5

Maghreb Trade and Investment

DEAN A. DEROSA

Economically speaking, the Maghreb countries compare favorably to the countries of the Middle East and other developing regions (table 5.1). With a total population of 83 million (in 2005), the region is nearly equal in size to the Mashreq countries (108 million), but on an individual basis the Maghreb nations are dwarfed in the Middle East by Iran and Turkey (about 70 million each). Sustained by their energy wealth, Algeria and Libya lead the Maghreb countries in per capita income (over $3,000) and are in the same league as higher-income developing countries in Latin America, Europe, and Central Asia (about $4,500). However, Maghreb income levels are skewed—especially for Libya—and unreliable as indicators of general well being. They certainly do not reflect the circumstances of the lower-income Maghreb countries, which are less well endowed with energy resources. Recent growth in the Maghreb (about 2.5 percent over 2001–05) has been modest compared with the robust growth of the developing countries of East Asia (7.4 percent), South Asia (4.8 percent), and Europe and Central Asia (5.2 percent). This lackluster growth likely contributes to the smoldering terrorist insurgency in parts of the Maghreb and has motivated national leaders to consider measures to promote Maghreb regional integration, with other economic reforms, to stimulate their economies.

Dean DeRosa is principal economist at ADR International Ltd. and a visiting fellow at the Peterson Institute for International Economics.

Table 5.1 Economic indicators for the Maghreb, Middle East, and other country groups and regions, 2005

Country/region	Population (millions)	National output (GDP): GDP (billions of US dollars)	National output (GDP): Per capita (US dollars)	National output (GDP): Per capita growth, 2001–05 (percent)	Structure (percent of GDP): Agriculture	Structure (percent of GDP): Industry	Structure (percent of GDP): Services	Trade and foreign investment: Goods and services trade, 2004: Exports (billions of US dollars)	Goods and services trade, 2004: Imports (billions of US dollars)	Goods and services trade, 2004: Total trade (percent of GDP)	Inward FDI stock (percent of GDP)
Maghreb	83.1	225.6	3,078	2.5	16	36	48	64.4	57.1	86.6	28.9
Algeria	33.3	101.8	3,098	3.4	10	56	34	34.1	21.8	65.7	8.1
Libya	6.0	41.7	7,118	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4
Mauritania	3.2	1.8	598	1.1	26	28	46	0.5	1.2	110.6	35.3
Morocco	30.5	51.6	1,713	3.0	16	30	54	16.6	20.0	73.2	43.9
Tunisia	10.1	28.7	2,860	3.5	13	28	59	13.2	14.0	96.8	56.1
Middle East											
Mashreq countries	108.3	156.4	2,305	0.9	12	30	57	41.2	52.9	81.5	33.0
GCC countries	35.1	575.6	28,777	2.8	3	56	42	303.0	186.4	111.8	20.7
Israel	7.0	123.4	17,828	0.0	n.a.	n.a.	n.a.	51.5	57.6	93.3	29.4
Iran	69.2	189.8	2,781	4.2	11	43	46	47.4	42.3	55.0	1.9
Turkey	72.9	363.4	5,042	3.2	13	22	65	87.4	105.0	63.6	11.6
Other developing regions											
East Asia and Pacific	1,899.6	3,049.5	1,618	7.4	13	45	42	1,140.8	1,053.6	82.7	35.1
South Asia	1,492.5	1,016.9	692	4.8	20	27	53	161.4	182.6	38.9	6.2
Latin America and Caribbean	555.9	2,538.8	4,625	1.2	7	31	62	526.6	468.5	47.8	36.7
Europe and Central Asia	460.0	2,073.6	4,509	5.2	9	31	61	663.0	660.2	78.5	21.2
Sub-Saharan Africa	770.3	630.8	838	2.1	15	32	53	174.5	179.5	66.3	30.2
Major OECD countries	740.9	26,934.6	36,394	1	2	26	72	5,306.9	5,630.4	40.3	16.2
European Union	314.3	9,984.1	31,807	0.8	2	27	71	3,520.4	3,309.0	70.7	33.5
Japan	127.6	4,534.0	35,484	1.3	2	30	68	612.7	523.7	24.8	2.2
United States	299.0	12,416.5	41,890	1.5	1	22	77	1,173.8	1,797.8	25.4	13.0
World	6,517.8	44,795.4	6,949	1.5	3	28	69	10,803.4	10,831.1	52.1	22.7

n.a. = not available
FDI = foreign direct investment
GCC = Gulf Cooperation Council
OECD = Organization for Economic Cooperation and Development

Sources: UNCTAD (2006); World Bank (2007).

As background for subsequent chapters on the macroeconomic and sectoral prospects of regional and global integration schemes for the Maghreb countries, this chapter examines the basic dimensions of the trade and investment relations of the Arab Maghreb Union (AMU) countries today, including trade in services. Our discussion is purposefully descriptive. However, we also consider the comparative advantages of the AMU countries revealed in their recent trade statistics, the height of current import tariffs, and other barriers to trade and investment in the major Maghreb countries.

Overview

Trade and investment in the Maghreb countries are conditioned by the natural and human resources of the AMU countries, individually and regionally (table 5.2). Geographically, Algeria and Libya are clearly the largest countries, and Tunisia the smallest country, in the Maghreb. However, the interior regions of all five countries are mostly desert, in which little agriculture is commercially viable. The natural resource base of the region is predominantly petroleum and natural gas (especially in Algeria and Libya), metallic and nonmetallic minerals, and Atlantic fisheries (Mauritania and Morocco). Only Morocco and Tunisia have significant arable and cultivated lands relative to their total area, by virtue of their location predominantly in the Maghreb's relatively temperate Mediterranean climate zone.

With 33 million to 34 million persons each, Morocco and Algeria have the largest populations among Maghreb countries. Mauritania is the least populous, with 3 million persons. Relative to land area, Morocco and Tunisia are the most labor-abundant countries in the region, with 76 and 63 persons per square kilometer, respectively.[1] Mauritania has the lowest level of human capital in the region, with a literacy level of only 60 percent of the male population and 46 percent of the population under the age of 15 years. Overall, Mauritania is the least developed Maghreb country, which probably contributes to its high rate of population growth (2.9 percent).

Merchandise Trade

From 2004 to 2006, Maghreb merchandise trade (exports plus imports) with the world amounted to about $145 billion per year, or just 1.5 percent of world trade (table 5.3). Trade within the Maghreb amounted to only

1. By comparison, the population density is 14 persons per square kilometer in Algeria and just 3 persons per square kilometer in Libya and Mauritania.

