase in public investment in Algeria, the collapse of phosphate prices in 1976 marks the adoption of more liberal policies in Morocco with repeated rescheduling of debt; the same phenomenon then recurring in Algeria from 1986 onwards for identical reasons.”

Algeria will then seek to consolidate its economy through liberalisation. The opening up of the possibility for international companies to participate directly in exploration and production activities (Sid Ahmed, 1993; Mañé-Estrada, 2008) accelerated foreign investment and inundated the territory of Western companies through which successive projects for the exploitation and commercialization of gas would flourish. The trend towards liberalisation in the Maghreb as a whole and the SAPs implemented by Morocco and Tunisia would consolidate the peripheral nature of the region through the so-called “strategic trade policy” approach (Sid Ahmed, 1993).

The context of crisis and liberalisation coincided with a new impetus for intra-Maghreb relations, which flourished again from the East of the region. Thus, the meeting between Gaddafi and Benjedid in In-Amenas in January 1986 was to result in the signature in Algiers of a protocol, one month later, creating joint ventures for oil exploitation, geophysical projects, vehicle assembly and maintenance and other manufacturing activities. Furthermore, the rupture of the AAU was to be followed by a series of gestures of rapprochement between Algeria and its neighbours in 1987, which would give rise to cross-border projects in some industrial sectors (Blin and Gobe, 1989; Aghrout and Sutton, 1990). On the other hand, the succession of Bourguiba to Ben Ali in Tunisia (1987) would lead towards an improvement in relations with Libya that would allow for a settlement of border conflicts through the joint management of the resources in the Gulf of Gabès (Blin and Gobe, 1989; Aghrout and Sutton, 1990). In addition, the three countries

would sign an agreement in Tripoli establishing the *Société du Maghreb Arabe pour le transport du gaz naturel* (Somatgaz) in June 1988, which would draft the route of the ‘trans-Maghreb gas pipeline’ linking Algeria to Libya and Tunisia (Blin and Gobe, 1989, p. 378).

From 1988 onwards, integration would also intensify in the northwest. Since the 1960s, several French companies had been proposing the construction of pipelines to convey natural gas from Algeria to France via Spain (Hayes, 2006, p. 77). However, technical and political constraints had left the process in suspense. The wave of deregulation of the 1980s and the Mediterranean enlargement of the European Community, particularly relevant to Maghreb economies as a consequence of Spain's accession, fostered consensus in a number of intra-Maghreb coordination meetings and proposals (Aghrout and Sutton, 1990), as well as the firm intention of entering the world economy through the GATT gateway. On 10 June 1988, the five heads of state of the Maghreb met in Zeralda (Algeria) for the first time since independence to discuss regional concerns. The *Haute Commission Maghrebine* was created and would hold its first meeting in Algiers just one month later (13 July). Other five specialized sub-commissions were then put into operation. Their members gathered in all the Maghreb capitals in September of the same year, while new meetings of the Haute Commission took place in Rabat (October 1988) and Tunisia (January 1989) with a view to drafting a Maghreb Treaty. At the end of the same month, Algeria and Morocco signed a cooperation treaty aimed at improving communications between the two countries. Between the 6 and 8 February 1989, the two countries ratified the creation of the Rabat-Alger axis during a visit to Morocco by Chadli Benjedid. They also set up a joint company to build the Maghreb gas pipeline, a project revitalised by the Spanish company Gas Natural to connect Hassi R'Mel with the Spanish market, crossing the Moroccan territory to reach the peninsula from the shortest section. Just one week later (15-17 February) the Marrakech Treaty was signed, ratifying the creation of the AMU.

Article 3 of the Treaty stipulated the joint actions to be implemented in the international, economic and cultural fields, with particular reference to the promotion of joint economic agreements and seeking to avoid the thorniest divergences that divided them on a political level. Among the many institutions to which the treaty gave life, the most prominent ones mirrored of the philosophy and functioning of the European Council: a Presidential Council composed of the five Heads of State who would hold

the presidency in turns of six months (Aït-Chaalal, 2011, p. 47). Since then, Maghreb associations would proliferate and meetings would be held at various levels in the political, economic, cultural and technical fields. In January of the following year, common arrangements for defence cooperation, inter-regional cooperation with other Arab countries, relations with the EEC and regional and international conflicts of major impact would be further developed (Aït-Chaalal, 2011). However, the heightened ambition of a set of goals guided by the strengthening of the “fraternal ties”, the “progress for welfare” and “safeguarding peace” (Stora, 2011, p. 23) did not find any further development. Moreover, the marked intergovernmental and top-down nature of the treaty meant that its stability depended almost exclusively on the state of diplomatic relations between countries, which would continue to worsen from the very beginning of the following decade.

By the time the Barcelona Process was launched, the Maghreb countries involved showed up separately and with little or no mention of the UMA. However, if one looks at energy and electricity integration, such an agreement made it possible to carry out important projects that would, in fact, integrate the Maghreb countries. However, their integration would aim since the beginning to integrating them subsequently into Europe. In this respect, the agreements that precede and establish the AMU can be read as a means for achieving juridical legitimacy for a number of projects suggested from the northern shore and accepted by the Southern Mediterranean when the circumstances of the 1980s propitiated it. Accordingly, it seems pertinent to reformulate the diagnoses of success or failure of the project on the basis of these goals, which seem central to the entire process. A further example is the meeting of Maghreb experts on energy held in December 1988: the proposals that emerged from this meeting consisted of the unification of the electrical grids of the five States (also linked to the European market, as we shall see in the following section), the construction of joint pipelines and the liberalisation of the exchange and production of oil products.

The role of Spain in the region since its accession to the EEC is worth mentioning. In the 1980s, its accession allowed to widen its former colonial fishery preferences within the framework of the Common Fishery Policy through the agreements signed with Morocco. Then, in the 1990s, it became an important hub for the transformation and distribution of natural gas to the rest of the Community through the exploitation of the

centre-periphery relations that it established with Algeria (Mañé-Estrada, 2009). From this point of view, it is important to note that North-South relations in the Mediterranean were not merely developed as an asymmetric EU-southern country exchange. On the contrary, bilateral relations and microeconomic integration processes are crucial in this process (Mañé-Estrada, 2009). Certain countries of the Community act as legitimate interlocutors based on legacies of historical dependence or interdependence. However, provided that the benefits derived from these asymmetric relations are shared by and accessible to the entire regional bloc, they enjoy the guarantee of being supported by the whole of the Community market. Judging by the data, European support and legitimacy represent a significant economic and geopolitical advantage in shaping inter-regional projects.

#### **4.4.4 The consolidation of ‘Non-Maghreb’**

A few years after the establishment of the AMU, the combination of several domestic crises turned the Maghreb region back into an amalgam of countries negotiating with the North, and separately, short-term solutions to their respective contingencies. The rise of Islamism and armed conflict in Algeria (Martínez, 1998), the diplomatic isolation of Libya after the Lockerbie affair (Djaziri, 1998), and the prevalence the adjustment processes of the Moroccan and Tunisian economies blurred the interest in the newly created region. To this context must be added the diversion of regional goals towards global integration through the reform of investment codes and banking laws in all the countries of the AMU (Echeverría, 1994), the proliferation of tax-free zones and the improvement of facilities for the establishment of foreign companies.

The birth of the WTO would further atomise the Maghreb reality. Three of the five members of the AMU would appear as “original members” in the WTO from that moment onwards, while the other two would at most reach the negotiating table in the following years (Ghérari, 2013). Mauritania had become directly a member of GATT by the time it gained independence, by virtue of French membership. For their part, Morocco and Tunisia submitted their candidatures following the “normal” procedure laid down in Article XXXIII of the GATT (Ghérari, 2013). In this way, Morocco would become a member of the GATT on 17 June 1987 and Tunisia would join on 19 August 1990, although the latter had



already embarked on the process of provisional accession in 1959 (Ghérari, 2013). Algeria and Libya would submit their candidacies, but neither of them would eventually join the organisation.

The completion of the Uruguay Round on Moroccan soil closed a long period of diatribes on the agricultural sector for the countries of the North. Instead, for the countries of the South, it entailed the partial withdrawal of the special treatment granted to them since 1964 by the right to autonomous agricultural policies on behalf of their development goals (Aït-Amara, 1995). In this respect, the prerogatives that sought to disconnect support policies for agriculture from price intervention, already present in SAPs as short-term measures, became permanent rules (Aït-Amara, 1995). On the other hand, the convertibility of the currency for current payments and the significant tariff reduction negotiated with the IMF and the World Bank implied a trade opening that went beyond the limits agreed in the GATT framework, which provided “tariff equivalent mechanisms” that allowed the countries of the North considerable room for manoeuvre (Aït-Amara, 1995). Although those measures were also available to the Maghreb countries, their implementation was more problematic and costly, given the greater gap between domestic and world prices that they had to fill in this way (Aït-Amara, 1995). In view of this, some argue that WTO accession was worthier in terms of legitimacy than of competitiveness in international trade (Ghérari, 2013). Be as it may, the WTO was not officially informed about the AMU among the preferential agreements notified by Morocco and Tunisia (Ghérari, 2013).

In a climate dominated by political instability, by the deterioration of intra-Maghreb relations and by the strengthening of North-South ties, the only integration that was to continue was that of the energy sector. From the heart of Algeria, gas pipelines multiplied to the north, and electricity grids spread across the Mediterranean connecting North and South. On the eastern side of the Maghreb, the second phase of the Transmed project was completed between 1991 and 1994, while in Libya, feasibility studies for bringing Libyan gas to Italy via the Greenstream gas pipeline began (Santis and Gangas, 2011). On the western side of the region, the Maghreb Europa Gas pipeline, also known as the Pedro Durán Farrell gas pipeline, began to supply gas to Spain in 1996 and Portugal in 1997, without the Algerian civil war or the closure of borders with its western neighbour being an obstacle to its construction and functioning.

In such circumstances, the purpose of Maghreb integration became diluted due to poor cooperation in projects not mediated by the North and to the proliferation of bilateral agreements with the European Union and other multilateral agreements such as Gafta (1997). The latter, which would constitute the umpteenth attempt to set up a true pan-Arab economic bloc, would contribute to the overflowing of the spaghetti bowl in the Mediterranean basin in subsequent years. Although authors like Abedini and Périody (2008) attribute a 20% increase in intra-Arab trade to the agreement, they underscore that this occurred mainly among Mashreq and Gulf countries. Once again, the benefits of belonging to a regional grouping outside its historical flows and alliances seem dubious for the Maghreb countries.

#### **4.4.5 Electrical integration and the rise of renewables: the Mediterranean energy ring**

The new millennium began with intra-Maghreb relations diluted within the Euro-Mediterranean framework. The regional project gained momentum in the field of economic integration for its being one of the least integrated regions of the world (Zoubir, 2000; Martínez, 2006; Ehteshami, 2015). In this context, while studies on the cost of the Non-Maghreb proliferated (Bchir et al., 2006; Ben Hammouda et al., 2006; Clyde, Brunel, 2008; Fernández-Molina, 2016), still the few projects that managed to jump over the wall were those that were aimed at strengthening energy exchanges with the EU.

Although the integration of the Maghreb electricity market was a long-standing objective, which had been pursued since 1974 by the Comelec (*Comité Maghrébin de l'Électricité*), the EU was to provide an outlet to this lethargy. A Memorandum of Understanding was signed in Rome on 2 December 2003 between Algeria, Morocco and Tunisia, on the one hand, and the EU, on the other. They agreed to harmonise policies relating to the electricity market in the three countries and to take the necessary measures to adapt them to the policy environment in the EU with the aim of creating an electricity market from 2006 onwards and to ensure the progressive integration of electricity markets of these countries into the internal electricity market of the EU (EC, 2003). Shortly afterwards, the IMME (*Intégration des Marchés Maghrébins de l'Electricité*) project was

launched, in which Spain and Algeria were the leading partners of each party. With the connection between Spain and Morocco via Gibraltar as a regional example and the process of liberalisation and integration of the European electricity markets as a reference model, the intra-Maghreb project emphasised the need to harmonise regulatory frameworks and the importance of the liberalisation of all activities in the sector that could be carried out in accordance with market laws. The particular interest in the liberalisation and development of the production and transport phases fits in perfectly with the logic that has favoured the interconnection of the Mediterranean gas sector since the 1980s.

The origin of this parallel lies in the shift in Spanish-Algerian energy relations in the 1990s, which led Spain to the aforementioned transition to gas and, in Algeria, to the implementation of combi-cycle power plants (Mañé-Estrada, 2009). The “universal reverticalisation of the hydrocarbon sector” by large energy conglomerates after the crisis of the 1980s brought about important transformations, both in the legislative framework and in the structure of production and exports in countries like Algeria (Khelif, 2001; Mañé-Estrada, 2009), which gradually accepted the precepts of the global market. These developments would particularly benefit Spain and Italy, also involved in the transition to primary energy consumption patterns where natural gas predominates (Hayes, 2006; Mañé-Estrada, 2009; Musso, 2015) and alliances between gas and electricity companies abound (Mañé Estrada, 2009). The launch of the Barcelona Process in 1995 would provide them with a favourable institutional framework to unleash the Maghrebi energy potential with the economic, political and legal support of the European Community (Mañé-Estrada, 2009).

Within this framework, the IMME was launched as a comprehensive project of a European nature that proposed the training of personnel and the creation of spaces for southern cooperation to promote the harmonisation of rules and tariffs, the liberalization of the production and transport phases, the regulation of segments of the sector subject to monopoly regimes and the improvement of high-voltage and interconnections among countries. The special European interest in the conditions of high-speed cross-border transit and the close links between the gas and electricity sectors help to understand the emphasis placed on the liberalisation of electricity production in Algeria, since the supply of gas to companies located in the country was made at prices below world prices (EuropeAid, 2010). In this respect, it is interesting to note that one

of the 15 actions envisaged by IMME was precisely to promote the idea of “the cost of non-integration” (EuropeAid, 2010, p. 62), following the discursive pattern of the costs of European non-integration mentioned in the Cecchini report (Fernández-Molina, 2016) and which coincides in time with the proliferation of academic works and international institutions that deal with this idea.

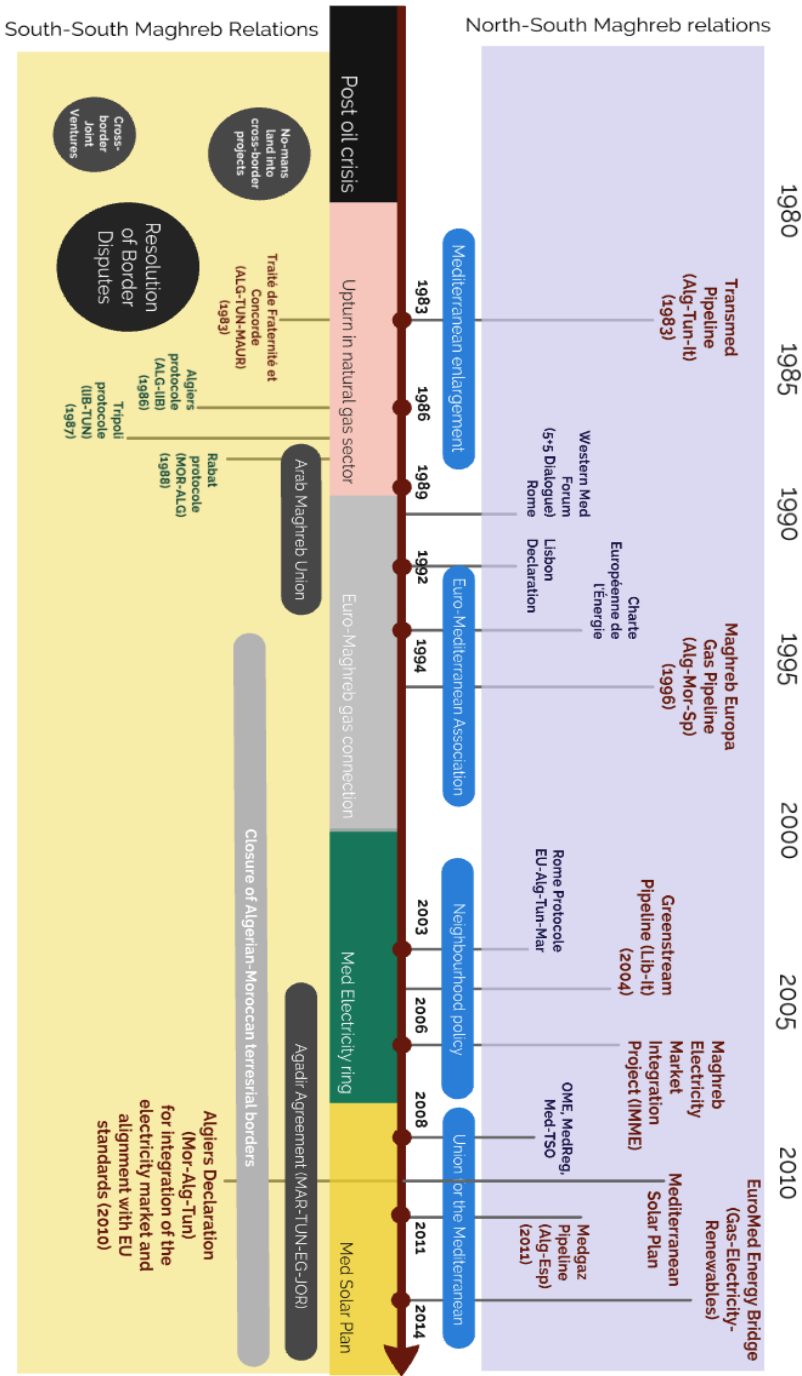
The EU has been pursuing a strategy of diversification of gas supplies since the early 2000s. Specially since 2005, the importance of securitising energy supplies by further entangling gas with electricity and renewable energies gained weight in the integration of the Maghreb electricity markets, which became part of the Mediterranean Energy Ring project (Escribano, 2010, Marín et al., 2011; Marín and Escribano, 2012). The series of energy security crises experienced by the EU since 2006 triggered awareness on the issue of security of energy supply. In particular, the Russian-Ukrainian-European gas crises of 2006 and 2009, as well as the 2014 unprecedented standoff between the EU and the Russian Federation were turning points on this matter. The new strategy appeared to be a key opportunity not only for the Mediterranean area, but also for the integration of coastal countries of the Community into the European market.

Marín and Escribano (2012) note that, to a certain degree, the development of the trans-European gas and electricity networks cannot be dissociated from the deployment of renewable energies in SMCs and the export of the electricity thus generated to the EU. Furthermore, in the regulatory field, the Euro-Mediterranean Energy Forum held in Brussels in 2006 insisted on the need for regulatory convergence and pointed to the possibility of extending the Energy Community Treaty to the southern Med countries (Marín and Escribano, 2012; Escribano, 2016). This proposal resulted in a Priority Action Plan adopted by the Med Group (2008-2013), which sought to harmonise and interconnect markets. In any case, the dominance of European - and particularly Spanish - interests was reflected in the implementation of projects whose export vocation was more pronounced than in the case of the conventional electricity sector (EuropeAid, 2010).

In the light of these considerations, the question of the achievements of integration reveals itself a thorny one. It would be at least inaccurate to affirm that South-South agreements have not resulted in any sort of

integration. In the same vein, it appears hazardous to argue that the goals of those agreements have not been achieved, mostly if this statement is build on sole analyses of trade and growth. The contingencies related to the creation of the AMU and the sectorial changes that followed in the Western Mediterranean suggest that, before assessing whether its goals have been achieved, it is needed to wonder what those objectives were in that particular case.





#### 4.5 THE AGADIR AGREEMENT: SOUTH-SOUTH INSERTION IN THE *ACQUIS COMMUNAUTAIRE*

Among the regional agreements in the Mediterranean that awoke more interest in recent years, we find the Agadir Agreement (2004), ratified in 2006 and implemented since March 2007. Agreed in 2001 between Morocco, Tunisia, Egypt and Jordan and open to all the Mediterranean countries linked to the EU through AAs, it aimed to create a Mediterranean Arab Free Trade Area (MAFTA). This South-South agreement, which aimed to tackle the collisions between AAs and the pan-Arab trade liberalisation process after the GAFTA, endorsed the *acquis communautaire* (Wippel, 2005; De Ville, Reynaert, 2010) with the intention to consolidate the pan-Euro-Mediterranean system of rules of origin. Although it was expected to be progressively extended to the rest of Mediterranean countries, the persistence of non-tariff barriers among States and the diversion of trade triggered by asymmetric implementation of the complex system of RoOs, drove the project to a standstill (De Ville and Reynaert, 2010). From the Maghreb perspective, its main setback is to include only two of the countries of the region, with similar economic structures and no common border in between.

Certainly, the distinctive features of this particular South-South agreement had to do with its regulatory origins and goals. In the context of interweaving North-South and South-South integration, such arrangement pursued the intensification of Southern Mediterranean exchanges by enhancing regulatory convergence with the EU and by eliminating Technical Barriers to Trade (TBTs). Notwithstanding, this implies that the standard for convergence was set by a Northern partner that remained formally out of the scope of the agreement.

