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Regional Integration
in North Africa 2013

Intraregional Trade and Trade Facilitation

December 2013

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Foreword

Regional integration plays an important part in expanding the potential for development and improved well-being of countries. The benefits include increased trade, greater international presence, improved balance of power in international negotiations, political and security stability and job creation. It enables the countries involved to build a shared and integrated vision of a prosperous future, where the destinies of their peoples are interconnected in prosperity, solidarity and peace.

North Africa is not isolated from the continental efforts to achieve integration. The countries of the subregion are grouped into three regional economic communities: the Arab Maghreb Union (AMU), the Community of the Sahel-Saharan States (CEN-SAD) and the Common Market for Eastern and Southern Africa (COMESA). Various levels of progress have been achieved depending on the context and on the potential for integration. The events that took place in the subregion in recent years have had a powerful impact on the political and institutional stability required for regional cooperation, which has led to the refocusing of public policy priorities towards activities capable of responding to the urgent needs of the people. The AMU summit, expected to have been held in the past two years, could not take place due to the political changes experienced by the member countries, thereby denying the region a more sustained resumption of the integration process.

In tandem with the efforts made by the countries, the Economic Commission for Africa (ECA) Subregional Office for North Africa publishes an annual report on regional integration to highlight the progress made and the problems encountered by countries in their efforts to build an integrated regional market. The report is intended to serve as an annual update for the information of the public authorities, the private sector, civil society and the community institutions, providing clarification on a specific theme. The 2013 report deals with trade facilitation and its role in regional integration.

The report examines the status of intraregional trade, in an attempt to identify the major trends. It also offers a roadmap to be implemented by North Africa to facilitate trade and take advantage of its under-tapped trade potential. The roadmap includes the different participants in the supply chain and proposes measures based on the challenges identified by the different indicators designed by the international organizations.

Lastly, the report provides information on the current status of the analysis currently being carried out by ECA to create an African regional integration index. This tool is intended to be a relevant quantitative and qualitative instrument for assessing the synergy among African economies at the regional and continental levels. The study is moving forward and the conceptual and methodological approach proposed by ECA will be shared with the member States, in an effort to pay full attention to the most relevant indicators for the countries of North Africa. Its adoption and effective implementation will require the commitment of everyone, especially to produce and share regular and reliable statistical data, for in-depth analysis and more efficient management of regional integration systems.

Karima Bounemra Ben Soltane

Director, ECA North Africa Office

Introduction

Regional integration is a key aspect of the economic development of the countries of North Africa. Trade is an important element of this. It is clear that trade within the region is one of the weakest in Africa. The Arab Maghreb Union has not quite managed to create the strong momentum for promoting trade, called for by its member countries.

Trade facilitation measures, such as the development of infrastructures, improved border management and removal of non-tariff barriers can contribute to promoting trade within North Africa. Implementing these measures requires the political will to introduce reforms to remove obstacles and support economic operators.

Trade facilitation is also on the agenda of the Doha Development Round and has been taken up in international negotiations, with a call to the industrialized countries to provide support to the developing countries, particularly the least developed ones. The recent outcomes of the World Trade Organization Ministerial Conference, held in Bali, Indonesia, testify to this[1].

The purpose of this report is to present the status of the regional integration process in North Africa and provide an analysis on the subject of trade facilitation and its contribution to genuine integration in the subregion. The report is divided into five chapters: the first gives an overview of major regional cooperation events in 2013,which contributed to regional integration; the second briefly analyses the dynamics of trade within North Africa, highlighting the role of manufactured goods; the third chapter presents the role played by trade facilitation in fostering trade; and the fourth chapter is an analysis of progress made by the countries of the subregion in facilitating trade, based on indices and indicators drawn up by various international organizations. It also includes recent work by the Economic Commission for Africa to create a regional integration index.

[1] See page 24 for more details.

Chapter I

Regional cooperation in 2013

The political and security instability, which followed the insurgencies in some countries of North Africa, leading, in some cases, to regime change, have affected the dynamics of strengthening cooperation among the countries of the subregion. Indeed, bilateral and multilateral events designed to promote partnerships in 2013 declined in number and in the level of participation.