Table 5.2 Geography and population indicators for the Maghreb countries, 2007

Indicator	Algeria	Libya	Mauritania	Morocco	Tunisia
Geography					
Land area (square meters)	Total: 2,381,740 Land: 2,381,740 Water: 0	Total: 1,759,540 Land: 1,759,540 Water: 0	Total: 1,030,700 Land: 1,030,400 Water: 300	Total: 446,550 Land: 446,300 Water: 250	Total: 163,610 Land: 155,360 Water: 8,250
Climate	Arid to semiarid; mild, wet winters with hot, dry summers along coast; drier with cold winters and hot summers on high plateau	Mediterranean along coast; dry, extreme desert interior	Desert; constantly hot, dry, dusty	Mediterranean, becoming more extreme in the interior	Temperate in north with mild, rainy winters and hot, dry summers; desert in south
Land use (percent of total land use)	Arable land: 3.2 Crops: 0.3 Other: 96.6 (2005)	Arable land: 1.0 Crops: 0.2 Other: 98.8 (2005)	Arable land: 0.2 Crops: 0.0 Other: 99.8 (2005)	Arable land: 19.0 Crops: 2.0 Other: 79.0 (2005)	Arable land: 17.1 Crops: 13.1 Other: 69.9 (2005)
Natural resources	Petroleum, natural gas, iron ore, phosphates, uranium, lead, zinc	Petroleum, natural gas, gypsum	Iron ore, gypsum, copper, phosphate, diamonds, gold, oil, fish	Phosphates, iron ore, manganese, lead, zinc, fish, salt	Petroleum, phosphates, iron ore, lead, zinc, salt
Population					
In millions	33.3 (2007 est.)	6.0 (2007 est.)	3.3 (2007 est.)	33.8 (2007 est.)	10.3 (2007 est.)
Age structure (percent)	0–14 years: 27.2 15–64 years: 67.9 65 years and over: 4.8 (2007 est.)	0–14 years: 33.4 15–64 years: 62.4 65 years and over: 4.2 (2007 est.)	0–14 years: 45.5 15–64 years: 52.4 65 years and over: 2.2 (2007 est.)	0–14 years: 31 15–64 years: 63.9 65 years and over: 5.1 (2007 est.)	0–14 years: 24 15–64 years: 69.2 65 years and over: 6.9 (2007 est.)
Growth rate (percent)	1.22 (2007 est.)	2.26 (2007 est.)	2.87 (2007 est.)	1.53 (2007 est.)	0.99 (2007 est.)
Literacy (percent)	Total population: 69.9 Male: 79.6 Female: 60.1 (2002 est.)	Total population: 82.6 Male: 92.4 Female: 72 (2003 est.)	Total population: 51.2 Male: 59.5 Female: 43.4 (2000 census)	Total population: 52.3 Male: 65.7 Female: 39.6 (2004 census)	Total population: 74.3 Male: 83.4 Female: 65.3 (2004 census)

est. = estimate

Source: Central Intelligence Agency (CIA) *World Factbook,* 2008.

$2.4 billion per annum during the same period, under 2 percent of world trade with the region (table 5.4).

Maghreb Trade with the World

The resource base of the Maghreb countries is strongly reflected in the composition of Maghreb trade with the world (table 5.3). Algeria's and Libya's exports are heavily concentrated in petroleum, natural gas, and related products, while the exports of Mauritania, Morocco, and Tunisia are appreciably devoted to other primary products, including fisheries and fruits and vegetables. Reflecting the relative abundance of labor, more than half of Morocco's and Tunisia's exports are intermediate and finished manufactures, principally apparel and machinery products. The principal destinations of these exports are the European Union and other European countries, though Mauritania ships about 25 percent of its exports to China.[2]

Greater diversity of imports than exports is a common feature among Maghreb countries as can be seen in merchandise imports (table 5.3). Firms and households in the Maghreb—as elsewhere—demand a wide variety of world-class industrial and consumer goods, and the region does not make most of these products. Thus producers and consumers in the AMU countries extensively import high-income cereals and cereal products, road vehicles, iron and steel products, general and electrical machinery, telecommunications equipment, and pharmaceuticals. The three major Maghreb countries—Algeria, Morocco, and Tunisia—clearly account for the bulk of these imports, in keeping with their economic size and the concentration of labor-intensive manufacturing in Morocco and Tunisia. The principal trading partners for Maghreb imports are mainly EU countries. However, China, the United States, and other emerging-market countries, such as Turkey, South Korea, and Brazil, also account for appreciable imports by the AMU countries.

Maghreb Regional Trade

The natural and human endowments of the Maghreb are reflected in the composition of intra-Maghreb trade, but somewhat less sharply. Mineral fuels dominate Algerian and Libyan exports to the region and account for more than half of regional imports by Morocco and Tunisia. Manufactures dominate Tunisian regional exports and account for more than half of Algerian and Mauritanian regional imports. Beyond petroleum and natural

2. The information presented here and further below in this section about the country partners in Maghreb trade is compiled from the *CIA World Factbook*, 2008.

Table 5.3 International trade of Maghreb countries, European Union, United States, and world by SITC category, 2004–06 (average values in millions of US dollars)

		Arab Maghreb Union									
Code	**Category description**	**Algeria**	**Libya**	**Mauritania**	**Morocco**	**Tunisia**	**Total**	**Percent**	**EU-25**	**United States**	**World**
Exports											
Aggregates											
0–9	All goods	39,270	29,573	1,152	12,545	10,516	93,056	100.0	3,541,096	890,683	10,013,882
0–2,4	Primary products, excluding fuels	355	55	946	3,852	1,159	6,367	6.8	379,292	102,238	1,018,433
3	Mineral fuels	38,221	28,564	192	416	1,156	68,550	73.7	191,257	29,981	1,374,996
5–8	Manufactures	690	923	13	8,271	8,199	18,096	19.4	2,964,028	755,622	7,573,073
SITC groups											
0	Food and animals	63	13	453	2,570	373	3,471	3.7	218,668	49,921	524,176
1	Beverages and tobacco	7	1	0	26	29	61	0.1	53,039	7,004	82,817
2	Crude materials	277	39	493	1,137	212	2,158	2.3	95,058	43,574	373,854
3	Mineral fuels	38,221	28,564	192	416	1,156	68,550	73.7	191,257	29,981	1,374,996
4	Fats and oils	8	3	0	120	546	676	0.7	12,527	1,739	37,586
5	Chemicals	323	612	0	1,204	766	2,905	3.1	594,097	137,670	1,102,202
6	Material manufactures	181	283	3	618	990	2,075	2.2	576,949	89,049	1,405,578
7	Machinery, transport equipment	178	23	6	2,469	2,095	4,771	5.1	1,419,539	425,346	3,862,423
8	Miscellaneous manufactures	8	5	4	3,981	4,348	8,346	9.0	373,443	103,556	1,202,870
Top Maghreb exports											
33	Petroleum, petroleum products	28,432	28,052	192	414	1,156	58,246	62.6	146,667	18,408	1,108,233
34	Gas, natural and manufactured	9,788	506	0	0	0	10,294	11.1	25,479	6,519	181,700
84	Articles of apparel, clothing	0	1	3	3,475	3,568	7,047	7.6	56,945	3,121	285,100
77	Electrical machinery	4	3	2	2,208	1,502	3,719	4.0	215,833	102,308	928,933
03	Fish, crustaceans, molluscs	22	12	436	1,048	161	1,679	1.8	15,798	3,761	76,415
05	Vegetables and fruit	27	0	0	1,367	151	1,545	1.7	46,457	10,321	117,400
52	Inorganic chemicals	221	43	0	632	254	1,151	1.2	22,468	7,809	62,710
56	Fertilizers, manufactured	44	120	0	492	437	1,094	1.2	7,047	2,898	28,923
28	Metal ores, metal scrap	233	32	491	239	78	1,072	1.2	30,236	11,220	150,933
27	Crude fertilizers	40	0	0	710	89	839	0.9	8,069	1,928	25,721