Thus, the Agadir Agreement is to be placed within the context of the interaction between Arab and Euro-Mediterranean regional integration. As mentioned above, two overriding frameworks coalesced at the beginning of the 2000s:

- The Greater Arab Free Trade Agreement (GAFTA), endorsed in 1997 by 14 Arab countries and established in 2005, whose results have been mitigated so far
- The demand by a number of Mediterranean countries to set or re-negotiate bilateral AAs with the EU. Tunisia and Morocco had

been the first countries to endorse them in 1995 (ratified in 1998 and 2000, respectively). They were followed by Jordan (1997, ratified in 2002), Israel (2000), Algeria (2001, ratified in 2005), Egypt (2001, ratified in 2004) and Lebanon (2002, ratified in 2004). All of them implied reciprocal trade liberalisation and gradual harmonisation with EU norms and regulations, supported by technical and financial assistance. It was by this means that Euro-Mediterranean Association pursued a Mediterranean FTA compatible with WTO rules (Hoekman, 2016).

A key technical provision of the AAs are the RoO (i.e. technical criteria that establish the requirements for a product to enjoy duty free or other preferential access under a certain agreement). The underlying principle for regional integration through North-South bilateral agreements in the Mediterranean was hence the so-called ‘diagonal cumulation of rules of origin’. This consists on the possibility to cumulate rules of origin also among Arab countries, provided that they belong to a common free-trade area. Consequently, according to these mechanisms, Euromed integration appeared as a process of ‘pre-adhesion to globalisation’ (Frikha, 2002) that entailed a multifold process of regional flows that adopted the shape of the European market without, however, belonging to it. In practice, this procedure implied a wide array of far-reaching obligations that Arab countries had to meet in exchange of a easier access to the Common Market.

As shown in the first part of this chapter, the evolution of trade and FDI in the area did not experience any significant shift since the establishment of the Agadir Agreement. In fact, the most recent debates on the issue have focused on the causes of its failure rather than on the assessment of its performance (Jarreau, 2011). In this vein, among the reasons argued, some criticise EU’s ‘normative power’ (Whitman, 2011) and the structure of ‘hub and spokes’ fostered through its bilateral and differentiated North-South approach (De Ville and Reynaert, 2010). Others mention the fact that the arrangement is structurally hampered by the fact that the four member states are producing the same goods and hence competing against each other (Péridy, 2005). Also, some authors point to the fact that vertical integration clearly prevails in these countries and put into question their real intention to trade between each other and (Jolly, 2014). Finally, others question the profitability for those countries of endorsing so many structural transformations to come closer to



European standards (Hoekman, 2016). Be as it may, there is certain consensus on underscoring that EU's goal to spread its norms and standards through the formula of entangled AAs and South-South agreements has shown its limits. However, are these limits to be assessed in terms of the goals stated by orthodox theories of economic integration?

#### **4.5.1 Beyond trade figures: goals and results of the Agadir Agreement**

Among the reasons argued to justify the need for regulatory harmonisation among Agadir members, TBTs were central in the discourse of the EU. With the support of a wide array of studies held by IEOs and scholars (Jarreau, 2011), the idea is that convergence reduces uncertainty, increases spillovers and helps reaching significant dynamic effects of integration. Also, it has been argued that the elimination of NTB remained a key potential source of gains (Jarreau, 2011).

In the case of the Agadir Agreement, TBTs are covered by Articles 8 and 23 of the document. In this respect, the Agadir Technical Unit (ATU) was established in April 2007 in Amman, Jordan. Mainly funded by the EU, the ATU was charged with a number of duties (SIDA, 2017):

- i. To ensure the implementation of the Agreement
- ii. To follow-up on the decisions of the Committees of Ministers of Foreign Affairs and Trade
- iii. To offer technical advice
- iv. To offer recommendations to the member countries and institutions on any trade issues covered by the agreement

In 2011, the ATU started a project of cooperation with the Swedish International Development Cooperation Agency (SIDA) to accompany the process of harmonisation. The Support to Quality Infrastructure in Agadir Countries (SQIA) project was supposed to be held in complementarity with the work of the ATU in terms of capacity-building, awareness-raising and advocacy-related activities that, eventually, were expected to facilitate the implementation of the agreement. In 2017, the SIDA released a study on the results of the SQIA project. The main findings of the report were preceded by the following statement:

“The overall expected impact of the project is to reduce poverty through increased trade, economic development and FDI. However, the logical chain between the project design and its overall objective is indirect at best. (...) The underlying assumption is that competition stimulates innovation and that countries over time can take advantage on changes in comparative advantage and new opportunities. This is a simplistic free-trade logic that ignores the many structural issues and constraints that prevent low and middle income countries from taking advantage of trading opportunities, and the uncertainty involved in the link between freer trade and large-scale job creation” (SIDA, 2017, p. 16)

By underscoring the “extremely weak” analysis of “the deeper economic structures and political forces at play and of the local ownership of the Agadir process” (2017, p. 18), the study openly criticised the vertical and categorical nature of its implementation, as well as its failure to integrate properly private and public local stakeholders. Missing mechanisms of coordination among member countries, scarce economic and human resources, as well as a widespread lack of information both in the industrial sectors and the government bodies directly engaged with the project on its terms and possibilities were, according to the SIDA, not only the result of a misguided implementation, but also of the mismatch between the ambitions of the project and those of the signing countries:

“Today, there is little evidence or enthusiasm to suggest that the [SQIA] project or indeed the Agadir Agreement is relevant any more. The four countries appear to have little appetite for trade amongst one another. Lack of interest can also be gauged from the fact that, under article 24 of the agreement, the Foreign Trade Ministers who were supposed to meet with each other at least once a year, have met only twice in that capacity in the last six years. (...) Furthermore, the entire SQIA project is funded by SIDA, with no financial contributions from any of the benefiting countries. For quite some time now both Swedish partners and local stakeholders have been stating that for harmonisation to occur there must

be a clear demand for a harmonisation process. That demand has not been demonstrated.” (SIDA, 2017, p. 19-20).

Now, taking into account that trade and investment figures confirm the most sceptical scenarios about the Agadir Agreement, together with the fact that the core goals of the process in terms of TBTs and harmonisation have not been met, it would be easy to affirm that such arrangement has utterly failed in its purposes. Nevertheless, it would be quite hazardous to assume that no ambition was met or that Euro-Mediterranean projections were totally wrong about the possible outcomes.

Integration may occur in many ways, and the specificities of the Agadir Agreement are not neutral. Choosing to establish a South-South agreement based on the rules of a market to which the integrated region is not expected to belong is not neutral either. Disregarding the option of an arrangement respecting just international rules and hence, less likely to collide with further schemes of cooperation or different partners, is a binding political decision. Finally, the continuous insistence and generous funding for compliance with the *acquis communautaire* deserves, at least, a careful insight on what this implies in the current framework of Euro-Mediterranean relations.

#### **4.5.2 The Agadir Agreement as an European instrument of Foreign Policy**

Rather than focusing on the causes of the sluggish increase in intra-regional trade in the Agadir process, the central question that this work tries to answer relates to the goals that guided such a choice. As mentioned before, there are IOs and international regulatory frameworks establish and follow-up a series of norms and standards applying to any country willing to engage them. Therefore, what is the purpose of EU in placing itself as a sort of ‘intermediary agent’ for Southern Med countries to integrate in global economic relations? And what do partner countries expect from their endorsing European rules without having the possibility to gain Membership in exchange? A careful insight on the origins, role

and scope of the *acquis communautaire* appears necessary to answer those questions. The EU defines it as follows:

“(...) the body of common rights and obligations that are binding on all EU countries, as EU Members. It is constantly evolving and comprises:

- the content, principles and political objectives of the Treaties;
- legislation adopted in application of the treaties and the case law of the Court of Justice of the EU;
- declarations and resolutions adopted by the EU;
- measures relating to the common foreign and security policy;
- measures relating to justice and home affairs;
- international agreements concluded by the EU and those concluded by the EU countries between themselves in the field of the EU’s activities.

Applicant countries are required to accept the *acquis* before they can join the EU. Derogations from the *acquis* are granted only in exceptional circumstances and are limited in scope. The *acquis* must be incorporated by applicant countries into their national legal order by the date of their accession to the EU and they are obliged to apply it from that date.”

What is clear from this explanation is the intimate relationship between *acquis* and EU Membership. As Cagiano et al. (2013) put it, the *acquis communautaire* “represents the *conditio sine qua non* for becoming a Member State of what is now the EU”. What is paradoxical, is that accession is by no means contemplated for Southern Mediterranean Countries (SMCs). Indeed, the concept of *acquis* belongs to an intrinsically European jargon that does not have clearly defined borders (Jorgenssen, 1999; Cagiano et al., 2013, p. 191), but many authors agree on the fact that it is intimately linked to European enlargement:

“Every single enlargement of the EU has prompted debates on issues as applicants’ qualifications, the possible need for EU self-reform, impact on policies like agricultural and regional policy, the balance between widening and deepening —issues which have all been described in a rich

literature on EU enlargement. However, it is also worth noticing that every single enlargement has been accompanied by a fairly brief but distinct and seemingly powerful emergence of the so-called *acquis communautaire* (Jorgensen, 1999, p. 1).

In this vein, given the characteristics of such array of rules, accession to the EU appears as a ‘take-it-or-leave-it’ game (1999, p. 3). Furthermore, a core feature of the *acquis* lies in its “historical contingency” (Pescatore, 1981) or “sedimentation in time” (Cagiano et al. 2013). That is, the *acquis* is the result of a long period of accumulation of rules, norms and values that has been going on since UK’s request of accession in 1963 (Jorgensen, 1999). For instance, the first Mediterranean enlargement added democratic principles and respect for human rights to the *acquis*. Later on, the demand of accession by Central-Eastern European countries in the 1990s bolstered the concretisation of its principles into what became the ‘Copenhagen criteria’ (1993), which, according to the same authors, “aimed at making more challenging the application for the new candidate countries” (Cagiano et al., 2013, p. 192). Under such circumstance, the *acquis* was divided into 31 negotiation chapters that ranged from the four freedoms, to agriculture, fishing, transport, taxation, employment, IT, cooperation in justice and home affairs, as well as common foreign and security policies. In the mix, legal and political commitments have grown intertwined in a ‘piecemeal fashion’ (Jorgensen, 1999). Cagiano et al. (2013, p. 193) affirm:

“Europe’s borders are not geographical or physical boundaries, but essentially political borders, because the Community project has become more and more political. Also, the ability of integration of the EU does not depend on the geography of Europe, but on its ability to expand. (...) So we can conclude that the political frontier of the EU is the *acquis communautaire* and that the enlargements of the EU represent the opening of this border”.

Now, the most significant exception to the couple *acquis*-membership lies in (a number of) trade agreements between the EU and its

neighbouring countries. With many of them, the historical track of economic and political relations is characterised by increasing requests of adaptation to an increasingly integrated Europe. In fact, for the EU, internal and external integration have run parallel since the very inception of the EEC. As Hoekman (2016, p. 1) puts it: “The EU, as did the EEC in the pre-1993 period, has negotiated numerous trade agreements aimed at reducing or removing barriers to trade, reflecting a long history of using trade as an instrument of foreign policy”.

The growing weight of political and legal issues in European foreign economic relations became evident with the shift from ‘shallow’ to ‘deeper’ agreements. Whereas the first focused on the liberalisation of merchandise trade, the second include services, public procurement markets, cross-border investment and national regulatory regimes as well (Hoekman, 2016). The first ENP (2004) was key to this transformation. Among its provisions, the ENP opened the door to a ‘Deep and Comprehensive Free Trade Agreements’ (DCFTA) by widening the scope of AAs with those governments interested. The wide array of so-called ‘behind-the-border’ or ‘non-tariff’ measures that underlie such arrangements might be one of the main reasons for its scarce appealing and mitigated success among Eastern and Southern neighbours (Hoekman, 2016).

After the events of 2011 in Southern Mediterranean countries, the European Council agreed to a negotiating mandate for DCFTA talks with the four countries of the Agadir Agreement (Hoekman, 2016, p. 2). Only Tunisia and Morocco accepted to open the discussions. However, further internal and external circumstances brought both negotiations to a halt. In any case, Hoekman (2016) makes two interesting points to this concern. On the one hand, by taking the case of the four Eastern countries that accepted to negotiate, he underscores hegemonic rivalry as a major underlying feature for both the offer and its failure. Colliding frameworks and strategies between the EU and Russia stimulated a race to keep the Eastern neighbourhood linked to their orbit. On the other hand, by emphasising the fact that this formula of integration was but *one* possible option and not the simplest one, he puts into question the political goals and economic suitability of the European option. To this extent, he reminds that the EU has also been negotiating other deeper trade agreements with non-ENP countries as Canada, Japan or the US that were not explicitly linked to the *acquis communautaire*, despite containing

behind the border issues. His interpretation of this double game is the following:

“The pursuit of deeper trade agreements with OECD member countries implies that alternative approaches can be pursued to foster greater integration of markets, and that convergence to the *acquis* is not necessarily needed in order for partner countries to sell goods and services on the EU market and for firms to be able to invest and establish commercial operations in EU countries. DCFTAs differ from other types of PTAs in that they involve significant convergence towards EU norms and legislation, but do not offer the partner countries much of a say, if any, on what the rules of the game are.” (Hoekman, 2016, p. 2)

At this point, it is necessary to understand why this binding engagement is required only to neighbouring countries and, above all, why in the Southern neighbourhood were Agadir members the most directly involved in this issue. To answer those questions, it appears that analysing the political economy of DCFTAs might be key to understand this South-South peculiar framework of integration. In this respect, Hoekman (2016, p. 6-7) points out:

“The big change associated with DCFTAs was that they were far more prescriptive. DCFTAs are similar to the EMP trade agreements in terms of the issue areas covered, but they differ substantially in the approach taken to address them. Instead of extensive ‘soft law’ language, they establish specific, binding (enforceable) disciplines and aim at the (gradual) convergence of policies in covered areas with those of the EU. (...) DCFTAs build on WTO rules and practices —the WTO is the baseline— but go beyond the WTO in many of the covered areas”.

In this realm, many debates have taken place in different disciplines and from diverse epistemological approaches. For some, the accent on the *acquis* derives from the will by the EU to act as a ‘soft power’ or

‘normative power’ (Manners, 2000) that exports its values and standards. In a similar line, others point to a matter of hegemonic conflicts, be it from a political point of view or face to pragmatic issues like the securitisation of energy provisions (Rubino, 2014; Hoekman, 2016). There are also those who interpret it as an intention to enhance credibility and democracy, and hence mitigate instability in the region (Freyburg et al., 2010). Hoekman (2016) addresses the reduction of uncertainty to favour investment and the provision of technical and financial assistance as susceptible of attractiveness among neighbouring countries. At this point, however, it is necessary to clarify that empirical evidence on the effects of this type of harmonisation is limited and results are quite uneven. In any event, he arrives to a conclusion in this regard that is also key to our contribution:

“These questions require case-by-case analysis and the answers will depend on the objectives of partner countries, their geography and the structure of their economies. As mentioned, in practice, decisions to pursue a DCFTA may have less to do with economics and center more on political and foreign policy motivations” (Hoekman, 2016, p. 8).

Regardless of the benefits or setbacks of such an approach, the stalemate in which most of these agreements have fallen and the relative alleviation of these binding engagements by the reformed ENP (2015) suggest that the goal of convergence has failed in its ambitions. And, given the major importance that the Agadir Agreement attributed to such defy, it seems that the diagnosis of bad performance should stem from the analysis of such harmonisation, rather than from the evolution of solely trade and FDI.

In recent years, the turbulence following the entry into force of the new Agricultural (2012) and Fisheries (2014) Agreements with the EU illustrates well the role of trade as a central instrument of EU foreign policy, but this works also for Morocco. In this respect, it is necessary to highlight the significance of the transitions implemented by the latter in terms of so-called economic diplomacy (Fernández-Molina, 2016): in its relations with the EU as a whole, Morocco has more than ever linked its trade agreements to migration policies (El Qadim, 2010; Ortiz, 2015). At



the same time, in the realm of South-South initiatives, neither the Maghreb nor the Agadir process are recalled as strategic projects in the realm of Moroccan foreign affairs. As mentioned in chapter 3, South-South ambitions have been completely diverted towards the African continent.

Be as it may, the network of infrastructures exchanges that linked the Maghreb internally and to Europe in previous years did not stop functioning and, in some cases, expanding. Micro-economic integration (Mañé-Estrada, 2008) through cross-border projects was further pursued and reinforced under the umbrella of liberalisation, policies of *mise à niveau*, the rhetoric of GVCs and outsourcing arrangements. Similarly, the alliances forged with selected Maghreb countries throughout the means of privileged Neighbourhood are still vivid under the reformed ENP. However, the role of these overlapping arrangements in preserving the integration of Maghreb countries into the European market on account of their shared colonial past, finds little room in the economic analyses that evaluate South-South integration on the basis of a figure of intraregional trade that has remained frozen for more than half a century.

#### 4.6 CONCLUSIONS

Building on the findings on chapter 3 about the path of international integration followed by Morocco since its independence, this chapter deepens into two central aspects derived from that assessment. Namely, it examined, on the one hand, the contradictory assertions by IEOs about the allegedly satisfactory performance of Morocco in the realm of integration and its dubious effects in terms of welfare improvement. On the other hand, it focused on the unsuccessful attempts by Morocco to strengthen South-South integration through its involvement in regional agreements with other Mediterranean countries.

To that end, we have firstly analysed the factors beneath trade and growth figures that might explain the mismatch between these and welfare indicators. By deepening into data like the structure of exchanges, migratory flows or income distribution by region and gender, we conclude that the direct relationship between trade and welfare that theory and IEOs assume when promoting economic integration is not a clear-cut

one. Secondly, we have focused on the interplay between North-South and South-South in the Euro-Mediterranean region by choosing two case studies. The first one regards the establishment of the AMU at the end of the 1980s, while the second looks at the Agadir Agreement among Morocco, Tunisia, Egypt and Jordan in 2004.

Following an analogous reasoning to the one employed in Chapter 3 for North-South integration, parts 3 and 4 of this chapter have built a plausible explanation to the rationale behind these agreements by widening the scope of research to political and micro-economic reasons that are mostly absent from IEOs' analyses. From this assessment it arises that Maghreb integration in 1989 was spurred by the will to establish a stable energy market in the Western Mediterranean under the leadership of Italian and Spanish corporations and supported by the EEC due to its strategic geopolitical role. With regard to the Agadir Agreement, the binding links it entailed with the European *acquis communautaire* reflect the nature of trade agreements as instruments of foreign policy. In this vein, we argue that the neglect of the political aspects of economic integration entails misleading conclusions about the achievements and performance of this sort of arrangements. Finally, both cases illustrate the role of the EU in the Moroccan path of integration and, more generally, in the current shape of Euro-Mediterranean relations.

## GENERAL CONCLUSIONS

For critics and supporters of the current structure of multilateral regionalism, the European case remains a central archetype of economic integration. Nonetheless, whereas the EU appears to embody the virtuous circle of integration, the Euro-Mediterranean area is one of the most prominent examples of its opposite. In this regard, a vast literature has examined Euro-Mediterranean relations on the grounds of a wide North-South income gap that the meagre outcomes of integration projects have failed to tackle. Despite successive attempts to mitigate the prevalence of vertical trade flows and the scarce horizontal integration in this area, a structure of hub and spokes has prevailed over the set of overlapping initiatives undertaken since decolonisation at different levels and speeds. In areas like the Maghreb, helped by the active commitment by IEOs and the EU itself, a number of South-South initiatives have been implemented with the support of empirical evidence on the potential welfare effects of trade and the costs of non-integration. However, in view of their sluggish outcomes in terms of exchanges and FDI flows, scholars and institutions coincide in pointing out the mitigate success of these projects.

By choosing the case of Morocco on the basis of its geostrategic position and ambivalent relationship with vertical and horizontal integration in the Mediterranean, the main scope of this work stems from two aspects that previous research has frequently overlooked. The first one relates to the interplay between the promotion and endorsement of North-South and South-South agreements in the Euro-Mediterranean area. The second one has to do with the apparently contradictory

Moroccan choices and behaviours in terms of economic integration. In the light of these unsolved questions, this research has been held with the **overriding objective** to seize the reasons and goals underlying the overlapping, contradictory and ill-performing South-South initiatives endorsed by Morocco within the framework of its strong commitment to North-South relations with the EU. This general goal was pursued by tackling four interwoven **specific objectives**.

The **first one** was to assess the links between the theories of economic integration, their empirical assessment and the changing nature of regional processes. The **second one** was to analyse the **role of the agents** involved in the **regulation and evaluation** of specific schemes of integration. The **third one** was to grasp the **options, choices and outcomes** of the **Moroccan path of economic integration** since independence. Finally, the **fourth objective** was to evaluate the **interplay between North-South and South-South** integration in the Euro-Mediterranean region.

Following these goals, this research was divided into **two parts**, each of them comprising two chapters that tackled, each of them, one of the stated goals in the order they have been enumerated. Therefore, the **first two chapters** developed a **critical review of the theoretical and empirical approaches** of orthodox economic integration, with a focus on their relationship with the process of European integration. To this extent, a close examination of the role of IEOs in the regulation and promotion of regional arrangements on the basis of the European example put into question the dubious universality of these recipes, especially regarding countries in the global South. The **second part** of this work used archival research, official documents and economic data to grasp the options, choices and outcomes of the Moroccan path of integration since independence, with a special accent on the role of **South-South projects within the prevailing North-South ties** that the country has preserved until our days.