A. Bilateral cooperation

Three bilateral “high commissions” were conducted in 2013 between Mauritania and Algeria, Morocco and Mauritania and Libya and Morocco respectively. The seventeenth session of the Mauritania-Algeria joint high commission took place in March 2013, in Nouakchott. Three cooperation agreements were signed on water resources, animal health and marine fisheries. The two countries also signed two executive programmes on literacy and youth and sports.

The seventh Morocco–Mauritania joint high commission was held in April 2013, in Nouakchott. Participants explored the prospects of revitalizing the economic partnership and cooperation between the two countries and also highlighted the convergence of views on a number of international issues. The commission called for the development and diversification of trade between the two countries by reviving the Morocco-Mauritania trade council to foster the creation of joint companies and investments. Eleven agreements, five executive programmes and a memorandum of understanding were signed at the close of the meeting.

The second meeting of the commission for dialogue and political consultation between Libya and Morocco was held in October 2013 in Rabat. Trade and cooperation between the two countries gained impetus in that year, when they signed a cooperation agreement to foster economic and trade relations. The agreement, signed at the Ramadan trade fair in Casablanca, is for a three-year action plan (2014-2016) to support promotional activities, exchange of information and skills, market studies, training and assistance to businesses.

Mauritania hosted several multilateral events in 2013, and engaged in bilateral partnership programmes. For instance, the country strengthened its relations with the Sudan for skills transfer in air transport and information and communication technologies.

B. Multilateral cooperation

The topics discussed at ministerial councils held in the Maghreb and in meetings of other subregional coordination mechanisms included the economy, especially the proposed free trade zone, peace and security and institutions.

Economic cooperation

The fourteenth session of the Maghreb interministerial transport council took place in Nouakchott in March 2013. The goal of the meeting was to promote institutions and lay the foundations for reducing the phenomenon of isolation among them. The countries called for an accelerated pace of exchanges in transport of goods and persons, development of air transport and intensification of liner shipping.

The eight meeting of experts of the Maghreb ministerial finance and monetary council was held in May 2013, in Marrakesh, Morocco. The experts considered issues such as cooperation in the tax and customs sectors and the establishment of the Maghreb Bank for Investment and Foreign Trade and the steps involved in launching it later in the year.

A meeting of the monitoring committee for the implementation of the recommendations of the Maghreb conferences on economic integration was held in March 2013, in Nouakchott. The Committee considered the issue of providing the authorities of the member countries with information on taking the decision to accelerate economic integration in the Maghreb.

The ministers of foreign affairs of the five countries of the Maghreb met with the European Commissioner for Enlargement and European Neighbourhood Policy, in September 2013, in New York, to discuss the changes taking place in the subregion and ways of strengthening cooperation between the two entities. It was agreed that regional cooperation between the European Union and the Maghreb should be constructed around four priority areas:

- Political dialogue and cooperation in the security sector
- Agriculture, environment and water resources (including rural development, fisheries, desertification and climate change)
- Industry, infrastructures, trade, investments and technology (including tourism, energy, information and communication)
- Human development, including scientific research, technology transfer, vocational training, employment, youth, sport and the free movement of persons

Peace and security

The Council of Ministers of Interior of the countries of the Arab Maghreb Union, meeting in April 2013, in Rabat, drafted “a joint security strategy for the Maghreb”, adopting some 20 resolutions, which fall into four main areas:

- Combating terrorism and organized crime
- Combating illegal immigration and human trafficking
- Combating the trafficking of drugs and psychotropic substances
- Civil protection

The Council agreed to hold annual meetings of interior ministers for coordination and consultation prior to all international or regional meetings.

The Prime Ministers of Algeria, Libya and Tunisia met in January 2013, in Libya, to discuss the issue of border security “by combating the movement of weapons and ammunitions and other types of trafficking”. The border between Tunisia and Libya is regarded as a major trafficking site in the subregion, particularly for weapons recovered from the Libyan arsenals during the 2011 political and military events. In December 2013, Libya decided to close its borders with Algeria, Chad, the Niger, and the Sudan, decreeing the South to be a closed military zone because of deteriorating security in the region. The three countries of the Maghreb announced their decision to create common control posts and coordinate border patrols to guarantee security and combat arms trafficking and organized crime.