Imports											
Aggregates											
0–9	All goods	20,040	2,106	805	20,642	8,633	52,225	100.0	3,884,235	1,650,243	10,013,882
0–2,4	Primary products, excluding fuels	4,512	370	140	3,019	1,092	9,132	17.5	440,129	101,263	1,018,433
3	Mineral fuels	207	15	141	4,168	1,040	5,572	10.7	466,042	282,737	1,374,996
5–8	Manufactures	15,320	1,721	524	13,423	6,487	37,475	71.8	2,970,383	1,260,126	7,573,073
SITC groups											
0	Food and animals	3,567	296	103	1,578	557	6,100	11.7	252,801	53,894	524,176
1	Beverages and tobacco	64	4	19	107	47	240	0.5	40,332	14,690	82,817
2	Crude materials	520	30	5	1,086	362	2,003	3.8	131,965	30,091	373,854
3	Mineral fuels	207	15	141	4,168	1,040	5,572	10.7	466,042	282,737	1,374,996
4	Fats and oils	361	40	14	248	126	789	1.5	15,031	2,588	37,586
5	Chemicals	2,370	81	26	1,948	849	5,273	10.1	505,323	129,212	1,102,202
6	Material manufactures	3,672	443	85	4,474	2,199	10,873	20.8	577,171	202,242	1,405,578
7	Machinery, transport equipment	8,314	1,004	388	5,658	2,545	17,909	34.3	1,417,644	661,366	3,862,423
8	Miscellaneous manufactures	965	192	25	1,342	894	3,419	6.5	470,245	267,305	1,202,870
Top Maghreb imports											
33	Petroleum, petroleum products	101	12	132	3,177	899	4,321	8.3	350,233	245,100	1,108,233
78	Road vehicles	2,151	212	38	1,176	586	4,164	8.0	409,333	200,800	870,500
67	Iron and steel	1,698	232	15	1,049	385	3,378	6.5	131,067	31,714	315,233
77	Electrical machinery	1,010	185	11	1,284	679	3,168	6.1	237,733	103,358	928,933
65	Textile yarn, fabrics	154	13	11	1,839	1,093	3,110	6.0	66,555	21,856	185,267
74	General industrial machinery	1,436	229	20	728	363	2,777	5.3	144,267	51,849	366,000
04	Cereals, cereal preparations	1,421	209	32	786	247	2,695	5.2	26,466	4,186	76,194
72	Specialized machinery	1,377	72	62	805	323	2,640	5.1	81,535	32,329	259,733
76	Telecommunications equipment	904	44	9	670	211	1,837	3.5	167,933	103,547	480,033
54	Medicinal products	1,107	22	4	289	191	1,613	3.1	161,800	40,204	282,233

SITC = Standard International Trade Classification

Source: World Bank and UNCTAD, World Integrated Trade Solution, 2007.

Table 5.4 Regional trade of Maghreb countries by SITC category, 2004–06 (average values in millions of US dollars)

		Arab Maghreb Union									
Code	**Category description**	**Algeria**	**Libya**	**Mauritania**	**Morocco**	**Tunisia**	**Total**	**Percent**	**EU-25**	**United States**	**World**
Exports											
Aggregates											
0–9	All goods	398.2	383.9	20.4	102.6	308.7	1,213.7	100.0	29,121.0	2,453.9	52,224.8
0–2,4	Primary products, excluding fuels	6.2	2.6	20.2	32.1	65.1	126.1	10.4	3,611.2	766.4	9,132.1
3	Mineral fuels	294.9	294.8	0.0	6.7	0.5	596.8	49.2	1,650.5	109.2	5,571.8
5–8	Manufactures	97.1	86.5	0.2	63.9	243.1	490.9	40.4	23,853.0	1,578.1	37,475.0
SITC groups											
0	Food and animals	2.9	1.8	2.2	18.7	42.6	68.3	5.6	2,319.8	584.4	6,099.9
1	Beverages and tobacco	0.0	0.1	0.0	0.4	2.7	3.2	0.3	101.8	21.8	240.1
2	Crude materials	1.0	0.5	17.9	11.4	1.6	32.4	2.7	1,021.6	102.1	2,002.8
3	Mineral fuels	294.9	294.8	0.0	6.7	0.5	596.8	49.2	1,650.5	109.2	5,571.8
4	Fats and oils	2.3	0.1	0.0	1.6	18.2	22.2	1.8	167.9	58.1	789.3
5	Chemicals	43.3	59.3	0.0	22.5	51.0	176.0	14.5	3,608.4	165.2	5,273.5
6	Material manufactures	52.3	26.1	0.0	30.1	130.8	239.3	19.7	6,785.3	164.6	10,873.2
7	Machinery, transport equipment	0.6	0.7	0.1	6.6	41.7	49.8	4.1	11,062.8	1,112.2	17,909.5
8	Miscellaneous manufactures	1.1	0.4	0.0	4.7	19.5	25.7	2.1	2,396.6	136.1	3,418.8
Top intra-Maghreb exports											
34	Gas, natural and manufactured	283.8	24.6	0.0	0.0	0.0	308.4	25.4	425.8	0.4	803.0
32	Coal, coke and briquettes	11.0	270.2	0.0	6.7	0.5	288.4	23.8	43.8	61.0	447.5
67	Iron and steel	33.2	25.2	0.0	11.8	21.3	91.5	7.5	1,442.0	36.3	3,378.5
52	Inorganic chemicals	33.2	12.2	0.0	2.8	30.5	78.7	6.5	196.8	4.1	445.9
66	Nonmetallic mineral manufactures, nes	0.0	0.0	0.0	2.2	34.0	36.2	3.0	358.8	4.0	611.4
56	Fertilizers, manufactured	6.1	18.4	0.0	1.3	1.9	27.7	2.3	86.6	0.3	196.3
68	Nonferrous metals	14.6	0.1	0.0	8.6	2.8	26.0	2.1	461.9	1.6	672.9
05	Vegetables and fruit	1.6	0.1	0.0	2.7	20.9	25.2	2.1	179.0	7.1	479.9
58	Artificial resins, plastic materials, cellulose	3.5	14.2	0.0	1.7	5.0	24.5	2.0	732.9	59.7	1,320.4
64	Paper, paperboard, and paper products	2.3	0.0	0.0	3.3	18.1	23.8	2.0	581.6	16.8	765.7