Thus, regarding the first part of this work, our main findings suggest that the unparalleled correspondence between the core tenets of orthodox theories of economic integration and the European case appears to be rooted in the geopolitical circumstances in which both emerged. The inception of the EEC in a context of post-war recovery and Cold War hegemonic struggles, bolstered great interest among authors of IR and

International Trade. For the latter, economic integration appeared as a **second-best** solution whenever multilateral trade is not possible and certain conditions are fulfilled. The concepts of **trade creation (TC)** and **trade diversion (TD)** put forward by Viner (1950) became central concepts in the study of CUs. Balassa (1961) would complete the core premises of the discipline by providing a description of the **degrees of economic integration** as an evolutionary process going from PTAs to a monetary and fiscal union. Another major contribution by this author was the distinction between **static and dynamic** effects of integration. Indeed, this distinction founded one of the two major key **axes of debate** in the discipline that have remained vivid until our days. The second one is given by the specificities of **North-South** relations. In this regard, whereas orthodox scholars readapted some of the conventional axioms of the theory to the goals of developing countries in terms of industrialisation, protectionism or market expansion, heterodox approaches criticised mainstream regionalism for reproducing the unbalanced nature of international economic relations. They also criticised the **Eurocentric perspective** of mainstream academic disciplines on the issue and proposed other formulas that prioritise the balancing of international unequal exchanges.

In the 1970s, the relative stagnation of European integration provoked a decline in academic contributions to the field of integration. However, New Theories of Trade (NTT) (Krugman, 1991) and the upsurge of **open regionalism** along the wave of rising neoliberalism since the 1980s renewed the interest in these processes. North-South regionalism gained salience in this period, and the birth of the NAFTA (1994) would consolidate the advance of 'open regionalism'. The pervasiveness of PTAs and FTAs, which Bagwati (1995) would call the 'spaghetti bowl' effect, fostered debates on the relationship between **regionalism** and **multilateralism**. This issue was also tackled by less orthodox approaches like New Regionalism (Hettne, 1994) and the New Regional Approach (Soderbaum, 2004), which developed a wide discussion on regionalism as a 'stumbling block' or a 'stepping stone' for multilateralism.

As far as empirical approaches are concerned, the critical analysis of variables and methods of assessment of economic integration reveal the cleavage between theoretical assumptions and the possibilities of their empirical demonstration, as well as their moderated success in bridging

the gap between theory and reality. Besides, the examination of conventional approaches along the lines of the static-dynamic effects and the North-South divide identified before, show that, on the one hand, empirical approaches reproduce, to a large extent, the theoretical contradictions between the importance of dynamic effects and the abundance of static analyses. On the other hand, **North-South divergences** in the empirical assessment of integration do not lie in the methods employed or the variables under study, but in terms of their assumed goals. In this regard, when it comes to LDCs, the underlying assumption is that regionalism should serve to bring them to the preconditions that allowed for economic integration in the North, which might imply the neglect of the specific goals and features of the former. Moreover, the scarce developments on theoretical approaches and empirical proposals tailored to the **specificities of the South** demonstrate the unbalanced agenda of integration between the two hemispheres.

From this critical review, a number of missing debates were identified that have to do with the above-mentioned gap between theory and reality (Combes et al., 2008; Amin, 2014b) and with the **role of IEOs** in the regulation and promotion of certain types of regionalism. A number of contributions from the field of IR, namely from IPE, served to provide description of the main IEOs concerned by regional integration (**WTO, UNCTAD, IMF, WB and regional actors like the EU**), as well an explanation of the ideological functions they deploy in this realm. Their duty to ensure compliance goes along with their capacity to influence the agenda of regional integration or to act in a ‘clientelist’ manner with certain countries that directly support their survival and/or hold a privileged position within those institutions.

The **second part** of this work focused on the **path of integration undertaken by Morocco** combining three different assets: historical research, documentation from IEOs and economic data. Guided by the consideration of international trade as a sector of foreign policy shaped by international agreements and socioeconomic circumstance, the third and four chapters paid great attention to the **role of the EU** on this path. This choice was made not only because of the prominence of the European model in theoretical approaches, but also in consideration of the colonial ties binding Euro-Moroccan relations and of European leadership in the projects that have shaped the current framework of Euro-Mediterranean relations.

Historical literature and archival research on the transition from bilateral relations under the French Protectorate to AAs with the EEC showed that Euro-Mediterranean relations and the integration agreements signed in the area in recent decades were highly determined by **previous colonial relations**, particularly between France and Maghreb countries. Indeed, Moroccan dependency from the European market has been maintained since the colonial period through a set of AAs that helped a process of **peripheral reconnection** whereby Moroccan development is bound to the political decisions and economic performance of the EU. By legitimating former privileged relations with France and extending them to the Communitarian framework, the Moroccan economic structure and its international exchanges remained attached to the **Mediterranean orbit of the EU**. Furthermore, the wavering needs and interests of the European markets due to successive phases of enlargement determined the shape and scope of Euro-Mediterranean integration more than intra-Mediterranean dialogue did.

In this regard, the **contributions made by IEOs** about Moroccan integration suggest that, although Morocco must still make certain efforts to improve economic stability in the domestic sphere and competitiveness in the international market, its commitment to international integration appears as solid, progressive and **relatively successful**. Regarding its path of regional integration, the Moroccan relationship with developed countries is presented as an example both in the Mediterranean basin and in its relations with the United States, due to their signature of a pioneering FTA in Africa. Also, its prominent role in **intra-African relations** is increasingly underscored.

However, when comparing the results reported by IEOs with economic data, it appears that the **correlation between trade, growth and welfare** assumed in these assessments is not as straightforward as theory implies. The evolution of features like the **structure of exchanges, migratory flows or income distribution** by region and gender mitigates, to a large extent, the positive outcomes that might be deduced from solely aggregated trade and growth figures.

Finally, concerning the **interplay between North-South and South-South integration** in the Euro-Mediterranean, the case studies of the UMA and the Agadir Agreement suggested that the goals of South-South integration might as well differ from those stated by economic theory. An

analysis of these two cases from the approach of political economy and with special attention to the geopolitical interests of the actors involved, revealed that the endorsement of those South-South agreements by no means collide with the North-South structure of the Euro-Mediterranean region. Rather, according to the findings put forward in chapter four, it can be argued that, to a large degree, they acted as a means to **enhance vertical relations** in the area by facilitating micro-economic integration and a rapprochement to European rules.

In particular, it arose that Maghreb integration in 1989 was spurred by the will to establish a stable **energy market** in the Western Mediterranean under the leadership of Italian and Spanish corporations and supported by the EEC due to its strategic geopolitical role. With regard to the Agadir Agreement, the binding links it entailed with the European *acquis communautaire* reflect the nature of trade agreements as instruments of **foreign policy**. In this vein, we argue that the neglect of the political aspects of economic integration entails misleading conclusions about the achievements and performance of this sort of arrangements. By these means, both cases illustrated the role of the EU in the Moroccan path of integration and, more generally, in the current shape of Euro-Mediterranean relations.

Therefore, in line with the framework of analysis that has been developed along the four chapters of this dissertation, we suggest that any intent to comprehend the current state of affairs or future prospects of Moroccan integration ought to consider the **political economy** of such processes. This entails not only a careful assessment of **domestic and foreign economic relations**, but also awareness on the **historical path** followed hitherto and on the surrounding **geopolitical context**. Once this is accomplished, **agents** ought to be placed in such context, since the political and socio-economic nature of their actions should be taken into account. In the same vein, the straightforward causality whereby economic integration is supposed to pursue welfare through the increase of trade and growth, fails to appraise the complex set of factors that might unleash regional projects and, as a consequence, to properly evaluate its achievements.

As for Euro-Mediterranean relations, our work shows that the dominant role played by the European Union is apparent in Moroccan decisions of integration even when the Community is not directly



involved. As a reaction, Morocco has held since the 1990s a strategy of triangular games to balance power relations, as well as a search for alternatives that replace or complement the influence of the EU. Nevertheless, the lack of integration resulting from those attempts does not mean an absence of effects. In fact, some of those outcomes might coincide with those predicted by theories of economic integration, but it is also undeniable that many other overcome the limits of orthodox postulates on this topic.

Despite its focus on long-term trends and its strong accent in past relations, our framework of analysis offers some keys of interpretation that may be helpful to interpret the current state of affairs in the Euro-Mediterranean area.

At the bilateral level, the current impasse of the Deep and Comprehensive Free Trade Agreement (DCFTA) between the EU and Morocco, as well as the mitigate achievements of the ENP, are only but a few outcomes of the unbalanced nature of Mediterranean relations. Furthermore, the instability derived from the contested validity of Agricultural and Fishery Agreements proves the ambiguous legitimacy of a structure of exchanges rooted in colonial relations. To this extent, a solid bilateral framework is to be sought through arrangements whose terms are neither contingent on European internal affairs, nor exclusively guided by the will to preserve longstanding relations of mutual interdependence. At the regional level, the ambivalent effects and increasing confusion generated by the overlapping initiatives to foster South-South integration through North-South integration in the Mediterranean suggest that attempts to enhance Euro-Mediterranean integration should give more priority to the needs and features of Southern countries than they do to harmonisation with EU standards and red lines. Finally, given the evident interrelation between foreign policy affairs and economic integration, a comprehensive approach is needed that offers a coherent and solid framework to the flows of goods, capitals and people. Beyond economic effects, the unfulfilled requests by Southern countries have generated a great social fracture that has turned Euro-Mediterranean affairs into a laboratory of crisis management.

The implications of this work for the research previously held in this field, as well as the limitations inherent to its accomplishment, call for further research in this realm. Certainly, the constraining features of

holding a critical approach with a focus on Southern countries, namely the lack of a solid methodological corpus and the relative scarcity of sources and literature focused on the specificities of the chosen case study, are only but a demonstration of the need to deepen into the subject. In this regard, also the choice of an approach that builds on other disciplines than International Economy implies relevant constraints regarding the possibility to develop every specific field of inquiry. Notwithstanding, the performance of the methodology and approach built to meet the objectives of the research indicate that further efforts in this direction might open new gateways to comprehend the complexity of interregional and intraregional relations in the Mediterranean and elsewhere. Indeed, our accent on the need to take into account the socio-political, geographic, historical and geopolitical features of regional processes on a case-by-case nature implies that similar exercises could be held in other areas of the globe with diverging but original outcomes.

In sum, this work argues that regional integration is a multifold process that cannot be duly explained under *one-size-fits-all* principles. In addition, when it comes to the Global South, a further warning might be observed on the asymmetric scope of the analyses that apply to them the premises that work for the North/Western centres of international economy—which are also the centres of international governance and scientific production.

## RESUMO

Rexionalismo e multilateralismo aparecen hoxe en día como dúas pezas complementarias do crebacabezas global. As diferentes disciplinas das Ciencias Sociais que estudan a estrutura das relacións internacionais comparten a premisa fundamental de que estas se desenvolven en bloques. Independentemente da natureza dos fluxos analizados ou do contexto no que se sitúan, no punto de partida atópanse a miúdo unha serie de factores que suscitan amplo consenso.

O primeiro deles é o rexionalismo, tal e como o coñecemos, baséase nas cinzas da Segunda Guerra Mundial. A reconstrución en Europa tras a segunda posguerra mundial e a descolonización no Sur Global converteranse en elementos clave no campo de batalla dunha longa Guerra Fría. En grande medida, as dimensións xeopolíticas e económicas da disputa Este-Oeste constringía a alianzas transnacionais a quen pretendese ter voz no ámbito internacional. Esta lóxica axuda a comprender por que a configuración dos movementos do Terceiro Mundo e a propia recuperación europea se pensaron como proxectos transnacionais.

O primeiro documento económico identificado por Fritz Machlup (1977, p. 10) na súa investigación sobre a xenealoxía da integración foi manexado por George F. Kennan no deseño do Plan Marshall. En 1947, Kennan recibiu de tres economistas a proposta dun “Programa Coordinado de Recuperación Europea” dirixido “cara a unha Europa forte e integrada economicamente”. Así, a necesidade de avivar o peso económico e político da Europa de posguerra conduciría a empurrar as preocupacións proteccionistas cara as fronteiras rexionais (Machlup, 1977). Neste contexto, o economista canadense Jacob Viner (1950) tratou

de dilucidar as condicións nas que unha unión aduaneira non suporían un menoscabo ao incremento do *output* mundial nun contexto no que o multilateralismo -aínda sendo a opción preferida- non é viable a curto prazo. A publicación de *The Customs Unions Issue* (Viner, 1950) deu lugar a numerosas contribucións que, ao longo da década, construírían o corpus teórico da disciplina respondendo, completando, criticando ou aplicando os devanditos argumentos nos estudos de caso nos que, sen dúbida, o proxecto europeo gozaba de especial atención. Isto condúcenos directamente ao segundo punto de partida.

Outro argumento que xera consenso é a posición da Unión Europea (UE) como arquetipo de integración económica. Nos países occidentais do Norte, a coincidencia entre as primeiras contribucións teóricas ao fenómeno e o establecemento da Comunidade Económica Europea suscitaría un permanente paralelismo entre o avance da integración e o desenvolvemento da disciplina que dura até os nosos días. No Sur, tanto aquelas correntes que aspiraban a ‘acadar’ aos países desenvolvidos, como aquelas que tiñan como vontade desvincularse da súa hexemonía, compartiron dende o inicio unha ampla atención ao proceso europeo. Así mesmo, os debates actuais sobre o rexionalismo europeo difiren nos seus xuízos sobre os efectos do devandito proxecto, pero non no alcance do seu impacto. Neste senso, nos últimos anos gañaron peso os enfoques críticos que sosteñen que a UE actúa coma unha potencia rexional hexemónica que utiliza o seu peso económico e normativo para construír unha serie de relacións bilaterais asimétricas para a transferencia das súas normas e valores (Haukkala, 2011). A este respecto, varios autores coinciden en sinalar a vontade da UE de “replicarse fomentando a integración rexional en todo o mundo” (Nicolaïdis y Howse, 2002). Secasí, apuntan, esta estratexia oculta a miúdo que o que se está promovendo “non é a UE como tal, senón unha EU-topía” (Nicolaïdis y Howse, 2002).

O último elemento de consenso que cómpre sinalar é que a “dirección” do rexionalismo importa. En calquera corrente do corpus teórico que estuda o rexionalismo, as condicións, obxectivos e resultados da integración veñen ditados, en última instancia, pola súa natureza Norte-Norte, Norte-Sur ou Sur-Sur. En particular, a economía ortodoxa considera este último esquema como unha especie de terreo de proba que precede o salto á globalización dos países en desenvolvemento.

A especial incidencia destes tres argumentos no Mediterráneo atraeron durante décadas a atención de académicos e institucións. Aínda que o Ecuador non atravesa a zona, poucos definirían as relacións Euro-Mediterráneas como Norte-Norte. Neste sentido, mentres que a integración europea aparece como o epítome do círculo virtuoso da integración, as relacións Euro-Mediterráneas póñense a miúdo como exemplo arquetípico do seu oposto. De feito, se a área Euro-Mediterránea é un exemplo destacado nos estudos rexionais, é precisamente o seu liderado en termos de fenda Norte-Sur e de non integración Sur-Sur. Pese aos sucesivos intentos de mitigar a prevalencia dos fluxos comerciais verticais e a escasa integración horizontal nesta área, a súa estrutura de eixes e radios impónse con contundencia sobre o conxunto de iniciativas Sur-Sur emprendidas dende a descolonización a diferentes niveis e velocidades. En zonas como o Magreb, o rexionalismo Sur-Sur fomentouse desde os oitenta dende distintos ámbitos internacionais ao amparo da evidencia empírica sobre os posibles efectos do comercio no benestar e os costes da non integración. A este respecto e malia os seus magros resultados, as institucións internacionais e, sobre todo, a UE, permanecen aínda hoxe entre os seus máis activos promotores. No entanto, o grande interese que suscitan estes aspectos contrasta cun limitado esforzo por investigar as causas profundas da non integración.

Ao escoller o caso de Marrocos pola súa posición xeoestratéxica e a súa ambivalente relación coa integración vertical e horizontal no Mediterráneo, a razón de ser deste traballo deriva precisamente de dous aspectos que, con frecuencia, investigacións previas pasaron por alto. O primeiro ten que ver coa interacción entre a promoción e implementación de acordos Norte-Sur e Sur-Sur na zona Euro-Mediterránea. O segundo refírese ao errático comportamento de Marrocos nas súas estratexias de integración económica. Á luz destas cuestións, esta investigación levouse a cabo co obxectivo de comprender as razóns e propósitos subxacentes ás contraditorias e pouco eficaces iniciativas Sur-Sur apoiadas por Marrocos no marco do seu firme compromiso coas relacións Norte-Sur coa UE. Este obxectivo xeral artículase en base a catro obxectivos específicos.

O primeiro é avaliar os vínculos entre as teorías da integración económica, a súa avaliación empírica e a mutabilidade inherente aos procesos rexionais. O segundo é analizar o papel dos axentes implicados na regulación e avaliación dos distintos esquemas de integración que coexisten no ámbito internacional. O terceiro é dilucidar as opcións,

eleccións e resultados da senda de integración marroquí dende a súa independencia. Por último, o curto obxectivo consiste en avaliar a interacción entre a integración Norte-Sur e Sur-Sur na rexión Euro-Mediterránea a través do caso marroquí.

Conforme a estes obxectivos, esta investigación divídese en dúas partes, cada unha delas composta por dous capítulos que abordan, respectivamente, cada un dos obxectivos propostos seguindo a orde na que foron enumerados. Polo tanto, os dous primeiros capítulos desenvolven unha revisión crítica dos enfoques teóricos e empíricos da integración económica ortodoxa, centrándose na súa relación co proceso de integración europea. Neste sentido, un exame minucioso do papel das institucións internacionais na regulación e promoción do rexionalismo sobre a base do exemplo europeo pon en tea de xuízo a dubidosa universalidade das citadas receitas, especialmente no que respecta aos países do hemisferio Sur. A segunda parte deste traballo baséase na investigación arquivística, documentos oficiais e datos económicos para comprender o proceso de integración internacional e rexional de Marrocos desde a independencia, facendo especial fincapé no papel instrumental dos proxectos Sur-Sur para o reforzo dos imperantes vínculos Norte-Sur que o país preservou ata os nosos días.

Así pois, na primeira parte deste traballo, os nosos principais achados suxiren que a correspondencia sen parangón entre os principios básicos das teorías ortodoxas da integración económica e o caso europeo está arraigado nas circunstancias xeopolíticas nas que ambos os dous xurdiron. No contexto de posguerra, reconstrución e loita hexemónica da Guerra Fría, a fundación da CEE espertou grande interese entre académicos das Relacións Internacionais e do Comercio Internacional. Para estes últimos, a integración económica presentábase como unha *second best option* cando o comercio multilateral non é posible baixo certas condicións específicas. Os conceptos de creación e desviación do comercio presentados por Viner (1950) convertéronse en aspectos centrais do estudo das unións aduaneiras. Balassa (1961) completaría as premisas básicas da disciplina ao describir os graos de integración económica como un proceso evolutivo que partía dos acordos preferenciais e que tiñan como cumio a unión monetaria e fiscal. Outra contribución esencial deste autor foi a distinción entre os efectos estáticos e dinámicos da integración, que fundaría un dos principais eixes de debate que se mantiveron vixentes

na disciplina ata os nosos días. O segundo eixe deriva da estrutura das relacións Norte-Sur.

No marco do debate establecido por Viner e Balassa sobre as unións aduaneiras, un bo número de académicos prestou atención aos seus efectos sobre o benestar en función do nivel relativo de desenvolvemento (Linder, 1961; Sakamoto, 1969; Bhagwati, 1971) ou segundo o tamaño das economías participantes (Kreinin, 1964), cuestionando a visión puramente negativa da desviación do comercio para o benestar nos países menos industrializados (Bhambri, 1962; Sakamoto, 1969). Neste senso, Cooper e Massell (1965) sinalaron que para os países do Sur, unha unión aduaneira pode entenderse como unha política proteccionista eficiente e potencialmente beneficiosa para a industrialización. Nesta liña, a intensificación do comercio entre as rexións do Norte durante a década de 1960 e as febles relacións comerciais entre os países do Sur levaron a varios autores a promover o concepto de “rexionalismo pro-desenvolvementista” (Sloan, 1971). Fronte a estes, outras correntes (Hirschman, 1945; Perroux, 1954; Myrdal, 1957,1958) criticaron o excesivo optimismo das teorías de integración e a súa escasa adaptabilidade aos problemas do Sur (Amin, 2013).

