



Middle East and North Africa Program



Algeria-Morocco Business Dialogue: The Agricultural and Food Manufacturing Sector

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On January 20–21, 2020, the EastWest Institute (EWI) held its first meeting in Berlin as part of its new Algeria–Morocco Business Dialogue, an initiative aiming to address the impediments to greater cross-border trade.

By Charles Elkins, EastWest Institute

By convening sector-specific meetings between local business people from both countries, the project aims to produce a concrete set of feasible recommendations to encourage greater bilateral trade.

The inaugural January meeting brought together small to medium-sized business leaders from the agricultural sector to consider boosting greater trade on a micro level, as well as discuss the shortcomings and challenges of each countries' agricultural and trade policy.

Background

Though sharing a 1,600 kilometer border, trade between Algeria and Morocco has been surprisingly nonexistent despite boundless potential. The border is one of the globe's longest closed frontiers within one of the least economically integrated regions in the world. According to the Observatory of Economic Complexity, only 1.2

percent (450 million USD) of Algeria's total export trade went to Morocco, and only 0.56 percent of its total imports originate from its neighbor to the west.¹

Political and historical tensions lie at the root of these paltry figures, with distrust within both capitals taking precedence over economic pragmatism. Moreover, the repercussions of the border closure go beyond the two countries, negatively affecting the ability of exporters and importers to transport goods across the entirety of North Africa. The continued closure of the border is estimated to cost both countries around two percent of their growth rates, with the International Monetary Fund (IMF) (2018) estimating annual losses at around 16 billion USD.² Nonetheless, the

¹ "Products that Algeria exports to Morocco," The Observatory of Economic Complexity, 2017. https://oec.world/en/visualize/tree_map/hs92/export/dza/mar/show/2017/.

² Youssef Kaidi, "Separated Families and Lost Opportunities: The Closed Algeria-Morocco Borders," 2018. <https://insidearabia.com/borders-algeria-morocco/>.

IMF approximates Algeria's trade complementarity (TC) with Morocco at 11.4 percent (higher than the country's current main export partner Italy at 10.1 percent) and likewise, places Morocco's TC with Algeria at 12.9 percent.³

Context

The closed border between Algeria and Morocco defines the unfortunate, tumultuous relationship between the two countries.

Since 1994, the loss of revenue as a result of the border closure not only inhibits the economic development of Algeria and Morocco but the entire Maghreb region. Despite the existence of multiple free trade agreements between the regional countries (including Algeria and Morocco), aiming to promote economic

³ Alexei Kireyev et al., "Economic Integration in the Maghreb: An Untapped Source Of Growth," IMF, 2019. <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2019/02/08/Economic-Integration-in-the-Maghreb-An-Untapped-Source-of-Growth-46273>.



The border between Saidia in Morocco and Marsa ben M'ehdi in Algeria (Samere Fahim Photography / Getty Images)

integration and development horizontally, such initiatives have yet to produce their intended objective.

Established in February 1989, the Arab Maghreb Union (AMU) remains the most prominent regional free trade agreement. Unfortunately, the union is currently dormant, with the member countries (Algeria, Libya, Mauritania, Morocco and Tunisia) having not formally met in over a decade. In addition, both countries are signatories to the Greater Arab Free Trade Area (GAFTA)—the main regulatory framework underpinning Algerian-Moroccan trade.

Within the AMU, significant legislation for the possible establishment of a formal customs union among the member states is already in place. In principle, this agreement should exempt member states from each other's respective customs duties and taxes. However, regional politics have overshadowed such agreements, with restrictive economic policies being put in place as a reaction, seriously compromising the region's vast potential.

Nevertheless, according to the IMF in 2018, greater AMU integration would create a market of 100 million people, each with an average income 4,000 USD.⁴

Being the two biggest economies in the region, Algerian-Moroccan relations are key to unlocking the Maghreb's wealth. Yet, on average, Algeria and Morocco export 25 and 40 times more to the rest of the world respectively than to their closest neighbors.⁵ This is despite the fact the respective markets in both countries complement each other—hydrocarbon dependent Algeria faces macroeconomic challenges following the fall in oil prices in 2014, and Morocco is a relatively diversified producer of agricultural and car products vulnerable to persistent external demand.

4 Mary Barth, "Regionalism in North Africa: the Arab Maghreb Union in 2019," Brussels International Center, 2019. <https://www.bic-rhr.com/research/regionalism-north-africa-arab-maghreb-union-2019>.