Imports											
Aggregates											
0–9	All goods	207.8	62.9	11.9	508.3	422.9	1,213.7	100.0	61,170.2	13,816.8	93,056.5
0–2,4	Primary products, excluding fuels	42.1	38.1	2.4	24.7	18.8	126.1	10.4	4,347.5	247.8	6,367.4
3	Mineral fuels	0.5	0.3	2.4	265.9	327.7	596.8	49.2	42,473.9	13,189.4	68,549.7
5–8	Manufactures	165.2	24.5	7.1	217.6	76.5	490.9	40.4	14,337.2	379.4	18,096.1
SITC groups											
0	Food and animals	16.9	20.9	1.7	20.2	8.5	68.3	5.6	2,416.7	74.5	3,471.4
1	Beverages and tobacco	0.1	0.9	0.4	1.7	0.1	3.2	0.3	45.6	0.3	61.4
2	Crude materials	21.1	0.9	0.0	0.4	10.0	32.4	2.7	1,312.8	117.1	2,158.0
3	Mineral fuels	0.5	0.3	2.4	265.9	327.7	596.8	49.2	42,473.9	13,189.4	68,549.7
4	Fats and oils	4.0	15.4	0.3	2.4	0.1	22.2	1.8	572.4	56.0	676.5
5	Chemicals	43.2	5.5	0.6	104.3	22.4	176.0	14.5	1,282.3	48.1	2,904.6
6	Material manufactures	85.1	9.9	3.2	92.5	48.6	239.3	19.7	1,590.5	25.1	2,075.0
7	Machinery, transport equipment	25.8	7.0	2.1	13.1	1.8	49.8	4.1	3,710.7	128.0	4,770.6
8	Miscellaneous manufactures	11.0	2.1	1.2	7.8	3.7	25.7	2.1	7,753.7	178.2	8,346.0
Top intra-Maghreb imports											
34	Gas, natural and manufactured	0.0	0.0	0.0	242.1	66.3	308.4	25.4	7,074.9	1,311.6	10,294.3
33	Petroleum, petroleum products	0.5	0.3	2.4	23.9	261.4	288.4	23.8	35,396.3	11,871.6	58,246.0
67	Iron and steel	10.3	0.9	0.6	41.2	38.6	91.5	7.5	420.6	4.7	606.1
52	Inorganic chemicals	14.4	0.6	0.1	60.6	3.0	78.7	6.5	441.4	6.9	1,150.9
66	Nonmetallic mineral manufactures, nes	30.6	1.9	0.9	1.9	0.9	36.2	3.0	93.8	5.2	151.1
56	Fertilizers, manufactured	2.8	1.3	0.2	19.4	4.0	27.7	2.3	420.9	29.0	1,093.6
68	Nonferrous metals	7.7	0.4	0.2	16.0	1.7	26.0	2.1	115.8	6.2	175.7
05	Vegetables and fruit	2.1	4.1	0.5	17.6	0.9	25.2	2.1	1,229.1	44.5	1,545.3
58	Artificial resins, plastic materials, cellulose	4.7	0.3	0.1	7.4	12.0	24.5	2.0	61.9	0.1	141.0
64	Paper, paperboard, and paper products	11.8	2.7	0.7	6.1	2.5	23.8	2.0	23.1	0.0	67.3

nes = not elsewhere specified
SITC = Standard International Trade Classification

Source: World Bank and UNCTAD, *World Integrated Trade Solution*, 2007.

gas products, the top categories of intrabloc merchandise trade are basic and intermediate manufactures that are closely related to minerals found in selected locations across the Maghreb: iron and steel products (from iron ores); inorganic chemicals, fertilizers, and other mineral manufactures (from phosphates, gypsum, and salt); and nonferrous metals (from copper, lead, and zinc ores). However, intrabloc trade in these items is dwarfed by the Maghreb's trade in the same items with Europe, the United States, and the world at large. Thus, while there are sensible, resource-based channels of intrabloc trade in the region, the volume of trade among the Maghreb countries seems constrained, especially compared with the volume of the region's trade with the world in the same product categories. Restrictions that hinder greater commerce among the Maghreb countries are evidently at play.

Revealed Comparative Advantage

We now consider the comparative advantage of the Maghreb countries in global and regional trade more formally. Using the trade statistics underlying tables 5.3 and 5.4, in table 5.5 we calculate indicators of revealed comparative advantage (RCA), a concept originally formulated by Balassa (1965). A country's advantages and disadvantages relative to competing countries in international trade are calculated by computing the shares of different commodities in the total exports of the given country versus the shares of the same commodities in total world trade (or, alternatively, total regional trade). If the computed RCA ratio for a traded good is appreciably greater than unity, then the country is judged to have a comparative advantage in the production and export of that good. If the computed RCA ratio is appreciably less than unity, then the country is judged to have a comparative disadvantage in producing the good, and accordingly should import most of its consumption.[3] The RCA calculations for the Maghreb countries support, and even amplify, many of the previous observations regarding the strengths and weaknesses of the AMU countries in world and regional trade.

For world trade, the computed RCA values indicate the exceptionally strong comparative advantage of Algeria and Libya in gas and petroleum; Morocco and Tunisia in fertilizers, inorganic chemicals, and apparel; Mauritania and Morocco in fish products; Mauritania in crude materials; Morocco in fruits and vegetables; and Tunisia in vegetable fats and oils. At the same time, the Maghreb countries exhibit comparative disadvantage in a wide variety of manufactures and food items. According to the RCA val-

3. Following the basic principles of Ricardian comparative advantage theory, the country is better off importing low-RCA goods and devoting domestic resources to producing and exporting products with high RCA indexes.

ues, these goods are best supplied by Europe, the United States, or other countries worldwide.

The RCA indexes pertaining to Maghreb regional trade are also illuminating. Beyond the acknowledged competitiveness of Algeria and Libya in gas and petroleum, Morocco appears to enjoy substantial comparative advantage in producing and exporting inorganic chemicals and fertilizers to other AMU countries. Libya is strong in fertilizers and fish products; Mauritania in metal ores, other crude materials, and fish; Morocco in pulp and waste paper, charcoal, fish, beverages, inorganic chemicals, and fertilizers; and Tunisia in inorganic chemicals, nonmetallic mineral manufactures, beverages, fats and oils, and vegetables and fruit.

Notwithstanding the revealed regional advantages of individual Maghreb countries in certain products, the European Union and the United States enjoy important advantages in trade with the Maghreb in a number of broad categories. Reflecting again the Maghreb's particular natural and human resources, these categories are principally foods, beverages and tobacco, and crude materials (the United States); materials and miscellaneous manufactures (the European Union); and machinery and transport equipment (both the European Union and the United States).

In sum, we again find that Maghreb trade is conditioned to a large degree by the particular natural resources and population densities across the vast but mainly desert lands of the region. Ample scope exists to enjoy significant gains from larger trade within the region itself, and with the European Union, the United States, and other countries with complementary resource bases. However, as we argue below, significant political barriers prevent Maghreb regional and global trade from expanding further.

Services Trade

Commercial business services, plus the provision of local and central government services and utilities, are integral to the functioning of a modern market economy. These services account for 70 percent or more of economic activity in the advanced Organization for Economic Cooperation and Development economies and for much more than 50 percent of the emerging-market economies in Europe, Latin America, and East and Southeast Asia (table 5.1).[4] Presently, only the service sectors of Morocco and Tunisia—respectively, 54 and 59 percent of GDP in 2005—begin to meet the minimum standard service-sector size in emerging-market countries.