Os debates Norte-Sur acadaron o seu apoxeo nos anos sesenta, bautizados polas Nacións Unidas como a “Década do Desenvolvemento”. No campo da economía ortodoxa, W. W. Rostow (1960) publicou o libro que algúns consideran unha obra fundacional da economía do desenvolvemento baixo o título *The Stages of Economic Growth*. Deste xeito, namentres que a economía ortodoxa estaba preocupada por como dirixir aos países do Sur cara a senda do crecemento dentro do capitalismo global, numerosos autores (Meier, 1960; Allen, 1961; Bhambri, 1962; Mikesell, 1963; Balassa, 1965; Cooper, Massell, 1965) argumentaron que a análise neoclásica da integración económica fora deseñada por e para os países industrializados e, polo tanto, resultaba de pouca aplicabilidade nos países do Sur. Para estes, a incongruencia da análise radicaba nos propios obxectivos expostos polas teorías ortodoxas, que a miúdo ignoraban que a cuestión central para os países do Sur radicaba en como principiar o camiño do progreso sen afondar na dependencia estrutural do Norte. O obxectivo de inverter a estrutura da división internacional do traballo herdada do colonialismo europeo situouse no centro das súas achegas ao rexionalismo Sur-Sur, que consideraban un medio para incrementar a súa autosuficiencia e a súa

capacidade de negociación no comercio internacional (Baer, 1972). Neste senso, as teorías da dependencia criticaron amplamente a retórica do desenvolvemento coma un instrumento para ocultar a perpetuación das relacións de poder coloniais a través do que André Gunder Frank (1966, p. 27-28) nomeou o “desenvolvemento do subdesenvolvemento”.

Trala crise do petróleo de 1973, as negociacións Norte-Sur no marco da UNCTAD remataron co establecemento do NIEO (Amin, 1980). Inspirados polos cambios no equilibrio de poder xerados pola crise do petróleo (Dumas, 1976), os países del Sur esixiron un marco que permitira un axuste á alza dos prezos das materias primas e a recuperación do control sobre os seus recursos. Neste contexto, os enfoques da dependencia alcanzaron o seu punto culminante (Gunder Frank, 1969; Marini, 1973; Sunkel, Peace, 1975; Wallerstein, 1979). Sucesivamente, tamén os enfoques norteamericano e británico da Economía Política Internacional (Keohane y Nye, 1977; 1987; Cohen, 2009) situarían as relacións de poder nos debates Norte-Sur. En consecuencia, entre as preocupacións centrais sobre o fenómeno da integración, xunto coa “integración para que”, apareceu a cuestión da “integración por que” (Krauss, 1972). Despois, o xurdimento do chamado *rexionalismo aberto* dende a década de 1980 fortalecería a visión de Sur-Sur e Norte-Sur como unha forma de “preadhesión á globalización” (Frikha, 2002). En calquera caso, destas análises despréndese que, dende a década de 1950, as características centrais que definen aos proxectos rexionais definíronse en base ao hemisferio xeopolítico dos participantes.

A partir desta revisión crítica, identifícanse unha serie de debates practicamente ausentes entre as principais correntes da integración relacionadas coa fenda entre teoría e realidade (Combes et al., 2008; Amin, 2014b) e co rol das OEI na regulación e promoción de certos tipos específicos de rexionalismo. Coa axuda de varias achegas do eido das relacións internacionais, a saber, da Economía Política Internacional, caracterízanse as principais organizacións económicas internacionais que se ocupan da integración rexional (a OMC, a UNCTAD, o FMI, o Banco Mundial e axentes rexionais como a UE), con especial atención ás funcións ideolóxicas que exercen nesta área. Entre elas, obsérvase que a súa responsabilidade reguladora incide directamente na súa capacidade de influír na axenda da integración e de actuar dun xeito propio do “clientelismo” con determinados países que, por diversos motivos, ocupan unha posición privilexiada ao interior de devanditas institucións.



A segunda parte deste traballo céntrase nun percorrido da integración marroquí a través dunha análise fundamentada en tres elementos: investigación histórica, documentación das organizacións internacionais e datos económicos. Guiados pola consideración do comercio internacional como parte integrante da política exterior configurado polos termos dos acordos internacionais e pola conxuntura socioeconómica e xeopolítica, os capítulos terceiro e cuarto prestan grande atención ao papel da UE neste proceso. Esta elección non só obedece á importancia do modelo europeo nas formulacións teóricas, senón tamén á consideración das ligazóns coloniais que fundamentan as relacións euro-marroquí e o liderado europeo no deseño do marco actual das relacións euro-mediterráneas.

A literatura histórica e a investigación de arquivo sobre a transición das relacións bilaterais dende o protectorado francés aos Acordos de Asociación coa CEE amosan que as actuais relacións euro-mediterráneas están fondamente marcadas polas relacións coloniais precedentes, particularmente entre Francia e os países do Magreb. De feito, a dependencia marroquí do mercado europeo mantense dende o período colonial a través dun conxunto de acordos de preferencia que favoreceron un proceso de reconexión periférica polo que o desenvolvemento marroquí permanece ligado ás decisións políticas e ao desempeño económico da UE. Ao lexitimar as antigas relacións privilexiadas con Francia e estendelas ao marco comunitario a través do Tratado de Roma (1957) e dos Acordos de Asociación (1969, 1976, 1996), a estrutura económica marroquí e os seus intercambios internacionais permaneceron ancorados á órbita mediterránea da UE. Por outra banda, constátase que as necesidades e intereses vacilantes dos mercados europeos en función das sucesivas fases de ampliación tiveron un maior impacto na forma e alcance da integración euro-mediterránea que o propio diálogo intra-Mediterráneo.

No entanto, a análise de máis de 230 informes publicados polas organizacións económicas internacionais sobre a integración marroquí durante as últimas tres décadas suxire que, se ben Marrocos aínda debe realizar algúns esforzos para mellorar a estabilidade económica no ámbito nacional e a competitividade no mercado internacional, o seu compromiso coa integración internacional semella sólido, progresivo e relativamente satisfactorio. No relativo ao seu camiño de integración rexional, a relación de Marrocos cos países desenvolto preséntase coma un exemplo

tanto na cunca mediterránea, como na súas relacións cos Estados Unidos. Así mesmo, sublíñase cada vez máis o seu destacado papel na dinamización das relacións intra-africanas.

Porén, ao comparar os resultados publicados polas ditas organizacións con outros indicadores económicos, a relación entre comercio, crecemento e benestar que estas suxiren é menos clara do que a priori se deduce. Entroutros, a evolución da estrutura dos intercambios, os fluxos migratorios ou a distribución do ingreso non só per capita, senón tamén por rexión mitiga, en grande medida, os resultados positivos das cifras agregadas de comercio e crecemento.

Por último, no que respecta á interacción entre esquemas de integración Norte-Sur e Sur-Sur no Euromediterráneo, os estudos de caso da Unión do Magreb Árabe e o Acordo de Agadir suxiren que os obxectivos da integración Sur-Sur tamén difiren dos establecidos pola teoría económica para este tipo de acordos. Unha análise destes casos dende o enfoque da economía política e con especial atención aos intereses dos axentes involucrados revela que a aplicación destes acordos Sur-Sur non choca en absoluto coa estrutura Norte-Sur da rexión euromediterránea. Ao contrario, de acordo coas conclusións presentadas no capítulo catro, pódese argumentar que, en grande medida, os ditos acordos empregáronse coma un medio para acelerar as relacións verticais na zona, ao facilitar, por unha banda, a integración microeconómica en sectores de especial interese para os países mediterráneos da UE e, pola outra, o achegamento dos países do Sur ao acervo comunitario.

En particular, o capítulo catro propón que a integración do Magreb en 1989 estivo incentivada pola vontade de establecer un mercado enerxético estable no Mediterráneo Occidental baixo o liderado de empresas italianas e españolas, co apoio da Comunidade Europea debido ao estratéxico rol xeopolítico do sector. En canto ao Acordo de Agadir, os estreitos vínculos que este comporta co acervo comunitario europeo reflicten a natureza dos acordos comerciais como instrumentos de política exterior. Neste senso aínda que por distintas vías, ambos os dous casos ilustran o papel da UE na senda de integración marroquí e, máis en xeral, na configuración actual das relacións euromediterráneas.

Polo tanto, en liña co marco de análise que se desenvolve ao longo dos catro capítulos desta tese, suxerimos que calquera tentativa de comprender a situación actual ou as perspectivas futuras da integración

marroquí considere a economía política de tales procesos. Isto implica non só unha avaliación coidadosa das relacións económicas domésticas e internacionais, senón tamén a consideración da estrutura histórica das relacións económicas e do contexto xeopolítico da contorna. Así mesmo, a natureza política e socioeconómica que guía as accións dos actores implicados debe situarse en dito contexto. A este respecto, a simple relación de causalidade pola que se supón que a integración económica persegue o benestar a través do aumento do comercio e o crecemento, subestima o complexo conxunto de dinámicas que subxacen aos proxectos rexionais e, en consecuencia, avalía o seus efectos sen comprender os seus propósitos.

En canto ás relacións euro-mediterráneas, o noso traballo demostra que o papel dominante xogado pola Unión Europea é evidente nas estratexias de integración de Marrocos, incluso cando a Comunidade non está directamente implicada. Como reacción a este papel preponderante, Marrocos mantivo dende os anos noventa unha estratexia de xogos triangulares (Fernández-Molina, 2016) para equilibrar as relacións de poder, así como unha constante busca de alternativas que substitúan ou complementen a influencia da UE. En calquera caso, a escasa integración resultante destas tentativas non significa unha ausencia de efectos. De feito, algúns destes resultados poderían coincidir cos prognosticados polas teorías da integración económica, mais tamén é innegable que moitos outros superan os límites dos postulados ortodoxos sobre este tema.

En resumo, neste traballo sostense que a integración rexional é un proceso multiforme que non pode explicarse segundo o principio *one size fits all*. Ademais, no que se refire ao Sur global, o desafío non radica só en analizar a estrutura asimétrica das relacións internacionais, senón en analizar *a estrutura asimétrica da análise de ditas relacións*.



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## ANNEXES





## Annex 1

ALGERIA				
Official Name:	People's Democratic Republic of Algeria			
Form of Government:	Semi-presidential republic			
Head of State:	Abdelaziz Bouteflika			
Head of Government:	Abdelmadjid Tebboune			
Political Parties represented in the current Parliament (seats) (National People's Assembly)				
National Liberation Front (FLN)	165	Future Front	14	
National Rally for Democracy (RND)	100	Socialist Forces Front (FFS, social democrat)	14	
Movement of Society for Peace (Islamist)	34	Algerian Popular Movement (MPA, democrat)	13	
Rally for Hope for Algeria	19	Workers' Party (PT, communist)	11	
Ennahdha – FJD (Islamist)	15	Others	78	
Population				
Capital (urban agglomeration population in millions):	Algiers (2.63)			
Main urban agglomerations (population in millions):	Oran (0.86); Constantine (0.43); Blida (0.42); El Djelfa (0.41)			
Area km <sup>2</sup> :	2,381,740	Population age <15 (%):	29	
Population (millions):	39.7	Population age >64 (%):	6	
Population density (hab/km <sup>2</sup> ):	174	Total fertility rate (births per woman):	2.93	
Urban population (%):	71	Life expectancy at birth. Men/Women (years):	73/77	
Average annual population growth rate (%):	1.9	Infant mortality rate (per 1,000 born alive):	22	
Economy				
<b>GDP &amp; Debt</b>		<b>Economic Sectors</b>		
GDP (millions \$):	164,779	Agriculture, value added (% of GDP):	13	
GDP per capita (\$, PPP):	14,518	Industry, value added (% of GDP):	39	
GDP growth (%):	3.8	Services, value added (% of GDP):	48	
Public Debt (in % GDP):	8.8	<b>Labour market</b>		
Public Deficit (in % of GDP):	-15.4	Labour participation rate, female (%):	16.8	
External Debt (millions \$):	4,677	Unemployment rate (%):	11.0	
Inflation Rate (%):	4.8	Youth unemployment rate (%):	26.3	
<b>FDI</b>		<b>Employment in</b>		
Inflows (millions \$):	-587	Agriculture (% of total employment):	11.4	
Outflows (millions \$):	103	Industry (% of total employment):	35.1	
<b>International tourism</b>		Services (% of total employment):	53.5	
Tourist arrivals (000):	1,710	<b>Energy</b>		
Tourism receipts (million \$):	357	Production (millions mt oil eq):	137.7	
<b>Migrant remittances</b>		Consumption (millions mt oil eq):	47.6	
Receipts (millions \$):	..	Consumption per capita (kg oil eq):	1,246	
Receipts (in % GDP):	..	Import (% energy used):	-189	
Total trade				
Imports	Exports	Balance	Main Trading Partners	
in goods and services (millions \$)	63,487	37,162	-26,325	Import: China (16%), France (10%), Italy (9%), Spain (8%), Germany (7%)
in goods (millions \$)	52,441	33,460	-18,981	Export: Spain (18%), Italy (15%), France (13%), United Kingdom (7%), United States (6%)
in services (millions \$)	11,046	3,702	-7,344	
in goods and services (% GDP)	34.3	20.1	-14.2	
Society				
<b>Education</b>		<b>Development</b>		
Adult literacy rate. Men / Women (%):	86.2/73.1	Human Development Index (Value):	0.745	
Net enrolment rate (primary):	97	Human Development Index (Position in ranking):	83	
Gross enrolment rate (secondary):	..	<b>Health</b>		
Gross enrolment rate (tertiary):	38	Physicians density (per 10,000):	12.1	
Mean years of schooling:	7.8	Hospital beds (per 10,000):	17.0	
Public expenditure in education (% of GDP):	4.3	Total Health Expenditure (% of GDP):	7.2	
R&D expenditure (% of GDP):	..	<b>Emissions</b>		
<b>Water</b>		CO <sub>2</sub> Emissions (mt per capita):	2.9	
Water resources (km <sup>3</sup> ):	11.7	Passenger cars (per 1,000 people):	79	
Water withdrawal (m <sup>3</sup> per capita):	225	<b>Protected areas</b>		
Water withdrawal by sector (% agriculture):	59	Terrestrial (% of total land area):	7.9	
Water withdrawal by sector (% industry):	5	Marine (% of territorial waters):	1.2	
Desalinated water production (millions m <sup>3</sup> ):	615	<b>ICT</b>		
<b>Security</b>		Mobile subscriptions (per 100):	92.9	
Total armed forces (000):	317	Households with computer (per 100):	28.2	
Military expenditure (% GDP):	6.2	Internet users (per 100):	18.1	

LIBYA			
Official Name:	State of Libya		
Form of Government:	Provisional parliamentary republic		
Head of State:			
Head of Government:	Fayez al-Sarraj		
Political Parties represented in the current Parliament (seats)			
<p>Uncertain state due to the collapse of the Libyan Arab Jamahiriya in 2011. During the month of March 2016, UN-backed Prime Minister-designated, Fayez al-Sarraj, came back from self-exile with the task of uniting the country after an ongoing civil war between the Council of Deputies in Tobruk and its supporters, the New General National Congress in Tripoli and its supporters, and various jihadist and tribal elements controlling parts of the country</p>			
Population			
Capital (urban agglomeration population in millions):	Tripoli (1.13)		
Main urban agglomerations (population in millions):	Benghazi (0.76); Misrata (0.70); Zawiya (0.20)		
Area km <sup>2</sup> :	1,759,540	Population age <15 (%):	30
Population (millions):	6.3	Population age >64 (%):	5
Population density (hab/km <sup>2</sup> ):	4	Total fertility rate (births per woman):	2.53
Urban population (%):	79	Life expectancy at birth. Men/Women (years):	69/75
Average annual population growth rate (%):	0.3	Infant mortality rate (per 1,000 born alive):	11
Economy			
<b>GDP &amp; Debt</b>		<b>Economic Sectors</b>	
GDP (millions \$):	29,763	Agriculture, value added (% of GDP):	..
GDP per capita (\$, PPP):	9,052	Industry, value added (% of GDP):	..
GDP growth (%):	..	Services, value added (% of GDP):	..
Public Debt (in % GDP):	..	<b>Labour market</b>	
Public Deficit (in % of GDP):	-75.7	Labour participation rate, female (%):	27.8
External Debt (millions \$):	..	Unemployment rate (%):	19.2
Inflation Rate (%):	9.8	Youth unemployment rate (%):	47.7
<b>FDI</b>		<b>Employment in</b>	
Inflows (millions \$):	726	Agriculture (% of total employment):	20.2
Outflows (millions \$):	354	Industry (% of total employment):	25.2
<b>International tourism</b>		Services (% of total employment):	
Tourist arrivals (000):	..	54.6	
Tourism receipts (million \$):	..	<b>Energy</b>	
<b>Migrant remittances</b>		Production (millions mt oil eq):	
Receipts (millions \$):	..	Consumption (millions mt oil eq):	
Receipts (in % GDP):	..	Consumption per capita (kg oil eq):	
		Import (% energy used):	
		-263.1	
Total trade			
Imports	Exports	Balance	Main Trading Partners
in goods and services (millions \$)	..	..	Import: China (15%), Italy (13%), Turkey (12%), France (6%), Tunisia (6%)
in goods (millions \$)	22,881	9,369	Export: Italy (33%), Germany (11%), France (9%), China (8%), Spain (6%)
in services (millions \$)	..	..	
in goods and services (% GDP)	56.3	23.1	-33.3
Society			
<b>Education</b>		<b>Development</b>	
Adult literacy rate. Men / Women (%):	97.0/85.8	Human Development Index (Value):	0.716
Net enrolment rate (primary):	..	Human Development Index (Position in ranking):	102
Gross enrolment rate (secondary):	..	<b>Health</b>	
Gross enrolment rate (tertiary):	..	Physicians density (per 10,000):	19.0
Mean years of schooling:	7.3	Hospital beds (per 10,000):	37.0
Public expenditure in education (% of GDP):	..	Total Health Expenditure (% of GDP):	5.0
R&D expenditure (% of GDP):	..	<b>Emissions</b>	
<b>Water</b>		CO <sub>2</sub> Emissions (mt per capita):	
Water resources (km <sup>3</sup> ):	0.7	Passenger cars (per 1,000 people):	
Water withdrawal (m <sup>3</sup> per capita):	928	329	
Water withdrawal by sector (% agriculture):	83	<b>Protected areas</b>	
Water withdrawal by sector (% industry):	5	Terrestrial (% of total land area):	
Desalinated water production (millions m <sup>3</sup> ):	70	Marine (% of territorial waters):	
<b>Security</b>		4.3	
Total armed forces (000):	7	<b>ICT</b>	
Military expenditure (% GDP):	7.3	Mobile subscriptions (per 100):	
		Households with computer (per 100):	
		Internet users (per 100):	
		157.0	
		..	
		19.0	



<b>MOROCCO</b>				
Official Name:	Kingdom of Morocco			
Form of Government:	Parliamentary constitutional monarchy			
Head of State:	King Mohammed VI			
Head of Government:	Saadeddine Othmani			
<b>Political Parties represented in the current Parliament (seats) (House of Representatives)</b>				
Justice and Development Party (PJD, Islamist)	125	Socialist Union of People's Forces (USFP)	20	
Authenticity and Modernity Party (PAM, liberal)	102	Constitutional Union (UC, centrist)	19	
Istiqlal Party (PI, centre-right, nationalism)	46	Party of Progress and Socialism (PPS, communist)	12	
National Rally of Independents (RNI, centre-right, liberal)	37	Democratic and Social Movement (royalist)	3	
Popular Movement (MP, conservative)	27	Others	4	
<b>Population</b>				
Capital (urban agglomeration population in millions):	Rabat (2.00)			
Main urban agglomerations (population in millions):	Casablanca (3.54); Fes (1.20); Marrakech (1.17); Tanger (1.01); Meknes (0.74)			
Area km <sup>2</sup> :	446,550	Population age <15 (%):	27	
Population (millions):	34.4	Population age >64 (%):	6	
Population density (hab/km <sup>2</sup> ):	77	Total fertility rate (births per woman):	2.56	
Urban population (%):	60	Life expectancy at birth. Men/Women (years):	73/75	
Average annual population growth rate (%):	1.3	Infant mortality rate (per 1,000 born alive):	24	
<b>Economy</b>				
<b>GDP &amp; Debt</b>		<b>Economic Sectors</b>		
GDP (millions \$):	100,593	Agriculture, value added (% of GDP):	29	
GDP per capita (\$, PPP):	8,180	Industry, value added (% of GDP):	58	
GDP growth (%):	4.5	Services, value added (% of GDP):	13	
Public Debt (in % GDP):	64.1	<b>Labour market</b>		
Public Deficit (in % of GDP):	-4.2	Labour participation rate, female (%):	9.7	
External Debt (millions \$):	42,989	Unemployment rate (%):	20.4	
Inflation Rate (%):	1.5	Youth unemployment rate (%):	33.5	
<b>FDI</b>		<b>Employment in</b>		
Inflows (millions \$):	3,162	Agriculture (% of total employment):	20.5	
Outflows (millions \$):	649	Industry (% of total employment):	45.9	
<b>International tourism</b>		Services (% of total employment):		
Tourist arrivals (000):	10,177	Energy		
Tourism receipts (million \$):	7,765	Production (millions mt oil eq):	18.9	
<b>Migrant remittances</b>		Consumption (millions mt oil eq):	56.4	
Receipts (millions \$):	..	Consumption per capita (kg oil eq):	90.1	
Receipts (in % GDP):	..	Import (% energy used):	91.0	
<b>Main Trading Partners</b>				
<b>Total trade</b>	<b>Imports</b>	<b>Exports</b>	<b>Balance</b>	
in goods and services (millions \$)	40,706	32,717	-7,989	
in goods (millions \$)	32,738	18,484	-14,255	
in services (millions \$)	7,968	14,234	6,266	
in goods and services (% GDP)	40.5	32.6	-7.9	
Import: Spain (14%), France (13%), China (8%), United States (7%), Germany (6%)				
Export: Spain (22%), France (19%), India (4%), United States (4%), Italy (4%)				
<b>Society</b>				
<b>Education</b>		<b>Development</b>		
Adult literacy rate. Men / Women (%):	81.9/62.0		Human Development Index (Value):	0.647
Net enrolment rate (primary):	98		Human Development Index (Position in ranking):	123
Gross enrolment rate (secondary):	69		<b>Health</b>	
Gross enrolment rate (tertiary):	28		Physicians density (per 10,000):	6.2
Mean years of schooling:	4.8		Hospital beds (per 10,000):	11.0
Public expenditure in education (% of GDP):	5.3		Total Health Expenditure (% of GDP):	5.9
R&D expenditure (% of GDP):	0.71		<b>Emissions</b>	
<b>Water</b>		CO <sub>2</sub> Emissions (mt per capita):		1.6
Water resources (km <sup>3</sup> ):	29.0		Passenger cars (per 1,000 people):	71
Water withdrawal (m <sup>3</sup> per capita):	316		<b>Protected areas</b>	
Water withdrawal by sector (% agriculture):	88		Terrestrial (% of total land area):	33.6
Water withdrawal by sector (% industry):	2		Marine (% of territorial waters):	1.3
Desalinated water production (millions m <sup>3</sup> ):	7		<b>ICT</b>	
<b>Security</b>		Mobile subscriptions (per 100):		126.9
Total armed forces (000):	246		Households with computer (per 100):	66.5
Military expenditure (% GDP):	3.2		Internet users (per 100):	57.1