5 Ibid.

Experiences— Room to Maneuver?

The lack of trade between the Maghreb's two biggest economies is emblematic of a greater regional issue: none of the AMU members are currently major trading partners with one another.⁶ This state of affairs is perpetuated by the fact that there are few shipping or transport lines between Algeria and Morocco, as well as the wider Maghrebi region.

Although maritime transport is the main conduit for regional trade, most ports in the region are geared towards Europe. Moreover, regionally speaking, only Morocco's Tangier port can compete with international standards. As a result, most intraregional trade has to flow through third-party ports in Europe, such as Almeira in Spain, Rotterdam in the Netherlands or in the case of Algeria and Morocco specifically, via Marseille.⁷

6 Ibid.

7 Kireyev, "Economic Integration in the Maghreb."

These difficulties and impediments to trade were brought up several times during discussions at the January dialogue, which in turn, confirmed the propensity for regional exporters to conduct business in markets further afield than their immediate neighbors.

Participants complained of cargo being stopped at borders and thereby, seriously hampering the quality of their produce. Others confessed to bureaucratic issues when it came to crossing the Algeria-Morocco border. Furthermore, some members of the delegation admitted to not conducting any form of business in the other country because of a lack of feasibility in cross-border trade, as well as the transport costs between Tangier and Oran.

Nonetheless, increased trade between Algeria and Morocco is key to opening up the entire region to greater economic integration. Moreover, the fact that Algeria remains the main destination in the Maghreb for Moroccan product⁸ demonstrates that there is ample room to maneuver in this regard; participants spoke openly of the product gaps in both markets, which could be filled by local competitors.

Even though relations between the two countries remain tense, both states do cooperate in several domains, including security.⁹ This cooperation can and should go beyond security to include economics. Identifying possible means to increase the volume of trade between Algiers and Rabat would not only go some way to resolving mutual domestic issues concerning unemployment and diversification, but could play a major part in helping

the region develop better value chains and formulating a greater negotiating capacity when it comes to major trading blocs like the EU.¹⁰

With this in mind, participants at EWI's inaugural Algeria-Morocco Business Dialogue deliberated several means by which the business communities could better engage one another in spite of political and regional tensions.

Recommendations

Association of Media in both

Countries: A common complaint throughout the discussions was the lack of public information in both countries concerning the other. Multiple participants highlighted the need to overcome this lack of information in order for both Algeria and Morocco to build a brand in each country. In both countries' respective markets, certain countries and regions, for instance the U.S. and the EU, are associated with particular goods and quality standards. To facilitate trade, a prospective "Algeria," "Morocco" or even "Maghreb" brand must be fostered for both the local and international markets. The associated media can play a crucial role in this regard by informing the public in the region of the goods available across the border.

Fairs and Exhibitions: A major part of increasing the dissemination of public information in both countries could be the organization of more country or trade-specific fairs and exhibitions. This could take the form of a two pronged approach whereby the aforementioned brands of each country and the region are built over a period of time to increase the flow of trade between Morocco and Algeria and to increase exports outside the region.

Conferences by sector and industry:

The very basis of EWI's Algeria-Morocco Business Dialogue offers a blueprint for more, possibly larger sector/industry specific conferences to take place in the respective capitals and cities of both countries. This would entail fostering cooperation within the business sector and establishing channels of communication to build upon in the future when the political context is more conducive to broader cooperation.

Found an Internet platform

to share experiences and best practices between business professionals trying to import/export across the border. Given the lack of communication between both countries' respective governments, the business community can fill this void by using such a platform to build mutual trust and collaborate on creative solutions to navigating governmental policy regarding cross-border trade. This will not only ensure maintained bilateral business relations, but foster a culture of cooperation and trust on both sides of the border.

Enlist the help of the AHK's (German Chambers of Commerce in Algeria and Morocco)

in both countries in order to form a solid base of reliable contacts. The AHK's can simultaneously act as trustworthy networks and as mediators between the respective business communities in Algeria and Morocco until a more fluid flow of communication begins to take place on both sides of the border. The AHK in Algeria has already expressed a willingness and interest in playing such a role to facilitate greater interaction and integration of the regional business communities.

⁸ Barth, "Regionalism in North Africa."

⁹ Djallil Lounnas and Nizar Messari, "Algeria-Morocco Relations and Their Impact on the Maghrebi Regional System," MENARA, 2018. https://www.iai.it/sites/default/files/menara_wp_20.pdf.

¹⁰ Kireyev, "Economic Integration in the Maghreb."