International trade in services has flourished with recent advances in transportation and communications, accommodated by liberalization

4. The statistics in table 5.1 do not adequately represent the importance of the services sector in East and Southeast Asia, where arguably the earliest and most dynamic emerging-market countries, such as Korea, Hong Kong, Singapore, and Taiwan, are located.

Table 5.5 Revealed comparative advantage (RCA) of the Maghreb countries, European Union, and United States in world trade and Maghreb trade by major SITC categories, 2004–06

		Arab Maghreb Union								
Code	**Category description**	**Algeria**	**Libya**	**Mauritania**	**Morocco**	**Tunisia**	**Total**	**EU-25**	**United States**	**World**
World trade										
Aggregates										
0–9	All goods	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
0–2,4	Primary products, excluding fuels	0.09	0.02	8.08	3.02	1.08	0.67	1.05	1.13	1.00
3	Mineral fuels	7.09	7.03	1.22	0.24	0.80	5.36	0.39	0.25	1.00
5–8	Manufactures	0.02	0.04	0.02	0.87	1.03	0.26	1.11	1.12	1.00
SITC Groups										
0	Food and animals	0.03	0.01	7.51	3.91	0.68	0.71	1.18	1.07	1.00
1	Beverages and tobacco	0.02	0.00	0.00	0.25	0.33	0.08	1.81	0.95	1.00
2	Crude materials	0.19	0.04	11.47	2.43	0.54	0.62	0.72	1.31	1.00
3	Mineral fuels	7.09	7.03	1.22	0.24	0.80	5.36	0.39	0.25	1.00
4	Fats and oils	0.05	0.02	0.05	2.54	13.84	1.94	0.94	0.52	1.00
5	Chemicals	0.07	0.19	0.00	0.87	0.66	0.28	1.52	1.40	1.00
6	Material manufactures	0.03	0.07	0.02	0.35	0.67	0.16	1.16	0.71	1.00
7	Machinery, transport equipment	0.01	0.00	0.01	0.51	0.52	0.13	1.04	1.24	1.00
8	Miscellaneous manufactures	0.00	0.00	0.03	2.64	3.44	0.75	0.88	0.97	1.00
Top RCA categories for Maghreb trade										
34	Gas, natural and manufactured	13.74	0.94	0.00	0.00	0.00	6.10	0.40	0.40	1.00
33	Petroleum, petroleum products	6.54	8.57	1.50	0.30	0.99	5.66	0.37	0.19	1.00
56	Fertilizers, manufactured	0.39	1.40	0.00	13.58	14.40	4.07	0.69	1.13	1.00
27	Crude fertilizers	0.39	0.00	0.12	22.02	3.29	3.51	0.89	0.84	1.00
84	Articles of apparel and clothing	0.00	0.00	0.09	9.73	11.92	2.66	0.56	0.12	1.00
03	Fish, crustaceans, molluscs, preparations	0.07	0.05	49.60	10.94	2.01	2.36	0.58	0.55	1.00
42	Fixed vegetable oils and fats	0.04	0.03	0.02	2.57	16.94	2.29	0.88	0.33	1.00
52	Inorganic chemicals	0.90	0.23	0.01	8.04	3.86	1.97	1.01	1.40	1.00
05	Vegetables and fruit	0.06	0.00	0.03	9.29	1.22	1.42	1.12	0.99	1.00
61	Leather, leather manufacturers, nes	0.11	0.03	0.10	2.10	5.90	1.01	1.00	0.68	1.00

Regional trade										
Aggregates										
0–9	All goods	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
0–2,4	Primary products, excluding fuels	0.09	0.04	5.67	1.79	1.21	0.59	0.71	1.79	1.00
3	Mineral fuels	6.94	7.20	0.00	0.61	0.01	4.61	0.53	0.42	1.00
5–8	Manufactures	0.34	0.31	0.01	0.87	1.10	0.56	1.14	0.90	1.00
SITC groups										
0	Food and animals	0.06	0.04	0.94	1.56	1.18	0.48	0.68	2.04	1.00
1	Beverages and tobacco	0.02	0.07	0.00	0.83	1.88	0.58	0.76	1.94	1.00
2	Crude materials	0.06	0.04	22.97	2.89	0.14	0.70	0.91	1.08	1.00
3	Mineral fuels	6.94	7.20	0.00	0.61	0.01	4.61	0.53	0.42	1.00
4	Fats and oils	0.38	0.01	0.00	1.02	3.90	1.21	0.38	1.57	1.00
5	Chemicals	1.08	1.53	0.00	2.17	1.64	1.44	1.23	0.67	1.00
6	Material manufactures	0.63	0.33	0.00	1.41	2.04	0.95	1.12	0.32	1.00
7	Machinery, transport equipment	0.00	0.01	0.02	0.19	0.39	0.12	1.11	1.32	1.00
8	Miscellaneous manufactures	0.04	0.02	0.01	0.70	0.97	0.32	1.26	0.85	1.00
Top RCA categories for intra-Maghreb trade										
32	Coal, coke and briquettes	3.24	82.16	0.00	7.62	0.17	27.73	0.18	2.90	1.00
34	Gas, natural and manufactured	46.36	4.16	0.00	0.00	0.00	16.52	0.95	0.01	1.00
28	Metalliferous ores and metal scrap	0.11	0.27	481.84	0.00	0.02	8.20	0.55	1.48	1.00
52	Inorganic chemicals	9.77	3.72	0.00	3.25	11.57	7.60	0.79	0.20	1.00
56	Fertilizers, manufactured	4.08	12.75	0.00	3.26	1.67	6.07	0.79	0.03	1.00
25	Pulp and waste paper	0.11	0.32	0.00	53.75	0.02	4.69	0.95	5.42	1.00
11	Beverages	0.08	0.35	0.00	4.19	8.25	2.59	1.54	0.11	1.00
66	Nonmetallic mineral manufactures, nes	0.01	0.00	0.01	1.80	9.39	2.54	1.05	0.14	1.00
03	Fish, crustaceans, molluscs, preparations	0.06	2.35	56.90	6.05	0.38	2.32	0.71	0.06	1.00
05	Vegetables and fruit	0.44	0.01	0.00	2.83	7.35	2.26	0.67	0.31	1.00

nes = not elsewhere specified
SITC = Standard International Trade Classification

Source: Author’s calculations based on tables 5.3 and 5.4.

under the General Agreement on Trade in Services, adopted in 1996 under the auspices of the World Trade Organization (WTO). Many EU, US, and other bilateral free trade agreements (FTAs) include WTO-plus provisions for liberalizing trade in services and ensuring national treatment of foreign investments by multinational service firms. As a result, beyond the growth in transport and travel services, the increases in trade of financial, engineering, legal, and other professional services have been pronounced. Foreign direct investment (FDI) has also spurred trade in professional services, as multinational firms have sought familiar and modern suppliers to support their activities in host countries. In turn, the increased provision of foreign traded services has integrated the local service economies of host countries more closely with the global service economy. An important side effect is the transfer of modern service technologies and managerial knowhow to host-country firms.