TUNISIA											
Official Name:	Republic of Tunisia										
Form of Government:	Semi-Presidential Republic										
Head of State:	Beji Caid Essebsi										
Head of Government:	Youssef Chahed										
<b>Political Parties represented in the current Parliament (seats) (National Constituent Assembly)</b>											
Call for Tunisia (NT) (Secularism, Social democracy)	86	Congress of the Republic (CPR) (Secularism, Social liberalism)	4								
Ennahdha (Islamist)	69	Democratic Current (Pan-Arabism)	3								
Free Patriotic Union (UPL) (Secularism, Liberalism)	16	National Destourian Initiative	3								
Popular Front (FP) (Secularism, Socialism)	15	People's Movement (Secularism, Socialism)	3								
Tunisian Aspiration (Secularism, Liberalism)	8	Others	10								
Population											
Capital (urban agglomeration population in millions):	Tunis (2.01)										
Main urban agglomerations (population in millions):	Sfax (0.73); Sousse (0.67); Kairouan (0.57)										
Area km <sup>2</sup> :	163,610	Population age <15 (%):	23								
Population (millions):	11.3	Population age >64 (%):	8								
Population density (hab/km <sup>2</sup> ):	72	Total fertility rate (births per woman):	2.16								
Urban population (%):	67	Life expectancy at birth. Men/Women (years):	73/77								
Average annual population growth rate (%):	1.1	Infant mortality rate (per 1,000 born alive):	14								
Economy											
<b>GDP &amp; Debt</b>		<b>Economic Sectors</b>									
GDP (millions \$):	43,156	Agriculture, value added (% of GDP):	10								
GDP per capita (\$, PPP):	1,148	Industry, value added (% of GDP):	28								
GDP growth (%):	1.0	Services, value added (% of GDP):	61								
Public Debt (in % of GDP):	57.2	<b>Labour market</b>									
Public Deficit (in % of GDP):	-4.4	Labour participation rate, female (%):	25.1								
External Debt (millions \$):	27,363	Unemployment rate (%):	15.2								
Inflation Rate (%):	4.9	Youth unemployment rate (%):	36.1								
<b>FDI</b>		<b>Employment in</b>									
Inflows (millions \$):	1,002	Agriculture (% of total employment):	11.9								
Outflows (millions \$):	33	Industry (% of total employment):	29.5								
<b>International tourism</b>		Services (% of total employment):	58.6								
Tourist arrivals (000):	5,359	<b>Energy</b>									
Tourism receipts (million \$):	1,869	Production (millions mt oil eq):	7.3								
<b>Migrant remittances</b>		Consumption (millions mt oil eq):	10.4								
Receipts (millions \$):	2,347	Consumption per capita (kg oil eq):	956								
Receipts (in % GDP):	5.4	Import (% energy used):	29.9								
Total trade				Imports		Exports		Balance		Main Trading Partners	
in goods and services (millions \$)	21,965	17,116	-4,848	Import: France (18%), Italy (15%), China (8%), Germany (7%), Spain (4%)							
in goods (millions \$)	19,069	13,947	-5,122	Export: France (29%), Italy (18%), Germany (10%), Spain (5%), Algeria (4%)							
in services (millions \$)	2,896	3,170	274								
in goods and services (% GDP)	50.6	39.4	-11.2								
Society											
<b>Education</b>				<b>Development</b>							
Adult literacy rate. Men / Women (%):	89.7/72.8			Human Development Index (Value):	0.725						
Net enrolment rate (primary):	99			Human Development Index (Position in ranking):	97						
Gross enrolment rate (secondary):	88			<b>Health</b>							
Gross enrolment rate (tertiary):	35			Physicians density (per 10,000):	12.2						
Mean years of schooling:	7.1			Hospital beds (per 10,000):	21.0						
Public expenditure in education (% of GDP):	6.2			Total Health Expenditure (% of GDP):	7.0						
R&D expenditure (% of GDP):	0.64			<b>Emissions</b>							
<b>Water</b>				CO <sub>2</sub> Emissions (mt per capita):	2.3						
Water resources (km <sup>3</sup> ):	4.6			Passenger cars (per 1,000 people):	84						
Water withdrawal (m <sup>3</sup> per capita):	304			<b>Protected areas</b>							
Water withdrawal by sector (% agriculture):	80			Terrestrial (% of total land area):	5.4						
Water withdrawal by sector (% industry):	5			Marine (% of territorial waters):	2.7						
Desalinated water production (millions m <sup>3</sup> ):	19			<b>ICT</b>							
<b>Security</b>				Mobile subscriptions (per 100):	129.9						
Total armed forces (000):	48			Households with computer (per 100):	33.2						
Military expenditure (% GDP):	2.2			Internet users (per 100):	48.5						

ANNEX. LIST OF SELECTED REPORTS FOR THE ANALYSIS OF THE ROLE OF IEOs, In chronological order.

YEAR	IEO	TITLE	KEYWORDS	FOCUS	SOURCE
1983	UNCTAD	Trade and Development Report	Crisis - Debt - Terms of Trade	African and Arab States	<a href="http://unctad.org/en/PublicationsLibrary/trd3re_v1_en.pdf">http://unctad.org/en/PublicationsLibrary/trd3re_v1_en.pdf</a>
1988	UNCTAD	Trade and Development Report	Protectionism - NTB - Debt	Africa, North Africa	<a href="http://unctad.org/en/PublicationsLibrary/trd3re_v1_en.pdf">http://unctad.org/en/PublicationsLibrary/trd3re_v1_en.pdf</a>
1991	UNCTAD	Trade and Development Report	Finance - Uruguay Round - Debt	LDCs	<a href="http://unctad.org/en/PublicationsLibrary/trd11_en.pdf">http://unctad.org/en/PublicationsLibrary/trd11_en.pdf</a>
1992	UNCTAD	Proceedings of the UNCTAD, 8th Session	Private Sector - Sustainable Development - Knowledge Economy	LDCs	<a href="http://unctad.org/en/Docs/trd364rev1_en.pdf">http://unctad.org/en/Docs/trd364rev1_en.pdf</a>
1995	UNCTAD	Trade and Development Report	Unemployment - Recovery - Interdependence	LDCs	<a href="http://unctad.org/en/PublicationsLibrary/trd15_en.pdf">http://unctad.org/en/PublicationsLibrary/trd15_en.pdf</a>
1995	WTO	Overview of developments in International Trade and the Trading System	Uruguay Round - Multilateral trade - Global Policy Making	Global	<a href="http://www.wto.org/english/news_e/pres95_e/ov11.htm">www.wto.org/english/news_e/pres95_e/ov11.htm</a>
1996	WTO	Morocco: January 1996	Liberalisation - Services - Adjustment	Morocco	<a href="http://www.wto.org/english/tratop_e/tpr_e/tpr023_e.htm">www.wto.org/english/tratop_e/tpr_e/tpr023_e.htm</a>
1996	WTO	Morocco Trade Policy Review	Liberalisation - Openness - Reforms	Morocco	<a href="http://www.wto.org/english/tratop_e/tpr_e/tpr23_e.htm">www.wto.org/english/tratop_e/tpr_e/tpr23_e.htm</a>
1996	WTO	Review of Morocco TPRB's Evaluation	Openness - Tax consolidation - Export	Morocco	<a href="http://www.wto.org/english/tratop_e/tpr_e/tpr024_e.htm">www.wto.org/english/tratop_e/tpr_e/tpr024_e.htm</a>
1996a	IMF	Disparities in Global Integration	Integration - Catch-up - Growth	South-South	<a href="http://www.imf.org/external/pubs/ft/fandd/1996/09/pdf/brahmbha.pdf">http://www.imf.org/external/pubs/ft/fandd/1996/09/pdf/brahmbha.pdf</a>
1996b	IMF	Financial Sector Reforms in Morocco and Tunisia	Competition - SMEs - Reform	Morocco, Tunisia	<a href="http://www.imf.org/external/pubs/ft/fandd/1997/09/pdf/jbali.pdf">http://www.imf.org/external/pubs/ft/fandd/1997/09/pdf/jbali.pdf</a>
1997	UNCTAD	World Investment Report 1997 Transnational Corporations, Market Structure and Competition Policy	Competition Policy - TNCs - Investment	Global	<a href="http://unctad.org/en/Docs/wir1997_en.pdf">http://unctad.org/en/Docs/wir1997_en.pdf</a>
1998	UNCTAD	Foreign Direct Investment In Africa: Performance And Potential	FDI - Performance - Potential	North-South	<a href="http://unctad.org/en/Docs/poitem5.pdf">http://unctad.org/en/Docs/poitem5.pdf</a>
1998	WTO	Tackling Imbalances in the Global Economy (King's Speech)	Free enterprise - Private Property - Regional Integration	Morocco	<a href="http://www.wto.org/english/res_e/focus_e/focus31_e.pdf">www.wto.org/english/res_e/focus_e/focus31_e.pdf</a>
1999	WTO	Statement by H.E. Mr. Alami Tazi Minister of Commerce, Industry and Handicrafts "	G-77 - Regional Integration - Labour Standards	Morocco	<a href="http://www.wto.org/english/thewto_e/minist_e/min99_e/english/state_e/d5220e.pdf">www.wto.org/english/thewto_e/minist_e/min99_e/english/state_e/d5220e.pdf</a>
1999a	UNCTAD	Foreign Direct Investment In Africa: Performance And Potential	Emerging countries - FDI attractiveness - Legal framework	Africa	<a href="http://unctad.org/en/Docs/poitaiid2_en.pdf">http://unctad.org/en/Docs/poitaiid2_en.pdf</a>
1999b	UNCTAD	UNCTAD'S Contribution To The Implementation Of The United Nations New Agenda For The Development Of Africa In The 1990s: Activities Undertaken By UNCTAD In Favour Of Africa	Regional Integration - Trade and FDI - Uruguay Round	Africa	<a href="http://unctad.org/en/Docs/tb21d2.pdf">http://unctad.org/en/Docs/tb21d2.pdf</a>
2000	WTO-WB	Ports Sector Project	Ports - Infrastructure	Morocco	<a href="http://documents.worldbank.org/curated/en/701851468053935241/Morocco-Ports-Sector-Project">http://documents.worldbank.org/curated/en/701851468053935241/Morocco-Ports-Sector-Project</a>
2000a	UNCTAD	United Nations Conference on Trade and Development Leaders' Forum	Regional Integration - LCD marginalization - Globalisation	LDCs	<a href="http://unctad.org/en/Docs/ux_tdxm13_en.pdf">http://unctad.org/en/Docs/ux_tdxm13_en.pdf</a>
2000b	UNCTAD	Tax Incentives and Foreign Direct Investment A Global Survey	Tax Incentives - FDI - Development	LDCs	<a href="http://unctad.org/en/Docs/teipcmisc3_en.pdf">http://unctad.org/en/Docs/teipcmisc3_en.pdf</a>
2000c	UNCTAD	Fourth United Nations Conference To Review All Aspects Of The Set Of Multilaterally Agreed Equitable Principles And Rules For The Control Of Restrictive Business Practices	Competition Policy - Development - Modernisation	Euro-Med region	<a href="http://unctad.org/en/Docs/trdbpconf5d9_en.pdf">http://unctad.org/en/Docs/trdbpconf5d9_en.pdf</a>
2000d	UNCTAD	Bilateral investment treaties 1959-1959	FDI Protection - S-S cooperation - Development	North-South	<a href="http://unctad.org/en/Docs/poitaiid2_en.pdf">http://unctad.org/en/Docs/poitaiid2_en.pdf</a>
2002	WTO	International Trade Statistics	Trade statistics - Exports - Moroccan example	North-South	<a href="http://www.wto.org/english/res_e/statis_e/its2002_e/its2002_e.pdf">www.wto.org/english/res_e/statis_e/its2002_e/its2002_e.pdf</a>
2003a	UNCTAD	Transport Newsletter	Trade facilitation - Port Security - S-S integration	South-South	<a href="http://unctad.org/en/Docs/webtlog20031_en.pdf">http://unctad.org/en/Docs/webtlog20031_en.pdf</a>
2003b	UNCTAD	Enhancing the contribution of the indigenous private sector to African Development	Competitiveness - Stability - Integration	North-South	<a href="http://unctad.org/Sections/dite_dir/docs/dite_e_db_0001_en.pdf">http://unctad.org/Sections/dite_dir/docs/dite_e_db_0001_en.pdf</a>
2003c	UNCTAD	Activities undertaken by UNCTAD in support of Africa	Consensus-building - Capacity-building - Market Access	Africa-Asia	<a href="http://unctad.org/en/Docs/tb32d2_en.pdf">http://unctad.org/en/Docs/tb32d2_en.pdf</a>
2003d	UNCTAD	Assessing South-South Regional Integration: Same Issues, Many Metrics	South-South Trade - RTAs - Global integration	South-South	<a href="http://unctad.org/en/Docs/itcdtab22_en.pdf">http://unctad.org/en/Docs/itcdtab22_en.pdf</a>
2003e	UNCTAD	Mid-Term Evaluation: Unctad-Undp Global Program On Globalization, Liberalization And Sustainable Development	Globalisation - Development - Consensus-building	North-South	<a href="http://unctad.org/en/Docs/domepu20078_en.pdf">http://unctad.org/en/Docs/domepu20078_en.pdf</a>
2003a	WTO	Morocco Trade Policy Review	Liberalisation - Water & Sanitation - GATS	Morocco	<a href="http://www.wto.org/english/forums_e/ngo_e/aefjn_ju1y03_e.doc">www.wto.org/english/forums_e/ngo_e/aefjn_ju1y03_e.doc</a>
2003b	WTO	World Trade Developments in 2003 and prospects for 2004	Trade - Trade Policy - Exports	Global	<a href="http://www.wto.org/english/res_e/statis_e/its2004_e/its04_general_overview_e.pdf">www.wto.org/english/res_e/statis_e/its2004_e/its04_general_overview_e.pdf</a>
2003c	WTO	"Adjusting To Trade Liberalization The Role Of Policy, Institutions And WTO Disciplines "	Liberalisation - Policy - Institutions	Global	<a href="http://www.wto.org/english/res_e/booksp_e/special_study7_e.pdf">www.wto.org/english/res_e/booksp_e/special_study7_e.pdf</a>
2004	WTO	Annual Report 2004	Structural Reform - Macroeconomic performance - Diversification	Morocco	<a href="http://www.wto.org/english/res_e/booksp_e/anrep_e/anrep04_e.pdf">www.wto.org/english/res_e/booksp_e/anrep_e/anrep04_e.pdf</a>
2004	UN GA A/RES/58/220	Economic and technical cooperation among developing countries	S-S Cooperation - Globalisation - Governance	LDCs	<a href="http://unctad.org/en/Docs/ares58220_en.pdf">http://unctad.org/en/Docs/ares58220_en.pdf</a>
2004	IMF	How Do Trade and Financial Integration Affect the Relationship between Growth and Volatility?	Volatility - Growth - Global integration	North-South	<a href="http://www.imf.org/external/np/res/seminars/2004/mussa/pdf/kose.pdf">http://www.imf.org/external/np/res/seminars/2004/mussa/pdf/kose.pdf</a>
2004a	UNCTAD	Collection Of Statements Submitted At Unctad XI Interactive Thematic Session On Assuring Development Gains From The Multilateral Trading System And Trade Negotiations	Multilateralism - Trade Negotiations - Development	LDCs	<a href="http://unctad.org/en/Docs/ditctncd20055_en.pdf">http://unctad.org/en/Docs/ditctncd20055_en.pdf</a>

YEAR	IEO	TITLE	KEYWORDS	FOCUS	SOURCE
2004b	UNCTAD	Round Table of Executive Secretaries of the United Nations Regional Commissions at UNCTAD XI	Multilateralism - Doha Agenda - Development	LDCs	<a href="http://unctad.org/en/Docs/tdxibp12_en.pdf">http://unctad.org/en/Docs/tdxibp12_en.pdf</a>
2005a	WTO	International production sharing: a case for a coherent policy framework	Production Sharing - Vertical Integration - Sectoral Integration	North-South	<a href="http://www.wto.org/english/res_e/booksp_e/discussi_on_papers11_e.pdf">www.wto.org/english/res_e/booksp_e/discussi_on_papers11_e.pdf</a>
2005b	WTO	Air transport and the GATS	Liberalisation - Aircraft Delocalisation - Moroccan example	Global	<a href="http://www.wto.org/english/res_e/booksp_e/airtransp ort_2005_e.pdf">www.wto.org/english/res_e/booksp_e/airtransp ort_2005_e.pdf</a>
2005c	WTO	The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing	Liberalisation - Regional Supply Chains	Global	<a href="http://www.wto.org/english/res_e/booksp_e/discussi_on_papers5_e.pdf">www.wto.org/english/res_e/booksp_e/discussi_on_papers5_e.pdf</a>
2005a	WB	Operational Overview	Technical Assistance - Natural Resources - FDI attractiveness	North Africa	<a href="https://www.miga.org/documents/c05aoperati ons.pdf">https://www.miga.org/documents/c05aoperati ons.pdf</a>
2005a	IMF	Press Release: IMF Managing Director Rodrigo de Rato's Statement at the Conclusion of his Visit to Morocco	Structural Reforms - Investment Opportunities - US FTA	Morocco	<a href="http://www.imf.org/en/news/articles/2015/09/14/01/49/pr0547">http://www.imf.org/en/news/articles/2015/09/14/01/49/pr0547</a>
2005a	UNCTAD	International Trade Negotiations, Regional Integration And South-South Trade, Especially In Commodities	South-South cooperation - Capacity Building - Trade Integration	Euro-Med region (Agadir Agr.)	<a href="http://unctad.org/en/Docs/ditctncdmisc20043_en.pdf">http://unctad.org/en/Docs/ditctncdmisc20043_en.pdf</a>
2005	UNCTAD	TNCs and the Removal of Textiles and Clothing Quotas	Textile Sector - Development - Value Chains	North-South	<a href="http://unctad.org/en/Docs/iteia20051_en.pdf">http://unctad.org/en/Docs/iteia20051_en.pdf</a>
2005b	WB	Table ronde du Maghreb: Emploi, commerce exterieur genre et gouvernance	Labour - Trade - Reform	Algeria, Morocco, Tunisia	<a href="http://documents.worldbank.org/curated/en/96031468052796931/pdf/704790ESWOP094Dve rnancep roceedings.pdf">http://documents.worldbank.org/curated/en/96031468052796931/pdf/704790ESWOP094Dve rnancep roceedings.pdf</a>
2005b	UNCTAD	South-South Cooperation In International Investment Arrangements	FDI attractiveness - Capacity Building - Institution Building	South-South	<a href="http://unctad.org/en/Docs/iteitit20053_en.pdf">http://unctad.org/en/Docs/iteitit20053_en.pdf</a>
2005b	IMF	Economic Integration in the Maghreb: the Path to Prosperity, A Commentary by Rodrigo Rato, Managing Director IMF	Potential Integration - AMU - Openness	South-South	<a href="http://www.imf.org/en/news/articles/2015/09/28/04/54/vc061505">http://www.imf.org/en/news/articles/2015/09/28/04/54/vc061505</a>
2005c	UNCTAD	World Investment Report - Transnational Corporations and The Internationalization of R&D	Production Globalisation - FDI Attractiveness - FDI Growth	Global	<a href="http://unctad.org/en/Docs/wir2005_en.pdf">http://unctad.org/en/Docs/wir2005_en.pdf</a>
2005d	UNCTAD	Review Of The Technical Cooperation Activities Of Unctad	Technical Assistance - Energy - Climate	Morocco	<a href="http://unctad.org/en/Docs/wpd181a1_en.pdf">http://unctad.org/en/Docs/wpd181a1_en.pdf</a>
2005c	IMF	Press Release: IMF Macroeconomic Policy Seminar for Parliamentarians from Algeria, Libya, Morocco and Tunisia	Dialogue - Regional Integration - Business Climate	North Africa	<a href="http://www.imf.org/en/news/articles/2015/09/14/01/49/pr05262">http://www.imf.org/en/news/articles/2015/09/14/01/49/pr05262</a>
2005d	IMF	Communiqué at the Conclusion of the Conference on Trade Facilitation in Algeria, Morocco, and Tunisia	Trade Facilitation - Harmonisation - Value Chains	Algeria, Morocco, Tunisia	<a href="http://www.imf.org/external/np/cm/2005/112205.htm">http://www.imf.org/external/np/cm/2005/112205.htm</a>
2005e	UNCTAD	Investment Provisions In Economic Integration Agreements	Integration Agreements - International Economy - Policy-Making	North-South	<a href="http://unctad.org/en/Docs/iteit200510_en.pdf">http://unctad.org/en/Docs/iteit200510_en.pdf</a>
2005f	UNCTAD	Le développement économique en Afrique: repenser le rôle de l'IDE	FDI - Liberalisation - Resources	Africa	<a href="http://unctad.org/fr/Docs/gdsafica20051_fr.pdf">http://unctad.org/fr/Docs/gdsafica20051_fr.pdf</a>
2005g	UNCTAD	Multilateralism and Regionalism: The New Interface	Multilateral trading system - Synergies - Regional Integration	LDCs	<a href="http://unctad.org/en/Docs/ditctncd20047_en.p df">http://unctad.org/en/Docs/ditctncd20047_en.p df</a>
2006	WTO	World Trade Report 2006: Exploring the Links between Trade, Subsidies and the WTO	Trade - Subsidies - Competitvity	North-South (Euro-Med)	<a href="http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report06_e.pdf">www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report06_e.pdf</a>
2006a	UNCTAD	FDI in Least Developed Countries at a Glance: 2005/2006	Montreeray Consensus - Private International Capital - Development	North-South	<a href="http://unctad.org/en/Docs/iteia20057_en.pdf">http://unctad.org/en/Docs/iteia20057_en.pdf</a>
2006b	UNCTAD	Panel on Bridging the Technology Gap between and within Nations	Technology gap - MDGs - Development	South-South	<a href="http://unctad.org/en/Docs/ecn162006crp1_en.pdf">http://unctad.org/en/Docs/ecn162006crp1_en.pdf</a>
2006a	WB	Promouvoir la croissance et l'emploi dans le Royaume du Maroc	Growth - Potential - Moroccan Setbacks	Morocco	<a href="http://documents.worldbank.org/curated/en/68658146827489139/pdf/371000FRENCH0101OFFICIAL0USE00N11.pdf">http://documents.worldbank.org/curated/en/68658146827489139/pdf/371000FRENCH0101OFFICIAL0USE00N11.pdf</a>
2006a	IMF	International Financial Integration and Entrepreneurship	International Financial Integration - Entrepreneurship - Capital Mobility	North-South	<a href="https://www.imf.org/external/np/res/seminars/2006/arc/pdf/allfaro.pdf">https://www.imf.org/external/np/res/seminars/2006/arc/pdf/allfaro.pdf</a>
2006c	UNCTAD	Country Report: Morocco	Openness - FDI Attractvity - TNCs	Morocco	<a href="http://unctad.org/Sections/dite/_dlistat/docs/wi d_cp_ma_en.pdf">http://unctad.org/Sections/dite/_dlistat/docs/wi d_cp_ma_en.pdf</a>
2006b	IMF	Introductory Remarks by Rodrigo Rato at Conference on Financial Sector Reforms and Prospects for Financial Integration in the Maghreb Countries	Maghreb Integration - Financial Reforms - Trade Facilitation	Morocco	<a href="http://www.imf.org/en/news/articles/2015/09/28/04/53/sp122006">http://www.imf.org/en/news/articles/2015/09/28/04/53/sp122006</a>
2006b	WB	Morocco, Tunisia, Egypt and Jordan after the End of the Multi-Fiber Agreement	Multi-Fiber Agreement - Trade - Job Creation	Agadir Countries	<a href="http://documents.worldbank.org/curated/en/365201468114531491/pdf/353760MNAOP0891e 0agreement01PUBLIC1.pdf">http://documents.worldbank.org/curated/en/365201468114531491/pdf/353760MNAOP0891e 0agreement01PUBLIC1.pdf</a>
2006c	WB	"Is There a New Vision for Maghreb Economic Integration?" Volume 1	Economic Integration - Physical Conditions - Trade	Maghreb	<a href="http://documents.worldbank.org/curated/en/440611468776767571/pdf/383590v10MAGHREB REPORTVOL1FEBRUARY2007.pdf">http://documents.worldbank.org/curated/en/440611468776767571/pdf/383590v10MAGHREB REPORTVOL1FEBRUARY2007.pdf</a>
2006d	UNCTAD	Developments And Issues In The Doha Work Programme Of Particular Interest To Arab Countries In The Context Of Millennium Development Goals	Trade liberalisation - Doha Negotiations - Arab Integration	MENA	<a href="http://unctad.org/en/Docs/ditctncd20059_en.p df">http://unctad.org/en/Docs/ditctncd20059_en.p df</a>
2006e	UNCTAD	Policy Issues For African Countries In Multilateral And Regional Trade Negotiations	Growth - Integration - Capacity Building	EU-Africa	<a href="http://unctad.org/en/Docs/ditctncd20066_en.p df">http://unctad.org/en/Docs/ditctncd20066_en.p df</a>
2007	WTO	Aid for Trade at a Glance 2007: Country and Agency Chapters	Aid for Trade - Trade Reform - Diversification	North-South	<a href="http://www.wto.org/english/tratop_e/develop_e/a4t_e/a4t_at_a_glance_chapters07_e.pdf">www.wto.org/english/tratop_e/develop_e/a4t_e/a4t_at_a_glance_chapters07_e.pdf</a>
2007	UNCTAD - UNDP	Asian Foreign Direct Investment In Africa Investment In Africa Towards A New Era Of Cooperation Among Developing Countries	FDI - Africa's marginalisation - Asian investment	Africa-Asia	<a href="http://unctad.org/en/docs/iteia20071_en.pdf">http://unctad.org/en/docs/iteia20071_en.pdf</a>
2007a	UNCTAD	Investment Policy Review Of Morocco: Executive Summary	Investment Policies - Favourable Climate - Private Investment	Morocco	<a href="http://unctad.org/en/Docs/c2d76_en.pdf">http://unctad.org/en/Docs/c2d76_en.pdf</a>
2007b	UNCTAD	Report Of The Commission On Investment, Technology And Related Financial Issues On Its Eleventh Session	FDI - Capacity Building - International Integration	North-South	<a href="http://unctad.org/en/Docs/c2d78_en.pdf">http://unctad.org/en/Docs/c2d78_en.pdf</a>
2007a	WB	La politique de développement du secteur de l'énergie	Development Policy Loan - Energy Security - Regional market	Morocco	<a href="http://documents.worldbank.org/curated/en/248701468277518172/pdf/373500FRENCH0MOR 0buuff0cover0DPL0PPD.pdf">http://documents.worldbank.org/curated/en/248701468277518172/pdf/373500FRENCH0MOR 0buuff0cover0DPL0PPD.pdf</a>

YEAR	IEO	TITLE	KEYWORDS	FOCUS	SOURCE
2007a	IMF	Press Release: Statement by the IMF Mission of the 2007 Article IV Consultation with Morocco	Economic Policy - Productivity - Resilience	Morocco	<a href="http://www.imf.org/en/news/articles/2015/09/14/01/A9/pr07151">http://www.imf.org/en/news/articles/2015/09/14/01/A9/pr07151</a>
2007b	IMF	IMF COUNTRY FOCUS: IMF Survey: Fresh Impetus Toward Maghreb Integration	Maghreb Integration - Reforms - Regulatory Environment	Maghreb	<a href="http://www.imf.org/en/news/articles/2015/09/28/04/53/socar0912b">http://www.imf.org/en/news/articles/2015/09/28/04/53/socar0912b</a>
2007c	UNCTAD	Report of the expert meeting on participation of developing countries in new and dynamic sectors of world trade: the South-South dimension	Dynamic sectors - S-5 Dimension - MDGs	South-South	<a href="http://unctad.org/en/Docs/c1em34d3_en.pdf">http://unctad.org/en/Docs/c1em34d3_en.pdf</a>
2007c	IMF	Introductory Remarks At the Conference on the Role of the Private Sector in Economic Development and Regional Integration in the Maghreb, By Murilo Portugal, Deputy Managing Director, IMF	Liberalisation - Private Sector - Regional Integration	Maghreb	<a href="http://www.imf.org/en/news/articles/2015/09/28/04/53/sp112807">http://www.imf.org/en/news/articles/2015/09/28/04/53/sp112807</a>
2007d	UNCTAD	"Regional Cooperation And Trade Integration Among Developing Countries " – CHAPTER 4	RIAs - Industrialisation - Push-factor	South-South	<a href="http://unctad.org/en/Docs/trd2007ch4_en.pdf">http://unctad.org/en/Docs/trd2007ch4_en.pdf</a>
2007e	UNCTAD	Trade and Development Report 2007: Regional Cooperation for Development	Speculation - Global Imbalances - Regional integration	North-South	<a href="http://unctad.org/en/Docs/trd2007_en.pdf">http://unctad.org/en/Docs/trd2007_en.pdf</a>
2007f	UNCTAD	FDI in tourism: the development dimension	Potential - FDI Attractiveness - Tourism	North-South	<a href="http://unctad.org/en/Docs/iteia20075_en.pdf">http://unctad.org/en/Docs/iteia20075_en.pdf</a>
2007g	UNCTAD	World Investment Prospects Survey 2007-2009	Foreseeable Rise - Renewable Energy - Market Efficiency	North-South	<a href="http://unctad.org/en/Docs/wips2007_en.pdf">http://unctad.org/en/Docs/wips2007_en.pdf</a>
2007h	UNCTAD	INFORMATION ECONOMY REPORT 2007-2008 Science and technology for development: the new paradigm of ICT	ICT - Mobile Phone Penetration - Trade&Investment	LCDs	<a href="http://unctad.org/en/Docs/sdteec20071_en.pdf">http://unctad.org/en/Docs/sdteec20071_en.pdf</a>
2007i	UNCTAD	World Information Society Report 2007	ICT - Digital Opportunities - National e-Strategies	North-South	<a href="http://unctad.org/Sections/dite_dir/docs/WISR07-chapter4.pdf">http://unctad.org/Sections/dite_dir/docs/WISR07-chapter4.pdf</a>
2007j	UNCTAD	Food Safety and Environmental Requirements in Export Markets – Friend or Foe for Producers of Fruit and Vegetables in Asian Developing Countries?	Food Safety - Environmental Requirements - Supply-Chain	North-South	<a href="http://unctad.org/en/Docs/ditcted20068_en.pdf">http://unctad.org/en/Docs/ditcted20068_en.pdf</a>
2007b	WB	Politique, programmes et instruments pour un Plan National de Maitrise de l'énergie. L'exemple du Maroc	Energy control - National Programmes - European Examples	Morocco	<a href="http://documents.worldbank.org/curated/en/15071468060296104/pdf/713640ESWOFREN0cy0MoroccoforOESMAP.pdf">http://documents.worldbank.org/curated/en/15071468060296104/pdf/713640ESWOFREN0cy0MoroccoforOESMAP.pdf</a>
2008	WTO	World Trade Report 2008: Trade in a Globalized World	Productivity - Exports - Learning by Exporting	North-South	<a href="http://www.wto.org/english/res_e/books_p_e/anrep_e/world_trade_report08_e.pdf">www.wto.org/english/res_e/books_p_e/anrep_e/world_trade_report08_e.pdf</a>
2008a	UNCTAD	Economic Development in Africa: Export Performance Following Trade Liberalization: Some Patterns and Policy Perspectives	Export - Policy Barriers - Services	LCDs	<a href="http://unctad.org/en/Docs/aldcafrica2008_en.pdf">http://unctad.org/en/Docs/aldcafrica2008_en.pdf</a>
2008b	UNCTAD	Trade and development for Africa's prosperity: action and direction	High Growth rate - FDI role - New geography of Global Economy	South-South	<a href="http://unctad.org/en/Docs/td433_en.pdf">http://unctad.org/en/Docs/td433_en.pdf</a>
2008c	UNCTAD	Activities undertaken by UNCTAD in favour of Africa	Consensus-building - Technical Cooperation - Development	North-South	<a href="http://unctad.org/en/Docs/tbex44d2_en.pdf">http://unctad.org/en/Docs/tbex44d2_en.pdf</a>
2008d	UNCTAD	Examen de la Politique d'investissement: Maroc	Private Sector - FDI - Regulatory framework	Morocco	<a href="http://unctad.org/en/Docs/teipc200616_fr.pdf">http://unctad.org/en/Docs/teipc200616_fr.pdf</a>
2008e	UNCTAD	Export competitiveness and development in LDCs: policies, issues and priorities for least developed countries for action during and beyond UNCTAD XII	Export Competitiveness - Trade Policies - Marginalisation	North-South	<a href="http://unctad.org/en/Docs/aldc20081_en.pdf">http://unctad.org/en/Docs/aldc20081_en.pdf</a>
2008f	UNCTAD	World Investment Directory (Africa: part 2 of 2 – country profiles Liberia to Zimbabwe).	Country Profiles - Investment - Offshoring	North-South	<a href="http://unctad.org/en/Docs/iteit20075p2_en.pdf">http://unctad.org/en/Docs/iteit20075p2_en.pdf</a>
2008	<a href="#">UN System</a>	Trade capacity building	Trade Capacity Building - Donors - Aid for Trade	South-South	<a href="http://unctad.org/Sections/un_csb/docs/ceb2009_04unido_en.pdf">http://unctad.org/Sections/un_csb/docs/ceb2009_04unido_en.pdf</a>
2009	WTO-UNECA	Global Review Aid For Trade 2009: Does supply meet demand?	Aid for Trade - Disparities - Volatility	North-South	<a href="http://www.wto.org/english/tratop_e/develop_e/aid4_e/uneca_issues_e.pdf">www.wto.org/english/tratop_e/develop_e/aid4_e/uneca_issues_e.pdf</a>
2009a	WTO	Morocco: Trade Policy Review	Trade Agreements - Policy Making - Exchange Regimes	Morocco	<a href="http://www.wto.org/english/tratop_e/tptr_e/s217-05_e.doc">www.wto.org/english/tratop_e/tptr_e/s217-05_e.doc</a>
2009b	WTO	Trade Policy Review by the Kingdom of Morocco	Reform - Liberalisation - Trade	Morocco	<a href="http://www.wto.org/english/tratop_e/tptr_e/s217_e.doc">www.wto.org/english/tratop_e/tptr_e/s217_e.doc</a>
2009c	WTO	Morocco Trade Policies by Sector	Sectoral Approach - Policy Instruments - Policy Goals	Morocco	<a href="http://www.wto.org/english/tratop_e/tptr_e/s217-04_e.doc">www.wto.org/english/tratop_e/tptr_e/s217-04_e.doc</a>
2009a	UNCTAD	Economic Development in Africa: Strengthening Regional Economic Integration for Africa's Development	Intra-African Trade - Intra-African Investment - Labour mobility	Africa	<a href="http://unctad.org/en/Docs/aldcafrica2009_en.pdf">http://unctad.org/en/Docs/aldcafrica2009_en.pdf</a>
2009a	WB	Country Partnership strategy for the kingdom of Morocco for the period FY10-13	Development Achievements - Challenges - Energy	Morocco (Euro-Med)	<a href="http://documents.worldbank.org/curated/en/55591468062960652/pdf/503160CASOP112101Publication0Use0Only1.pdf">http://documents.worldbank.org/curated/en/55591468062960652/pdf/503160CASOP112101Publication0Use0Only1.pdf</a>
2009b	WB	\$750 Million Clean Technology Fund Financing for Concentrated Solar Power in the Middle East and North Africa	Clean technology - Solar Power - Fund Financing	MENA	<a href="http://www.worldbank.org/en/news/feature/2009/12/16/750-million-clean-technology-fund-financing-concentrated-solar-power-middle-east-north-africa">http://www.worldbank.org/en/news/feature/2009/12/16/750-million-clean-technology-fund-financing-concentrated-solar-power-middle-east-north-africa</a>
2009b	UNCTAD	Handbook on competition legislation	Competition regulation - Consumer Welfare - Liberalisation	MENA	<a href="http://unctad.org/en/PublicationsLibrary/ditctclp2009d2_en.pdf">http://unctad.org/en/PublicationsLibrary/ditctclp2009d2_en.pdf</a>
2009c	UNCTAD	"Economic Development in Africa Report 2009: Strengthening Regional Economic Integration For Africa's Development "	Regional Integration - African Unity - Economic Diversification	South-South	<a href="http://unctad.org/en/Docs/aldcafrica2009_en.pdf">http://unctad.org/en/Docs/aldcafrica2009_en.pdf</a>
2009d	UNCTAD	Annual Report	Recession - Capacity-Building - Governance	LCDs	<a href="http://unctad.org/en/Docs/dom20101_en.pdf">http://unctad.org/en/Docs/dom20101_en.pdf</a>
2009e	UNCTAD	Is South-South Trade A Testing Ground For Structural Transformation?	Diversification - Structural Transformation - S-S Testing Ground	South-South	<a href="http://unctad.org/en/Docs/trdtab43_en.pdf">http://unctad.org/en/Docs/trdtab43_en.pdf</a>
2009f	UNCTAD	Report of the Multi-year Expert Meeting on International Cooperation: South-South Cooperation and Regional Integration on its first session	Regional Integration - Global Crisis - South-South Cooperation	South-South	<a href="http://unctad.org/en/Docs/cimem2d3_en.pdf">http://unctad.org/en/Docs/cimem2d3_en.pdf</a>
2009g	UNCTAD	Unofficial And Unedited Compilation Of Presentations Made During UNCTAD's Sixth Debt Management Conference	Transitional Economies - Debt Management - Capacity Building	LCDs	<a href="http://unctad.org/divs/gds/dmfas/resources/Documents/Unofficial%20Proceedings%202007_DMFAS_Sept09.pdf">http://unctad.org/divs/gds/dmfas/resources/Documents/Unofficial%20Proceedings%202007_DMFAS_Sept09.pdf</a>
2009h	UNCTAD	Transport Newsletter n.43	PPP - Infrastructure - Capacity-Building	North-South	<a href="http://unctad.org/en/Docs/webdttib20092_en.pdf">http://unctad.org/en/Docs/webdttib20092_en.pdf</a>