Detailed information about the services trade of the Maghreb countries is not widely reported. However, a new UN database on world trade in services (UNSD 2008) offers a glimpse of the dimensions of Maghreb services trade with its principal partners in 2005, reporting aggregate transport, travel, professional, and other traded services (table 5.6). The UN services trade data suggest that, on a combined basis, the Maghreb countries enjoyed a net surplus position on trade in services in 2005, exporting about \$9.4 billion and importing about \$7.8 billion. Morocco and Tunisia are the principal Maghreb exporters of services to the world (\$3.6 billion each). Algeria is the principal Maghreb importer of services (\$3.6 billion). For each Maghreb country, such trade appears to be centered on professional and other services, amounting in total for the five AMU countries to about \$6.8 billion for service imports and roughly the same for service exports.

The European Union is the primary partner of the Maghreb countries in services trade. The other prominent reporting-partner countries in table 5.6 are Russia and selected southeast European countries: Croatia, Romania, and Ukraine.[5] The service trade relations of the Maghreb countries with these countries are likely driven by Maghreb trade in petroleum and other mineral products, whereas Maghreb commerce with the European Union reflects more general determinants of bilateral trade in services.

Among the Maghreb countries, only Tunisia reports trade in services with its Maghreb neighbors. In 2005 Tunisia imported services totaling \$63 million, supplied by Libya (\$43 million) and Algeria (\$19 million), and exported services totaling \$332 million, also sold to Libya (\$223 million) and Algeria (\$109 million). Tunisia's imports of services from Libya were about equally divided among transport, travel, and professional and

5. The services trade data of the United States, including those reported to the United Nations by the US Department of Commerce, do not show US trade in services with the individual Maghreb countries. US trade in services with these countries is included in the aggregate of US services trade with Africa.

Table 5.6 Trade in services by Maghreb countries, 2005 (millions of US dollars)

Reporting partner country	Services exports						Services imports					
	Algeria	**Libya**	**Mauritania**	**Morocco**	**Tunisia**	**Total**	**Algeria**	**Libya**	**Mauritania**	**Morocco**	**Tunisia**	**Total**
All traded services												
European Union	1,318.0	721.3	137.0	3,549.6	3,434.5	9,160.5	3,431.7	1,193.5	103.4	1,658.5	1,055.1	7,442.2
Croatia	1.2	1.2	0.0	0.7	1.2	4.4	1.2	5.0	0.0	0.2	1.2	7.6
Romania	1.2	3.7	0.0	1.2	19.9	26.2	1.2	6.2	0.0	3.7	7.5	18.7
Russia	1.4	0.2	0.0	2.9	131.0	135.5	4.2	4.3	0.8	2.4	5.1	16.7
Ukraine	1.4	0.6	0.3	0.6	1.2	4.0	5.7	3.3	0.1	2.0	2.7	13.8
Tunisia	19.2	43.8	0.0	0.0		63.1	108.8	222.9	0.0	0.0		331.7
World	1,342.5	770.9	137.3	3,555.0	3,587.8	9,393.6	3,552.8	1,435.1	104.3	1,666.9	1,071.7	7,830.8
Transport												
European Union	0.0	0.0	0.0	725.5	0.0	725.5	0.0	0.0	0.0	456.7	0.0	456.7
Croatia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.7	0.0	0.0	2.3	4.2	7.2	2.4	0.4	0.6	1.5	3.4	8.3
Ukraine	0.1	0.1	0.0	0.0	0.0	0.2	3.2	1.8	0.1	0.6	1.6	7.3
Tunisia	12.0	15.1	0.0	0.0		27.0	12.5	24.0	0.0	0.0		36.5
World	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Travel												
European Union	0.0	0.0	0.0	1,636.1	0.0	1,636.1	0.0	0.0	0.0	185.3	0.0	185.3
Croatia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	0.0	0.0	2.5	0.0	2.5
Russia	0.0	0.0	0.0	0.0	122.1	122.1	0.0	0.0	0.0	0.0	1.3	1.3
Ukraine	0.0	0.0	0.0	0.2	1.0	1.2	0.0	0.8	0.0	1.3	1.0	3.2
Tunisia	3.6	15.7	0.0	0.0		19.3	79.6	174.4	0.0	0.0		254.0
World	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Professional and other services												
European Union	1,318.0	721.3	137.0	1,188.0	3,434.5	6,798.9	3,431.7	1,193.5	103.4	1,016.5	1,055.1	6,800.2
Croatia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Romania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.2	6.2	0.0	1.2	7.5	16.2
Russia	0.7	0.1	0.0	0.6	4.7	6.2	1.8	3.9	0.2	1.0	0.4	7.2
Ukraine	1.3	0.5	0.3	0.5	0.2	2.6	2.4	0.6	0.0	0.1	0.1	3.2
Tunisia	3.6	13.1	0.0	0.0		16.7	16.7	24.5	0.0	0.0		41.2
World	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a. = not available

Source: United Nations Statistics Division, 2008, www.unstats.un.org.

other services. However, its imports of services from Algeria were predominantly transport services. On the export side, Tunisia's exports of services to both Libya and Algeria were predominantly travel services.

For want of better data for the Maghreb countries, the above sketch of Maghreb trade in services may well be incomplete. But it illustrates both the level of development among AMU countries and their limited economic integration with one another and the world economy at large.

Foreign Investment

In 2005 total inward stocks of FDI in the Maghreb countries amounted to \$49.2 billion, or about 30 percent of the combined GDP of the five AMU countries (tables 5.1 and 5.7). Accumulated FDI in relation to aggregate output appears to be particularly low in Algeria (8 percent) and Libya (less than 2 percent), but comparable to that found in other developing counties in the two relatively labor-abundant Maghreb countries, Morocco (44 percent) and Tunisia (over 50 percent).

Table 5.7 summarizes Maghreb inward stocks of FDI by source country. The data are compiled from the database underlying the United Nations Conference on Trade and Development *2006 World Investment Report* (UNCTAD 2006), but the figures are seriously incomplete because the inward FDI stocks held by all source countries combined fall well below the UNCTAD estimates for total inward FDI stocks held by the world in the Maghreb.

Inward stocks of FDI in the Maghreb countries held by reporting source countries amount to only \$9.1 billion, or just 18 percent of the UNCTAD estimate of total FDI holdings of the world in the Maghreb (\$49.2 billion). Foreign investment in petroleum and natural gas production likely dominate the FDI picture. Interestingly, US and Norwegian investment in Algeria—\$4.1 billion and \$1.5 billion, respectively—account for over 92 percent of total inward FDI stocks in Algeria and nearly 62 percent of total FDI stocks in the five Maghreb countries held by the limited number of individual source countries identified in table 5.7.