YEAR	IEO	TITLE	KEYWORDS	FOCUS	SOURCE
2009i	UNCTAD	Information Economy Report 2009: trends and outlook in turbulent times	ICT - Development - Digital Divide	North-South	<a href="http://unctad.org/en/Docs/ier2009embargo_en.pdf">http://unctad.org/en/Docs/ier2009embargo_en.pdf</a>
2009j	UNCTAD	Report of the Multi-year Expert Meeting on Transport and Trade Facilitation on its second session	PPP - Best Practices - Landlocked countries	North-South	<a href="http://unctad.org/en/Docs/ciimem2d6_en.pdf">http://unctad.org/en/Docs/ciimem2d6_en.pdf</a>
2010	WIPO- WTO	Research Papers from the WIPO-WTO colloquium for teachers of Intellectual Property Rights	Intellectual Property Rights - FTAs	Global	<a href="https://www.wto.org/english/tratop_e/trips_e/wipo_wto_colloquium_aug12_e.pdf">https://www.wto.org/english/tratop_e/trips_e/wipo_wto_colloquium_aug12_e.pdf</a>
2010	WTO	Annual Report WTO	Trade Policies - Trade and Investment Regimes - Liberalisation	Global	<a href="http://www.wto.org/english/res_e/booksp_e/anrep_e/anrep10_e.pdf">www.wto.org/english/res_e/booksp_e/anrep_e/anrep10_e.pdf</a> - 1614K - 2010-06-24
2010a	UNCTAD	Report of the Multi-year Expert Meeting on International Cooperation: South-South Cooperation and Regional Integration on its second session	Triangular Cooperation - Sustainable Development - Food Security	South-South	<a href="http://unctad.org/en/Docs/ciimem2d6_en.pdf">http://unctad.org/en/Docs/ciimem2d6_en.pdf</a>
2010a	WB	MENA: Creation of a Regional Infrastructure Regulatory Forum	Cooperation - Infrastructure Regulators - Electricity	MENA	<a href="http://www.worldbank.org/en/news/feature/2010/03/08/mena-creation-regional-infrastructure-regulatory-forum">http://www.worldbank.org/en/news/feature/2010/03/08/mena-creation-regional-infrastructure-regulatory-forum</a>
2010b	WB	Universities as key partners for developing good governance practices	Higher Education - Development - Governance	Euro-Med region	<a href="http://documents.worldbank.org/curated/en/767091468278072997/pdf/5301808R0Quic10Box345594801PUBLIC1.pdf">http://documents.worldbank.org/curated/en/767091468278072997/pdf/5301808R0Quic10Box345594801PUBLIC1.pdf</a>
2010c	WB	Arab World Ministers and World Bank Group Meet to Spur Regional Collaboration	Integration Framework - Financial Arrangements - Unemployment	MENA	<a href="http://www.worldbank.org/en/news/press-release/2010/03/24/arab-world-ministers-world-bank-group-meet-spur-regional-collaboration">http://www.worldbank.org/en/news/press-release/2010/03/24/arab-world-ministers-world-bank-group-meet-spur-regional-collaboration</a>
2010d	WB	Trade Integration in the Middle East and North Africa	Trade Integration - NTB - Cost of Non-Integration	MENA	<a href="http://www.worldbank.org/en/news/feature/2010/03/23/trade-integration-in-the-middle-east-and-north-africa">http://www.worldbank.org/en/news/feature/2010/03/23/trade-integration-in-the-middle-east-and-north-africa</a>
2010e	WB	Arab financial flows in a post-crisis world	Financial Regionalism - Trade Integration - Competitiveness	MENA	<a href="http://www.worldbank.org/en/news/feature/2010/06/21/arab-financial-flows-in-a-post-crisis-world">http://www.worldbank.org/en/news/feature/2010/06/21/arab-financial-flows-in-a-post-crisis-world</a>
2010f	WB	Middle East and North Africa: Perspectives on Economic Recovery and Challenges Ahead	Exposure to Europe - Uncertainty - Policy Response	MENA	<a href="http://www.worldbank.org/en/news/speech/2010/06/16/middle-east-and-north-africa-perspectives-on-economic-recovery-and-challenges-ahead">http://www.worldbank.org/en/news/speech/2010/06/16/middle-east-and-north-africa-perspectives-on-economic-recovery-and-challenges-ahead</a>
2010b	UNCTAD	Review of the technical cooperation activities of UNCTAD and their financing	Aid for Trade - Capacity Building - Agricultural Commodities	South-South	<a href="http://unctad.org/en/Docs/wpd232add1_en.pdf">http://unctad.org/en/Docs/wpd232add1_en.pdf</a>
2010g	WB	A Knowledge-Based Approach to Fostering Long Term Growth in the Middle East and North Africa	NTB - Regulatory Frameworks - Energy Regional Infrastructure	MENA	<a href="http://www.worldbank.org/en/news/speech/2010/10/06/knowledge-based-approach-fostering-long-term-growth-middle-east-north-africa">http://www.worldbank.org/en/news/speech/2010/10/06/knowledge-based-approach-fostering-long-term-growth-middle-east-north-africa</a>
2010h	WB	Morocco could Lead Economic Integration around the Mediterranean	Strategic Location - Investment Opening - Regional Economic Hub	Europe - Maghreb	<a href="http://www.worldbank.org/en/news/press-release/2010/11/23/morocco-could-lead-economic-integration-around-the-mediterranean">http://www.worldbank.org/en/news/press-release/2010/11/23/morocco-could-lead-economic-integration-around-the-mediterranean</a>
2010c	UNCTAD	Economic Development In Africa Report 2010: South-South Cooperation: Africa And The New Forms Of Development Partnership	S-S Cooperation - Globalisation - MDGs	Africa	<a href="http://unctad.org/en/Docs/aldfcafrica2010_en.pdf">http://unctad.org/en/Docs/aldfcafrica2010_en.pdf</a>
2010d	UNCTAD	Global Investment Report 2010: Investing in a Low Carbon Economy	Private Investment - Climate Change - Policy Making	LCDs	<a href="http://unctad.org/en/Docs/wir2010_en.pdf">http://unctad.org/en/Docs/wir2010_en.pdf</a>
2010e	UNCTAD	Promoting Foreign Investment in Tourism	Best Practices - FDI Attractiveness - Human capital	North-South	<a href="http://unctad.org/en/Docs/diaepcb200916_en.pdf">http://unctad.org/en/Docs/diaepcb200916_en.pdf</a>
2010f	UNCTAD	Guide de l'Investissement au Maroc	Regulatory Framework- Strategic Position - Liberal Economy	Morocco	<a href="http://unctad.org/fr/Docs/diaepcb20093_fr.pdf">http://unctad.org/fr/Docs/diaepcb20093_fr.pdf</a>
2010g	UNCTAD	Activities undertaken by UNCTAD in favour of Africa	Consensus Building - Technical Cooperation - Policy Design	South-South	<a href="http://unctad.org/en/Docs/tdbex50d2_en.pdf">http://unctad.org/en/Docs/tdbex50d2_en.pdf</a>
2010	<a href="#">UN System</a>	Trade capacity building	Donors - Development Strategies - Aid For Trade	South-South	<a href="http://unctad.org/sections/un_csb/docs/ceb2010_04unido_vol1_en.pdf">http://unctad.org/sections/un_csb/docs/ceb2010_04unido_vol1_en.pdf</a>
2011a	WTO	World Trade Report 2011	RoO Overlapping - Spaghetti bowl - Transaction Costs	North-South	<a href="http://www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report11_e.pdf">www.wto.org/english/res_e/booksp_e/anrep_e/world_trade_report11_e.pdf</a>
2011	WTO- UNECA	Aid for Trade 2011: African Case Stories	Aid for Trade - Moroccan Example	LDCs	<a href="http://www.wto.org/english/tratop_e/devel_e/afat_e/african_case_stories_e.pdf">www.wto.org/english/tratop_e/devel_e/afat_e/african_case_stories_e.pdf</a>
2011	WTO- OECD	Aid for Trade at a Glance 2011: Showing Results	Competitiveness - Infrastructure - Aid for Trade	North-South	<a href="http://www.wto.org/english/res_e/publications_e/aid4trade11_e.pdf">www.wto.org/english/res_e/publications_e/aid4trade11_e.pdf</a>
2011a	UNCTAD	Conclusion of the São Paulo Round of the GSTP: A historical achievement for South-South Economic Cooperation and Integration	GSTP - Inter-regional Trading Agreements - Diversification	South-South	<a href="http://unctad.org/en/Docs/webecid2011d1_en.pdf">http://unctad.org/en/Docs/webecid2011d1_en.pdf</a>
2011a	WB	Seeking Collaboration and Shared Knowledge, League of Arab States and World Bank Group Agree on Economic Integration Agenda	Regional and International Integration - Growth - Employment	North-South	<a href="http://www.worldbank.org/en/news/press-release/2011/01/18/seeking-collaboration-and-shared-knowledge-league-of-arab-states-and-world-bank-group-agree-on-economic-integration-agenda">http://www.worldbank.org/en/news/press-release/2011/01/18/seeking-collaboration-and-shared-knowledge-league-of-arab-states-and-world-bank-group-agree-on-economic-integration-agenda</a>
2011b	WB	MENA: Emerging Development and Challenges	Arab Spring - Opportunities - Solar Energy	MENA	<a href="http://www.worldbank.org/en/news/speech/2011/02/23/mena-emerging-developments-and-challenges">http://www.worldbank.org/en/news/speech/2011/02/23/mena-emerging-developments-and-challenges</a>
2011b	UNCTAD	Assessing the evolution of the international trading system and enhancing its contribution to development and economic recovery	Trade-led growth - Post-crisis strategies - Regulatory Framework	North-South	<a href="http://unctad.org/en/Docs/cid15_en.pdf">http://unctad.org/en/Docs/cid15_en.pdf</a>
2011	IMF	Transcript of a Group Interview with Managing Director Dominique Strauss-Kahn and Middle East Journalists	Technical Assistance - Trade - Inequality	MENA	<a href="http://www.imf.org/en/news/articles/2015/09/28/04/54/tr040611">http://www.imf.org/en/news/articles/2015/09/28/04/54/tr040611</a>
2011c	UNCTAD	Activities undertaken by UNCTAD in support of Africa	Consensus Building - Technical Cooperation - Market Opening	Africa	<a href="http://unctad.org/en/Docs/tdbex34d2_en.pdf">http://unctad.org/en/Docs/tdbex34d2_en.pdf</a>
2011d	UNCTAD	Report of the Multi-year Expert Meeting on International Cooperation: South-South Cooperation and Regional Integration on its third session	S-S Cooperation - Post-Crisis scenario - Development-led Globalisation	South-South	<a href="http://unctad.org/en/Docs/ciimem2d9_en.pdf">http://unctad.org/en/Docs/ciimem2d9_en.pdf</a>

YEAR	IEO	TITLE	KEYWORDS	FOCUS	SOURCE
2011c	WB	Robert B. Zoellick, President, World Bank Group Speech to Morocco Industry Summit, Casablanca, Morocco	International Integration - Industrial Emergence - Competitiveness	Morocco	<a href="http://www.worldbank.org/en/news/speech/2011/05/05/robert-b-zoellick-president-world-bank-group-speech-to-morocco-industry-summit-casablanca-morocco">http://www.worldbank.org/en/news/speech/2011/05/05/robert-b-zoellick-president-world-bank-group-speech-to-morocco-industry-summit-casablanca-morocco</a>
2011d	WB	Incentives, Exports and International Competitiveness in Sub-Saharan Africa: Lessons from the Apparel Industry	Global Value Chains - Apparel Industry - European market	North-South	<a href="http://documents.worldbank.org/curated/en/799171468194350226/pdf/701810ESWOP1170naloReport0021Dec10.pdf">http://documents.worldbank.org/curated/en/799171468194350226/pdf/701810ESWOP1170naloReport0021Dec10.pdf</a>
2011b	WTO	"Regional Integration and North-South industrial location: An application to the Euro-Mediterranean area"	Regional Integration - Trade - Industrial Location	Euro-Med region	<a href="http://www.wto.org/english/res_e/publications_e/wtr11_forum_e/wtr11_31may11_e.htm">www.wto.org/english/res_e/publications_e/wtr11_forum_e/wtr11_31may11_e.htm</a>
2011	UNIDO - UNCTAD	Economic Development in Africa: Fostering Industrial Development in Africa in the new global environment	Industrialisation - Value Chains - Employment	LDCs	<a href="http://unctad.org/en/Docs/aldcafrica2011_en.pdf">http://unctad.org/en/Docs/aldcafrica2011_en.pdf</a>
2011	G-20, UNCTAD, UNDP, ILO, OECD, UNIDO, WB	"Indicators for measuring and maximizing economic value added and job creation arising from private sector investment in value chains"	Private investment - Inclusive Growth - Regulatory Framework	North-South	<a href="http://unctad.org/Sections/dite_dir/docs/diae_G20_Indicators_Report_en.pdf">http://unctad.org/Sections/dite_dir/docs/diae_G20_Indicators_Report_en.pdf</a>
2011c	WTO	High Level Sessions on Arab Spring	Non-Maghreb - Global Integration - Institutions	MENA	<a href="http://www.wto.org/english/forums_e/public_forum11_e/session14_summ_e.doc">www.wto.org/english/forums_e/public_forum11_e/session14_summ_e.doc</a>
2011d	WTO	Public Forum debates range from Arab Spring to the food crisis	Transition - Food Crises - Openness	MENA	<a href="http://www.wto.org/english/news_e/news11_e/pfor_am_20sep11_e.htm">www.wto.org/english/news_e/news11_e/pfor_am_20sep11_e.htm</a>
2011e	UNCTAD	The Road to Rio+20: For a development-led green economy	Green Economy - Sustainable Development - Transition	North-South	<a href="http://unctad.org/en/Docs/ditctd20108_en.pdf">http://unctad.org/en/Docs/ditctd20108_en.pdf</a>
2011	UNCTAD - ICTSD	"The Influence of Preferential Trade Agreements on the Implementation of Intellectual Property Rights in Developing Countries"	PTAs - Intellectual Property Rights - Reforms	LDCs	<a href="http://unctad.org/en/Docs/itepc2011d01_en.pdf">http://unctad.org/en/Docs/itepc2011d01_en.pdf</a>
2011f	UNCTAD	Measuring The Relative Strength Of Preferential Market Access	Preferential Margins - New Indices - Market Access	North-South	<a href="http://unctad.org/en/Docs/itctdtab48_en.pdf">http://unctad.org/en/Docs/itctdtab48_en.pdf</a>
2011	CNUCED, CCI	Guide de l'investissement dans la région de l'Oriental du Maroc Opportunités et conditions	TNCs - Offshoring - Renewable Energy Sector	Morocco	<a href="http://unctad.org/fr/PublicationsLibrary/diaepc_b2010d10_fr.pdf">http://unctad.org/fr/PublicationsLibrary/diaepc_b2010d10_fr.pdf</a>
2011g	UNCTAD	ICT Policy Review Egypt	ICT - Moroccan Example - e-Business	Egypt	<a href="http://unctad.org/en/Docs/ditstict2011d6_en.pdf">http://unctad.org/en/Docs/ditstict2011d6_en.pdf</a>
2011h	UNCTAD	The Investment Policy Reviews: Shaping Investment Policies around the World	Best Practices - Transition Economies - Policy Reforms	LDCs	<a href="http://unctad.org/en/PublicationsLibrary/diaepcb2011d9_en.pdf">http://unctad.org/en/PublicationsLibrary/diaepcb2011d9_en.pdf</a>
2012a	WTO	Article XXIV Territorial Application	Article XXIV - Membership - Unions	Global	<a href="http://www.wto.org/english/res_e/booksp_e/gatt_art24_e.pdf">www.wto.org/english/res_e/booksp_e/gatt_art24_e.pdf</a>
2012b	WTO	Aid for Trade and Green Growth: state of Play	Aid for Trade - Green Growth - Competitiveness	LDCs	<a href="http://www.wto.org/english/tratop_e/devel_e/a4t_e/wkshop_feb12_e/hynes.pdf">www.wto.org/english/tratop_e/devel_e/a4t_e/wkshop_feb12_e/hynes.pdf</a>
2012	UNCTAD - UA	"Trade Liberalization, Investment And Economic Integration In African Regional Economic Communities Towards The African Common Market"	Intra-African Trade - Liberalisation - Best Practices	Africa	<a href="http://unctad.org/en/Docs/ditctnc2011d2_en.pdf">http://unctad.org/en/Docs/ditctnc2011d2_en.pdf</a>
2012	UNCTAD	Services, Development And Trade: The Regulatory And Institutional Dimension Of Infrastructure Services	Accra Agreement - Competitiveness - Regulatory and Institutional Dimension	Africa	<a href="http://unctad.org/en/Docs/ditctnc2010d4%20VoIII_en.pdf">http://unctad.org/en/Docs/ditctnc2010d4%20VoIII_en.pdf</a>
2012a	UNCTAD	Review of Maritime Transport	Container Port Performance - Liner Shipping Connectivity - Tanger-Med	North-South	<a href="http://unctad.org/en/PublicationChapters/Chapter%204.pdf">http://unctad.org/en/PublicationChapters/Chapter%204.pdf</a>
2012b	UNCTAD	Handbook on Duty-Free Quota-Free (DFQF) and Rules of Origin Part II: Other Developed Countries' and Developing Countries' Implementation of DFQF	DFQF - RoO - Bilateral Preferences	North-South	<a href="http://unctad.org/en/PublicationsLibrary/aldc2009d3_en.pdf">http://unctad.org/en/PublicationsLibrary/aldc2009d3_en.pdf</a>
2012c	UNCTAD	Entrepreneurship Policy Framework And Implementation Guidance	Entrepreneurship - Regulatory Environment - Resource Allocation	LDCs	<a href="http://unctad.org/en/PublicationsLibrary/diaeed2012d1_en.pdf">http://unctad.org/en/PublicationsLibrary/diaeed2012d1_en.pdf</a>
2012a	WB	De l'éveil politique à l'éveil économique dans le monde arabe : la voie de l'intégration économique	Trade and FDI - Quick and Sustainable Growth - Policy-Making	MENA	<a href="http://documents.worldbank.org/curated/en/151611468111860008/pdf/7237390FRENCH00e_rview0Report0French.pdf">http://documents.worldbank.org/curated/en/151611468111860008/pdf/7237390FRENCH00e_rview0Report0French.pdf</a>
2012b	WB	Trade Offers Path to Growth and Integration: Maghreb Countries Committed to Increasing Regional Trade	Regional Integration - Infrastructure - Supply Chains	MENA	<a href="http://www.worldbank.org/en/news/press-release/2012/06/14/trade-offers-path-to-growth-and-integration">http://www.worldbank.org/en/news/press-release/2012/06/14/trade-offers-path-to-growth-and-integration</a>
2012d	UNCTAD	Activities undertaken by UNCTAD in support of Africa	Consensus Building - Technical Cooperation - Policy Design	Africa	<a href="http://unctad.org/meetings/en/SessionalDocuments/tdebex5d2_rev1_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/tdebex5d2_rev1_en.pdf</a>
2012e	UNCTAD	Report of the Multi-year Expert Meeting on International Cooperation: South-South Cooperation and Regional Integration on its fourth session	S-S Trade - Investment - Global Value Chains	South-South	<a href="http://unctad.org/meetings/en/SessionalDocuments/ciimem2d12_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/ciimem2d12_en.pdf</a>
2012f	UNCTAD	Regional integration and foreign direct investment in developing and transition economies	FDI - Transition Economies - Multilateral Collaboration	South-South	<a href="http://unctad.org/meetings/en/SessionalDocuments/ciimem4d2_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/ciimem4d2_en.pdf</a>
2013a	WTO	Aid for Trade and building trade capacity: the case of Morocco	Aid for Trade - GVCs - Sectoral Competitiveness	Morocco	<a href="http://www.wto.org/english/res_e/booksp_e/cmark_chap12_e.pdf">www.wto.org/english/res_e/booksp_e/cmark_chap12_e.pdf</a>
2013	WTO, IDE-JETRO, OECD	Aid for Trade and Value Chains in Textiles and Apparel	Aid For Trade - GVCs - Textiles	North-South	<a href="http://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/textiles_and_appare_28june.pdf">www.wto.org/english/tratop_e/devel_e/a4t_e/global_review13prog_e/textiles_and_appare_28june.pdf</a>
2013b	WTO	Aid for Trade: adapting to new realities?	Aid for Trade - Development Priorities - GVCs	North-South	<a href="http://www.wto.org/english/res_e/booksp_e/aid4trad_e13_e.pdf">www.wto.org/english/res_e/booksp_e/aid4trad_e13_e.pdf</a>
2013c	WTO	Aid for Trade at a Glance 2013: Connecting to Value Chains	Aid for Trade - Private Sector - GVCs	North-South	<a href="http://www.wto.org/english/res_e/booksp_e/aid4trad_e13_e.pdf">www.wto.org/english/res_e/booksp_e/aid4trad_e13_e.pdf</a>
2013d	WTO	Supply Chains and Offshoring	Unskilled Labour - Supply Chains - Offshoring	North-South	<a href="http://www.wto.org/english/res_e/booksp_e/aid4trad_esupplychain13_part2_e.pdf">www.wto.org/english/res_e/booksp_e/aid4trad_esupplychain13_part2_e.pdf</a>
2013	UNCTAD	Economic Development Africa 2013, Intra-African Trade: Unlocking Private Sector Dynamism	Intra-African Trade - Supply Capacities - Private Sector	Africa	<a href="http://unctad.org/en/PublicationsLibrary/aldcafrica2013_en.pdf">http://unctad.org/en/PublicationsLibrary/aldcafrica2013_en.pdf</a>

YEAR	IEO	TITLE	KEYWORDS	FOCUS	SOURCE
2013a	WB	Building Morocco's Resilience	Disaster Risk - Management - Volatility	Morocco	<a href="http://documents.worldbank.org/curated/en/70360146806288949/pdf/837820WP0REVISO08ox382112800PUBLICO.pdf">http://documents.worldbank.org/curated/en/70360146806288949/pdf/837820WP0REVISO08ox382112800PUBLICO.pdf</a>
2013a	UNCTAD	Report of the Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development on its first session	Investment - TNCs - Regional Value Chains	North-South	<a href="http://unctad.org/meetings/en/SessionalDocuments/cimem4d3_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/cimem4d3_en.pdf</a>
2013e	WTO	Preferential Rules of Origin in Regional Trade Agreements	RoO - RTAs - Performance	Euro-Med Region	<a href="http://www.wto.org/english/res_e/reser_e/ersd201305_e.pdf">www.wto.org/english/res_e/reser_e/ersd201305_e.pdf</a>
2013b	WB	Morocco's Farmers to Benefit from Opening Markets and Agricultural Modernization	Agriculture - Openness - Modernisation	Morocco	<a href="http://www.worldbank.org/en/news/press-release/2013/03/27/morocco-farmers-benefit-opening-markets-agricultural-modernization">http://www.worldbank.org/en/news/press-release/2013/03/27/morocco-farmers-benefit-opening-markets-agricultural-modernization</a>
2013b	UNCTAD	Report of the Multi-year Expert Meeting on Promoting Economic Integration and Cooperation on its first session	Economic Integration - Supply-Demand Imbalances - PPP	South-South	<a href="http://unctad.org/meetings/en/SessionalDocuments/cimem6d3_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/cimem6d3_en.pdf</a>
2013c	WB	Transforming Arab Economies: Towards Knowledge and Innovation-Driven Development Strategies	Knowledge economy - Innovation - Sectoral Reforms	MENA	<a href="http://www.worldbank.org/en/news/press-release/2013/06/04/transforming-arab-economies-towards-knowledge-innovation-driven-development-strategies">http://www.worldbank.org/en/news/press-release/2013/06/04/transforming-arab-economies-towards-knowledge-innovation-driven-development-strategies</a>
2013f	WTO	Fourth Global Review of Aid for Trade 2013: Connecting to Value Chains	Aid for Trade - Value Chains - Services	Global	<a href="http://www.wto.org/english/tratop_e/devel_e/a4t_e/4th_AFT_Summary_Report_side_events_E_v4.pdf">www.wto.org/english/tratop_e/devel_e/a4t_e/4th_AFT_Summary_Report_side_events_E_v4.pdf</a>
2013	IMF	Opportunities and Challenges of Financial Integration in West Africa	Financial Integration - Private Sector - Market Access	North-South	<a href="http://www.imf.org/external/np/seminars/eng/2013/acra/">http://www.imf.org/external/np/seminars/eng/2013/acra/</a>
2013d	WB	Réalisations d'IFC dans la region Moyen-Orient et Afrique du Nord	Attractivity - Investment-Logistics	MENA	<a href="http://documents.worldbank.org/curated/en/913551490014261684/pdf/113593-WP-FRENCH-MNA-FY13-Achievements-IFC-MENA-PUBLIC.pdf">http://documents.worldbank.org/curated/en/913551490014261684/pdf/113593-WP-FRENCH-MNA-FY13-Achievements-IFC-MENA-PUBLIC.pdf</a>
2013c	UNCTAD	World Investment Report 2013 Global Value Chains: Investment And Trade For Development	Investment - GVCs - Double Counting in Trade	North-South	<a href="http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf">http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf</a>
2014a	WTO	International Trade Statistics	Trade - Exports - Growth	Global	<a href="http://www.wto.org/english/res_e/status_e/its2014_e.pdf">www.wto.org/english/res_e/status_e/its2014_e.pdf</a>
2014b	WTO	Services Profiles 2014	GATS - Service Trade - Growth	Global	<a href="http://www.wto.org/english/res_e/booksp_e/serv_profiles14_e.pdf">www.wto.org/english/res_e/booksp_e/serv_profiles14_e.pdf</a>
2014c	WTO	Trade Profiles 2014	Exports - Growth	Global	<a href="http://www.wto.org/english/res_e/booksp_e/trade_profiles14_e.pdf">www.wto.org/english/res_e/booksp_e/trade_profiles14_e.pdf</a>
2014d	WTO	The Rise of GVCs	GVCs - Integration - Policy Overlapping	Global	<a href="http://www.wto.org/english/res_e/booksp_e/wtr14-2c_e.pdf">www.wto.org/english/res_e/booksp_e/wtr14-2c_e.pdf</a>
2014e	WTO	The potential economic impact of Aid for Trade in the MENA region: the case of Jordan	Aid for Trade - Supply-side capacity - Infrastructures	MENA	<a href="http://www.wto.org/english/res_e/booksp_e/cmark_chap14_e.pdf">www.wto.org/english/res_e/booksp_e/cmark_chap14_e.pdf</a>
2014a	UNCTAD	Services, development and trade: The regulatory and institutional dimension	Services - Regulation - GVCs	North-South	<a href="http://unctad.org/meetings/en/SessionalDocuments/c1mem4d5_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/c1mem4d5_en.pdf</a>
2014	WTO (academic paper)	Agricultural Trade and Development: a value chain perspective	Agri-food Trade - Food Supply Chains - Food Standards	North-South	<a href="http://www.wto.org/english/res_e/reser_e/ersd201504_e.pdf">www.wto.org/english/res_e/reser_e/ersd201504_e.pdf</a>
2014a	WB	World Bank Group Announces New Strategy for Morocco and Two New Projects Totaling US\$450 Million	Growth - Employment - Competitiveness	Morocco	<a href="http://www.worldbank.org/en/news/press-release/2014/04/29/world-bank-group-strategy-morocco-new-projects">http://www.worldbank.org/en/news/press-release/2014/04/29/world-bank-group-strategy-morocco-new-projects</a>
2014b	WB	Morocco: Country Partnership Strategy Chair Summary	Integration - Investment - Green and resilient future	Morocco	<a href="http://documents.worldbank.org/curated/en/645241468274187179/pdf/8784808SOP1457030Box3852068000UC090.pdf">http://documents.worldbank.org/curated/en/645241468274187179/pdf/8784808SOP1457030Box3852068000UC090.pdf</a>
2014c	WB	International Bank for Reconstruction and Development: Country Partnership Strategy for Morocco	Arab Spring - European role - Stability	Morocco	<a href="http://documents.worldbank.org/curated/en/645241468274187179/pdf/8784808SOP1457030Box3852068000UC090.pdf">http://documents.worldbank.org/curated/en/645241468274187179/pdf/8784808SOP1457030Box3852068000UC090.pdf</a>
2014	IMF	The Arab Countries in Transition—Strengthening the Economic Middle by Christine Lagarde	Transition - Middle Class - Economic Progress	MENA	<a href="http://www.imf.org/en/News/Articles/2015/09/28/04/53/sp050814">http://www.imf.org/en/News/Articles/2015/09/28/04/53/sp050814</a>
2014b	UNCTAD	Activities undertaken by UNCTAD in support of Africa	Consensus Building - Technical Cooperations - GVCs	Africa	<a href="http://unctad.org/meetings/en/SessionalDocuments/tbex59d2_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/tbex59d2_en.pdf</a>
2014c	UNCTAD	Review of the technical cooperation activities of UNCTAD and their financing: Annex I: Review of activities undertaken in 2013	Commercial Diplomacy - MDGs - Climate Change	North-South	<a href="http://unctad.org/meetings/en/SessionalDocuments/wpd262ad1_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/wpd262ad1_en.pdf</a>
2014d	WB	Second prêt de politique de développement pour le programme d'appui à la compétitivité économique	Competitvity - Investment Climate - Trade Policy	Morocco	<a href="http://147146818453880/pdf/104017-PGID-FRENCH-P128869-Appraisal-Stage-Box394871B-PUBLIC.pdf">http://147146818453880/pdf/104017-PGID-FRENCH-P128869-Appraisal-Stage-Box394871B-PUBLIC.pdf</a>
2014f	WTO	The Relationship Between Services Trade And Government Procurement Commitments: Insights From Relevant Wto Agreements And Recent Rtas	Services Trade - Market Access Commitments - GATS	Global	<a href="http://www.wto.org/english/res_e/reser_e/ersd201421_e.pdf">www.wto.org/english/res_e/reser_e/ersd201421_e.pdf</a>
2014g	WTO	Intellectual Property Provisions in Regional Trade Agreements: Revision and Update	Intellectual Property - Regulatory Framework - RTAs	Global (Euro-Med region)	<a href="http://www.wto.org/english/res_e/reser_e/ersd201414_e.pdf">www.wto.org/english/res_e/reser_e/ersd201414_e.pdf</a>
2014d	UNCTAD	Regional Investment Trends – Chapter II	GVCs - Innovation - Consumer-Oriented Sectors	North-South	<a href="http://unctad.org/en/PublicationChapters/wir2014ch2_en.pdf">http://unctad.org/en/PublicationChapters/wir2014ch2_en.pdf</a>
2015a	UNCTAD	Trade and poverty paper series no. 1: Transformative Regionalism, Trade and the Challenge of Poverty Reduction in Africa	Transformative Regionalism - Development - Security	South-South	<a href="http://unctad.org/en/PublicationsLibrary/webalcd2015d1_en.pdf">http://unctad.org/en/PublicationsLibrary/webalcd2015d1_en.pdf</a>
2015b	UNCTAD	Review of the technical cooperation activities of UNCTAD and their financing	Technical Assistance - Capacity Building - Aid for Trade	LDCs	<a href="http://unctad.org/meetings/en/SessionalDocuments/wpd272_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/wpd272_en.pdf</a>
2015	WB	Banque Internationale pour la Reconstruction et le Développement: deuxieme prêt politique de développement "croissance verte solidaire"	Green Policies - Economic Transition - Innovation	North-South	<a href="http://documents.worldbank.org/curated/en/1137714681979717193/pdf/93902-FRENCH-PGID-P149747-PUBLIC-Box394824B-MA-IGG-DPL-PD-FR-Board-Nov-20.pdf">http://documents.worldbank.org/curated/en/1137714681979717193/pdf/93902-FRENCH-PGID-P149747-PUBLIC-Box394824B-MA-IGG-DPL-PD-FR-Board-Nov-20.pdf</a>
2015	WTO	Trade Policy Review Morocco	GVCs - Openness - Structural Change	Morocco	<a href="http://www.wto.org/english/tratop_e/tpr_e/s329_e.pdf">www.wto.org/english/tratop_e/tpr_e/s329_e.pdf</a>
2015	WTO-OECD	Aid for Trade at a Glance: reducing trade costs for inclusive, sustainable growth, Chapter 6: connecting to value chains: the role of trade costs and trade facilitation	Aid for Trade - Trade Costs - Inclusive Growth	North-South	<a href="http://www.wto.org/english/res_e/booksp_e/aid4trade15_e.pdf">www.wto.org/english/res_e/booksp_e/aid4trade15_e.pdf</a>
2015	WTO-WB	The Role of Trade in Ending Poverty	GVCs - Job Generation - Growth	North-South	<a href="http://www.wto.org/english/res_e/booksp_e/worldbankandwto15_e.pdf">www.wto.org/english/res_e/booksp_e/worldbankandwto15_e.pdf</a>



YEAR	IEO	TITLE	KEYWORDS	FOCUS	SOURCE
2015	UNECA	Reducing Trade Costs to support Africa's Transformation: the role of Aid for Trade	Aid for Trade - Transaction Costs - Structural Change	Africa	<a href="https://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review15prog_e/uneca_final.pdf">https://www.wto.org/english/tratop_e/devel_e/a4t_e/global_review15prog_e/uneca_final.pdf</a>
2015c	UNCTAD	Economic Development in Africa 2015: Unlocking The Potential Of Africa's Services Trade For Growth And Development	Service Economy - Policy Guidance - Integration	Africa	<a href="http://unctad.org/en/PublicationsLibrary/aldcafrica2015_en.pdf">http://unctad.org/en/PublicationsLibrary/aldcafrica2015_en.pdf</a>
2015d	UNCTAD	Deep Regional Integration And Non-Tariff Measures: A Methodology For Data Analysis	NTB - Policy Making - Regional Integration	North-South	<a href="http://unctad.org/en/PublicationsLibrary/itcdtab71_en.pdf">http://unctad.org/en/PublicationsLibrary/itcdtab71_en.pdf</a>
2015e	UNCTAD	Fostering Africa's Services Trade for Sustainable Development	Services Trade - Cross-Border supervision - GVCs	Africa	<a href="http://unctad.org/en/PublicationsLibrary/osg2015d2_en.pdf">http://unctad.org/en/PublicationsLibrary/osg2015d2_en.pdf</a>
2015f	UNCTAD	Rapport de suivi sur la mise en oeuvre de l'examen de la politique d'investissement au Maroc	Modernisation - FDI modernisation - Regulatory Framework	Morocco	<a href="http://unctad.org/en/PublicationsLibrary/diaepcb2015d2_en.pdf">http://unctad.org/en/PublicationsLibrary/diaepcb2015d2_en.pdf</a>
2015g	UNCTAD	Modalities for tariff negotiations towards a Continental Free Trade Area (CFTA) Some key issues for consideration	Pan-African CFTA - Tripartite Regional Integration - Technical Challenges	Africa	<a href="http://unctad.org/en/PublicationsLibrary/ditc2015misc3_en.pdf">http://unctad.org/en/PublicationsLibrary/ditc2015misc3_en.pdf</a>
2015h	UNCTAD	Regional Investment Trends – Chapter II	FDI - Services - ICT	North-South	<a href="http://unctad.org/en/PublicationChapters/wir2015ch2_en.pdf">http://unctad.org/en/PublicationChapters/wir2015ch2_en.pdf</a>
2015	<a href="#">UN System</a>	Trade capacity Building – Resource Guide	Capacity Building - GVCs - Policy Initiatives	South-South	<a href="http://unctad.org/Sections/un_csb/docs/ceb2015_unido_vo11_2015ed_en.pdf">http://unctad.org/Sections/un_csb/docs/ceb2015_unido_vo11_2015ed_en.pdf</a>
2015i	UNCTAD	Tracing the Value Added in Global Value Chains: product-level case studies in China	GVCs - Value Added - Policy-Making	North-South	<a href="http://unctad.org/en/PublicationsLibrary/ditctncd2015d1_en.pdf">http://unctad.org/en/PublicationsLibrary/ditctncd2015d1_en.pdf</a>
2015j	UNCTAD	Enhancing the Contribution of Export Processing Zones to the Sustainable Development Goals	Export Processing Zones - Competitiveness - SDGs	North-South	<a href="http://unctad.org/en/PublicationsLibrary/webdiaepcb2015d5_en.pdf">http://unctad.org/en/PublicationsLibrary/webdiaepcb2015d5_en.pdf</a>
2015k	UNCTAD	Investment Policy Review – Sudan	Investment Policies - Favourable Environment - Moroccan Example	Sudan	<a href="http://unctad.org/en/PublicationsLibrary/diaepcb2014d5_en.pdf">http://unctad.org/en/PublicationsLibrary/diaepcb2014d5_en.pdf</a>
2016a	WTO	African Perspectives on Trade and the WTO Domestic Reforms, Structural Transformation and Global Economic Integration	GVCs - Reforms - Global Integration	Africa	<a href="http://www.wto.org/english/news_e/news16_e/publ_28sep16_e.htm">www.wto.org/english/news_e/news16_e/publ_28sep16_e.htm</a>
2016b	WTO	Trade Costs and Inclusive Growth	Trade Facilitation - Infrastructures - S-S Integration	Africa	<a href="http://www.wto.org/english/res_e/publications_e/tradecosts2016_e.htm">www.wto.org/english/res_e/publications_e/tradecosts2016_e.htm</a>
2016c	WTO	World Trade Report 2016: Levelling the trading field for SMEs	SMEs - International Trade - Multilateralism	Global	<a href="http://www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf">www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf</a>
2016a	UNCTAD	AFRICAN CONTINENTAL FREE TRADE AREA: Developing And Strengthening Regional Value Chains in Agricultural Commodities And Processed Food Products	African CFTA - SDGs - Agriculture	Africa	<a href="http://unctad.org/en/PublicationsLibrary/webdiatc2016d4_en.pdf">http://unctad.org/en/PublicationsLibrary/webdiatc2016d4_en.pdf</a>
2016b	UNCTAD	AFRICAN CONTINENTAL FREE TRADE AREA: Advancing Pan-African Integration: Some Considerations	African CFTA - AU Agenda 2063 - UN Agenda 2030	Africa	<a href="http://unctad.org/en/PublicationsLibrary/webdiatc2016d4_en.pdf">http://unctad.org/en/PublicationsLibrary/webdiatc2016d4_en.pdf</a>
2016c	UNCTAD	Global Investment Assessment 2016-2018	FDI Decline - TNCs - Moroccan Example	North-South	<a href="http://unctad.org/en/PublicationsLibrary/webdiaea2016d3_en.pdf">http://unctad.org/en/PublicationsLibrary/webdiaea2016d3_en.pdf</a>
2016d	UNCTAD	Economic Development in Africa Report 2016: Debt Dynamics and Development Finance in Africa	SDGs - Debt - PPP	Africa	<a href="http://unctad.org/en/PublicationsLibrary/aldcafrica2016_en.pdf">http://unctad.org/en/PublicationsLibrary/aldcafrica2016_en.pdf</a>
2016e	UNCTAD	Key Statistics and Trends in Trade Policy 2016: G20 Policies And Export performance of The LDCs	Export Performance - International Integration - G20 Policies	North-South	<a href="http://unctad.org/en/PublicationsLibrary/ditctab2016d2_en.pdf">http://unctad.org/en/PublicationsLibrary/ditctab2016d2_en.pdf</a>
2016	<a href="#">UN System</a>	World Economic Situation and Prospects	Stumbling Global Economy - Labour Market - Policy Making	North-South	<a href="http://unctad.org/en/PublicationsLibrary/wesp2016_en.pdf">http://unctad.org/en/PublicationsLibrary/wesp2016_en.pdf</a>
2016f	UNCTAD	Trade and Development Report 2016: Structural transformation for inclusive and sustained growth	Global Integration - Monetary Policy - Inequality	North-South	<a href="http://unctad.org/en/PublicationsLibrary/tdr2016_en.pdf">http://unctad.org/en/PublicationsLibrary/tdr2016_en.pdf</a>
2016g	UNCTAD	Transport and Trade Facilitation Newsletter n. 71	Trade Facilitation - Port Security - Technical Assistance	North-South	<a href="http://unctad.org/en/PublicationsLibrary/webdiatitb2016d3_en.pdf">http://unctad.org/en/PublicationsLibrary/webdiatitb2016d3_en.pdf</a>
2016h	UNCTAD	Trade as a tool for the economic empowerment of women	SDGs - Gender-blind Trade - GVCs	LDCs	<a href="http://unctad.org/meetings/en/SessionalDocuments/ciem8d2_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/ciem8d2_en.pdf</a>
2016i	UNCTAD	Virtual Institute Teaching Material On Structural Transformation And Industrial Policy	Institution Building - SDGs - GVCs	South-South	<a href="http://unctad.org/en/PublicationsLibrary/gds2016d1_en.pdf">http://unctad.org/en/PublicationsLibrary/gds2016d1_en.pdf</a>
2016a	WB	Agri-food Value Chains strengthening program	GVCs - Agro-Industry - Climate Change	North-South	<a href="http://documents.worldbank.org/curated/en/963381488512581188/pdf/Concept-Stage-Program-Information-Documents-rev-281116-MV.pdf">http://documents.worldbank.org/curated/en/963381488512581188/pdf/Concept-Stage-Program-Information-Documents-rev-281116-MV.pdf</a>
2016b	WB	Promouvoir la Paix et la Stabilité pour le Développement au Moyen-Orient et en Afrique du Nord	IEOs' Policy Failure - Subjective Indicators - Transition Economies	MENA	<a href="http://documents.worldbank.org/curated/en/163391468187744672/pdf/102936-WP-MENA-Strategy-Final-Dec-2015-Box3948458-PUBLIC-FRENCH.pdf">http://documents.worldbank.org/curated/en/163391468187744672/pdf/102936-WP-MENA-Strategy-Final-Dec-2015-Box3948458-PUBLIC-FRENCH.pdf</a>
2016	IMF	Macroprudential Policy and Financial Stability in the Arab Region	Trade - Stability - Macroprudential Policies	MENA	<a href="file:///Users/fatimafernandezfernandez/Downloads/wp1698.pdf">file:///Users/fatimafernandezfernandez/Downloads/wp1698.pdf</a>
2016	WB	Performance And Learning Review Of The Country Partnership Strategy For The Kingdom Of Morocco	Stability - New Industries - Competitivity	Morocco	<a href="http://documents.worldbank.org/curated/en/423991474375703555/pdf/105894-cas-P155708-R2016-0100-Box3962999B-PUBLIC.pdf">http://documents.worldbank.org/curated/en/423991474375703555/pdf/105894-cas-P155708-R2016-0100-Box3962999B-PUBLIC.pdf</a>
2017	UNCTAD, WB, WTO et al.	First international forum for national trade facilitation committees : Boosting capacities and partnerships for implementation	Trade Facilitation Agreements - Technical Assistance - PPP	North-South	<a href="http://unctad.org/meetings/en/SessionalDocuments/Report_NTFCForum_Geneva_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/Report_NTFCForum_Geneva_en.pdf</a>
2017a	IMF	IMF Country Report No. 17/65 MOROCCO SELECTED ISSUES	GVCs - Low Unity Labour Costs - Competitive Advantage	Morocco	<a href="file:///Users/fatimafernandezfernandez/Downloads/cr1736.pdf">file:///Users/fatimafernandezfernandez/Downloads/cr1736.pdf</a>
2017	WB	Middle East and North African Diaspora Provide More than Just Money	Diaspora - Entrepreneurship - Regional Integration	MENA	<a href="http://www.worldbank.org/en/news/press-release/2017/03/28/middle-east-and-north-african-diaspora-provide-more-than-just-money">http://www.worldbank.org/en/news/press-release/2017/03/28/middle-east-and-north-african-diaspora-provide-more-than-just-money</a>
2017b	IMF	Regional Economic Outlook: Middle East and Central Asia Update	Tax Consolidation - Growth - Investment	MENA	<a href="http://www.imf.org/en/Publications/REO/MECA/Issues/2017/04/18/mreo0517">http://www.imf.org/en/Publications/REO/MECA/Issues/2017/04/18/mreo0517</a>
2017a	UNCTAD	Activities undertaken by UNCTAD in support of Africa	Resilience Building - Competitiveness - Green Economy	Africa	<a href="http://unctad.org/meetings/en/SessionalDocuments/tdbex65d2_en.pdf">http://unctad.org/meetings/en/SessionalDocuments/tdbex65d2_en.pdf</a>

YEAR	IEO	TITLE	KEYWORDS	FOCUS	SOURCE
2017b	UNCTAD	Examen national de l'export vert du Maroc : produits oléicoles, romarin et thym	Agriculture Export - Competitiveness - Green Economy	Morocco	<a href="http://unctad.org/en/PublicationsLibrary/ditcted2017d1_en.pdf">http://unctad.org/en/PublicationsLibrary/ditcted2017d1_en.pdf</a>

Source: Own elaboration with online sources of IMF, UNCTAD, WTO and WB.