Including US long-term investment in Morocco and Tunisia—about \$300 million in each country—total US investment in the Maghreb is \$4.7 billion. By comparison, total EU long-term investment appears to total just \$2.0 billion, of which the largest part is reported to be Swedish investment in Morocco (\$1.3 billion). These statistics suggest that US oil and gas interests in the Maghreb are greater than those of the European Union. Given the large discrepancy in aggregate totals (noted above), the FDI data by source country shown in table 5.7 may miss some important EU investments in the Maghreb. Among the other source countries with appreciable reported foreign investment in the Maghreb, the most prominent are China (\$229 million, principally in Algeria), Switzerland (\$244

Table 5.7 Inward stocks of foreign direct investment in Maghreb countries by source country, 2005 (millions of US dollars at historical cost)

	Maghreb host country					
Source country	**Algeria**	**Libya**	**Mauritania**	**Morocco**	**Tunisia**	**Total**
European Union	0.7	0.0	0.0	1,715.1	295.1	2,010.9
Czech Republic[a]	0.2	—	—	—	—	0.2
Germany[a]	—	—	—	203.0	115.8	318.8
Netherlands	—	—	—	132.1	—	132.1
Portugal[b]	0.5	—	—	123.1	179.3	302.9
Slovenia[a]	—	—	—	0.4	—	0.4
Sweden	—	—	—	1,256.5	—	1,256.5
Other Europe	1,522.5	0.0	0.0	217.0	27.2	1,766.7
Norway[a]	1,522.5	—	—	—	—	1,522.5
Switzerland	—	—	—	217.0	27.2	244.2
North America	4,308.4	0.0	5.0	285.0	286.0	4,884.4
United States	4,092.0	—	5.0	285.0	286.0	4,668.0
Canada	216.4	—	—	—	—	216.4
Asia	279.1	91.6	2.4	48.4	2.2	423.7
China	171.2	33.1	2.4	20.6	2.2	229.4
Korea	107.9	—	—	25.4	0.1	133.4
Malaysia	—	—	—	2.4	—	2.4
Pakistan[a]	—	58.5	—	—	—	58.5
Arab Maghreb Union	1.2	0.0	49.1		1.0	51.3
Morocco[a]	1.2	—	49.1		1.0	51.3
Memorandum items: Total inward stocks						
Source countries	6,112	92	57	2,266	612	9,137
World	8,272	533	684	22,818	16,924	49,231

— = value is not reported by source

a. 2004 value.
b. 2003 value.

Sources: Source-country figures are those reported by either the source country or the host country in UNCTAD, *Trade and Development Report*, 2006 and 2007. World figures are estimates from UNCTAD, *World Investment Report*, 2006.

million, principally in Morocco), Canada ($216 million in Algeria), and Korea ($139 million, principally in Algeria). All these figures are likely to be understated in light of the discrepancy in aggregate totals. Finally, the UNCTAD data indicate that, within the AMU, only Morocco-based multinational firms have invested substantially in the region: $49 million in Mauritania and just $1 million in Algeria. Even if these figures are understated, they suggest that there is little integration of economic activity within the AMU based on cross-border investments.

Barriers to Trade and Investment

As in many developing countries, central planning and import substitution policies dominated economic policies in the Maghreb until global pressures led to economic reforms in the 1990s. These reforms are anchored in multiple international accords: the lending programs of bilateral and multilateral donors with several AMU countries, EU association agreements and the Barcelona Process, US trade and investment framework agreements (TIFAs) and the US-Morocco FTA, and the process of WTO accession presently being pursued by Algeria (since 1987) and Libya (since 2004).[6] Because of these accords, regional trade and investment barriers are coming under pressure to be substantially reduced if not eradicated. Actual progress can sometimes be detected in liberalizing restrictive border measures and sometimes behind-the-border measures.

A detailed examination of the trade and investment reforms either underway or proposed in the Maghreb is beyond the present study. To conclude this introduction, however, we present a thumbnail sketch of trade and investment protection in the region.

Tariffs

The readiest indicator of protection enforced in the Maghreb countries is the level and structure of most favored nation (MFN) tariffs (table 5.8).[7] Surprisingly, given that it is the least-developed country in the AMU, Mauritania posts the most liberal tariff regime in the Maghreb, with an average tariff rate of just 12 percent on both agricultural and nonagricultural goods and a maximum tariff of just 20 percent across the board. The three major Maghreb countries—Algeria, Morocco, and Tunisia—enforce

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6. Mauritania, Morocco, and Tunisia are among the founding members of the WTO.

7. Tariff data for Libya are not yet reported by the WTO. Also, our discussion of protection in the Maghreb countries abstracts from duty-free entry of merchandise imports from the European Union under the EU association agreements with Algeria, Morocco, and Tunisia, and from the United States under the US-Morocco FTA. It also abstracts from the uncertain progress of trade liberalization under the various bilateral and regional trading agreements with other MENA countries to which several of the Maghreb countries are party, including particularly the Arab Maghreb Union (AMU; all five Maghreb countries) and the Greater Arab Free Trade Area established under the auspices of the League of Arab States (GAFTA; Libya, Morocco, and Tunisia with 14 other Arab League members). By most reports (e.g., Dennis 2006), the AMU free trade area has yet to be fully established owing, inter alia, to territorial disputes and sharp political differences between countries in the Maghreb. Moreover, although import tariffs on merchandise trade among the GAFTA countries were reportedly eliminated in 2005, the GAFTA rules of origin stipulate a somewhat steep domestic content requirement of 40 percent for goods to qualify for duty-free treatment. Most importantly, it is uncertain whether the GAFTA has also completely eliminated nontariff barriers restricting trade between the signatory Arab League members.

Table 5.8 Most favored nation (MFN) applied duties in the world versus Maghreb countries by product group, 2006
(percent)

					Algeria			Mauritania			Morocco			Tunisia		
Product group	World average	OECD average	LDC average	Maghreb average	Average	Free	Maxi-mum	Average	Free	Maxi-mum	Average	Free	Maxi-mum	Average	Free	Maxi-mum
Agricultural	14.3	11.5	15.2	33.3	21.9	—	30	11.6	—	20	43.7	—	329	55.8	—	150
Animal products	16.6	8.4	18.4	60.6	27.9	0	30	16.6	4	20	112.4	0	329	85.6	0	150
Dairy products	18.1	21.4	18.2	51.4	22.4	0	30	13.5	10	20	78.2	0	109	91.3	0	154
Fruit, vegetables, plants	12.2	8.6	13.2	43.9	24.8	0	30	16.1	6	20	43.4	0	52	91.1	3	150
Coffee, tea	15.0	9.8	16.7	31.4	26.5	0	30	15.1	0	20	37.8	0	50	46.1	5	73
Cereals and preparations	12.2	23.1	12.1	39.3	24.7	1	30	11.8	15	20	45.4	0	172	75.1	3	150
Oilseeds, fats and oils	9.9	7.6	10.6	22.4	19.4	0	30	4.9	34	20	25.8	0	152	39.6	0	150
Sugars and confectionery	14.0	5.8	15.5	24.8	25.0	0	30	6.6	6	20	33.1	0	60	34.3	13	100
Beverages and tobacco	24.4	16.1	25.5	36.5	26.6	0	30	17.9	0	20	37.2	0	52	64.2	0	150
Cotton[a]	—	—	—	3.3	5.0	0	5	5.0	0	5	3.0	0	3	0.0	100	0
Other agricultural products	6.4	2.7	6.9	19.4	17.1	0	30	8.4	3	20	21.0	0	52	31.0	16	150
Nonagricultural	9.4	2.9	10.3	20.1	19.3	—	30	11.8	—	20	26.3	—	50	23.1	—	43
Fish and fish products	14.0	2.9	15.8	33.9	29.2	0	30	19.9	0	20	46.6	0	50	39.7	0	43
Minerals and metals	8.0	1.9	8.8	16.7	16.6	1	30	10.4	4	20	20.0	0	50	19.7	12	43
Petroleum	8.0	1.5	9.0	16.1	19.4	29	30	9.0	11	20	30.3	16	50	5.5	70	43
Chemicals	6.0	2.1	6.4	13.0	14.7	0	30	5.6	22	20	17.3	0	50	14.3	8	43
Wood, paper	9.3	1.5	10.5	24.7	19.4	0	30	8.8	20	20	38.2	0	50	32.3	4	43
Textiles	13.5	7.4	14.7	21.2	24.3	0	30	13.6	3	20	22.0	0	50	24.8	6	43
Clothing[b]	—	—	—	35.3	30.0	0	30	20.0	0	20	48.4	0	50	42.7	0	43
Leather, footwear	11.1	5.0	12.1	25.0	19.3	1	30	12.4	1	20	39.3	0	50	28.8	0	43
Nonelectrical machinery	5.3	2.0	5.5	8.5	9.0	0	30	6.4	15	20	8.9	0	50	9.6	58	43
Electrical machinery	8.6	2.3	9.3	15.1	17.1	0	30	10.0	0	20	13.4	0	50	19.8	13	43
Transport equipment	9.3	3.1	10.0	15.2	11.0	21	30	12.1	16	20	18.7	0	50	19.1	29	43
Manufactures, nes	10.3	2.4	11.5	17.2	22.0	6	30	13.6	9	20	12.3	0	50	20.7	20	43

— = value is not computed or reported by source
OECD = Organization for Economic Cooperation and Development
LDC = less developed country
nes = not elsewhere specified

a. World, OECD, and LDC averages for other agricultural products include cotton.
b. World, OECD, and LDC averages for textiles include apparel.

Notes: Duty rates are simple averages. World denotes all reporting countries, OECD all high-income OECD countries, and LDC all low- and middle-income developing countries in the Trade Analysis and Information System (TRAINS) database, 2008.

Sources: World Trade Organization statistics database, 2008, for Maghreb duty rates, available at www.stat.wto.org; UN Conference on Trade and Development, Trade Analysis and Information System (TRAINS) database, 2008, for world, OECD, and LDC duty rates.

much more restrictive tariff regimes. Applied MFN tariffs average 20 percent in Algeria and are even higher in Morocco and Tunisia. Also, both Morocco and Tunisia maintain higher tariff rates on animal and food products than on most other imports. This pattern presumably reflects concerns about food security and may well be accompanied by direct controls on domestic food prices. At the same time, the bias against agriculture (except food) enforced through industrial protection in the Maghreb appears to have been reduced during the last decade through some liberalization of erstwhile import substitution tariff policies that favored urban-based manufacturing.[8]

Except Mauritania, the average height of applied tariffs in the Maghreb is, nearly everywhere, at least double the height of applied tariffs found in the world at large or in the aggregate of low- and middle-income countries worldwide (table 5.8). Protection is thus significantly higher in the Maghreb than in competing countries in the global economy, hindering the Maghreb countries from enjoying greater gains from enlarged trade and making them generally less attractive to outward-oriented foreign investment by multinational firms.

Nontariff Barriers

NTBs to protect domestic producers from import competition can take many forms and they have long been recognized as generally more distortionary than tariffs—and hence more costly in economic terms. They are seldom entirely transparent to consumers, making them resistant to effective political opposition. They are favored, of course, by protected domestic firms and the numerous public officials who benefit from bribes collected in the course of administration.

Current information about NTBs applied in the five Maghreb countries is difficult to acquire. The most recent information, available from the UNCTAD Trade Analysis and Information System (TRAINS),[9] covers only Morocco for 2001 and Algeria and Tunisia for 2002. The figures indicate that the three countries augment their import tariff regimes using a variety of restrictive measures. Algeria appears to apply NTBs less frequently than either Morocco or Tunisia do. The TRAINS data indicate that Algeria applies nontariff measures to 417 products that are predominantly nonagricultural goods (65 percent), whereas Tunisia applies non-

8. On the structure of protection in North African countries during the early 1990s, see DeRosa (2000). See Bautista and Valdes (1993) for discussion of the issue of the bias against agriculture in developing countries.

9. The Trade Analysis and Information System (TRAINS) is available at www.unctad.org (accessed July 7, 2008).

tariff measures to 746 products that are also predominantly nonagricultural goods (75 percent). Morocco applies NTBs to 1,204 products that are more or less evenly divided between agricultural and nonagricultural goods. However, Algeria employs the greatest variety of NTBs, including administered pricing schemes, restrictive licensing of imports, outright prohibitions, single channels for imports (involving state or monopoly trading firms), and assorted technical barriers. Tunisia's NTBs, on the other hand, are limited mainly to import licensing arrangements and various technical barriers that discriminate against foreign goods. Finally, Morocco's arsenal of direct import controls and other nontariff measures include quantitative restrictions, state trading organizations, and a number of technical barriers, as well as requirements for the preshipment inspection of some imported goods.

Barriers to Investment and Trade in Services

Many public and private economic policymakers recognize severe barriers as a problem in the Maghreb. With renewed regional integration efforts in the greater Middle East and North Africa (MENA) area, the Maghreb countries have become engaged more actively in bilateral and regional discussions. New or renewed economic cooperation arrangements—covering not only merchandise trade, but also foreign investment and trade in services—are contemplated within the region and with other prominent MENA countries. In addition, ratification of the US-Morocco FTA in 2004 and the increasing number of Maghreb countries that have signed or will sign US TIFAs both attest to considerable regional interest in taking more determined steps toward economic growth through closer economic relations with the United States, if not also with the European Union through the Barcelona Process and European Neighborhood Policy (ENP) dialogues.

If Morocco's experience in its FTA negotiations with the United States holds true for the other Maghreb countries, a number of barriers to foreign investment and trade in services in the region will be identified and discussed in the near future in both the TIFA talks and the ENP dialogues with Algeria, Libya, and Tunisia. Primary areas for discussion are likely to be the transparency of national laws and regulations, national treatment of foreign manufacturing and services firms, establishment rights and nondiscriminatory entry to local markets for foreign firms producing goods and services,[10] protection of private contracts and intellectual property rights, and freedom to repatriate profits (see, for example, USTR 2008).

10. Including finance and banking, telecommunications, computer services, distribution services, mining and construction, and engineering.

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