The Arab Maghreb Union ministers of youth and sports, who met in May 2013, in Tunis, to discuss security in the region, agreed to adopt a common approach to preventing drug trafficking, terrorism and organized crime. They also condemned the manipulation of socially and psychologically unstable youth to involve them in criminal activities, violence, fanaticism and illegal immigration. As far as sport was concerned, the task was to design effective mechanisms to deal with training, employment and supervision within the organizational fabric, sports clubs and cultural associations and within other aspects of civil society, so as to entrench the values of moderation and level-headedness in young people.

Food security

The seventeenth session of the specialized ministerial committee on food security was held in February 2013, in Tripoli to consider food security issues in the countries of the Maghreb and joint programmes to promote agricultural and animal husbandry, best practices in the management of fishery resources and parasite control. Topics dealt with included implementation of agreements signed by the member countries in the agricultural, livestock and fishery sectors, implementation of joint programmes on desertification and drought control and combating climate change.

The Maghreb cereals and beans institution, which emerged from the special ministerial committee on food security, held a meeting in June 2013, in Nouakchott, where participants reviewed programmes and projects on climate change adaptation of seed multiplication; the establishment of a Maghreb gene bank for the protection of seed species and products that proliferate in the Maghreb; and cooperation with international and regional organizations in the sector.

Institutional cooperation

The eleventh session of the AMU Health Ministers' Council took place in Rabat in January 2013. The main subjects tackled at the meeting were: provision of health services in distant and remote areas, interference between the public and private sectors and the drug policy in the Maghreb region. The meeting recommendations focused on maternal and child health, vocational training and drug policy.

The twenty-fifth meeting of the legal authority of the Arab Maghreb Union took place in April 2013 at the headquarters of that institution in Nouakchott, as part of coordinating cooperation between the general secretariat and the institutions of the Union, to promote joint action in the Maghreb. Several draft legislations were presented for consideration prior to submission to the appropriate ministerial authorities.

In September 2013, the Morocco Ministry of Higher Education and Scientific Research held the first conference of ministers responsible for scientific research in the "Dialogue 5+5", countries to further boost cooperation in scientific research among the countries of the Western Mediterranean region. Ministers at the meeting signed the "Rabat Declaration", a document which should prepare the ground for increased cooperation among the parties concerned.

Also in September 2013, a meeting of Maghreb universities was held in Bouznika on a joint specialized training project called "MasTech", which offers a professional Master's degree in manufacturing, funded by the European Commission under the Tempus programme. The

Master's degree, a multidisciplinary course geared towards the industrial trades, was designed and implemented in consultation with industrialists of the manufacturing sector, to offer high quality training, tailored to the requirements of the industrial sector. The course should be available at the beginning of the 2014-2015 academic year.

In April 2013, the Moroccan cities of Casablanca, Rabat, El Jadida and Kenitra hosted the first meeting of the Forum universitaire maghrébin des arts on the theme, "Utopia". Five hundred students from 30 Algerian, Moroccan and Tunisian universities presented some 80 original projects at the event. Organized by the Maghreb Bureau of the Agence universitaire de la francophonie, this initial forum sought to spotlight the wealth and diversity of academic creation in the Maghreb, through events such as concerts, exhibitions and writers' workshops.

The Inter-ordre des pharmaciens maghrébins (Maghreb pharmacists' association) held its annual meeting in March 2013, in Marrakesh, on the margins of the tenth Salon Officine Expo 2013 (pharmacy fair), to discuss the development of mutual health scheme regulations for pharmaceuticals. Participants shared information and created a database on the regulatory and legislative framework of the profession. The main purpose of this institution is to ensure ethical conduct in pharmaceutical practice in the countries of the Maghreb.

In January, editors, journalists and experts of the Maghreb, meeting in Hammamet (south of Tunis), announced a proposal to create a Maghreb observatory of journalism**,** tasked with monitoring ethical conduct in the Maghreb media, for which it proposed to award a prize to the best media company or journalist. At the end of the meeting, participants also adopted a code of ethics for journalists of the countries of the Arab Maghreb, designed to be a set of rights and responsibilities governing the journalism profession, the relationship between journalists and their relationship with the public. "Maghreb media ethics day" will be celebrated each year on 24 January.

The third Maghreb forum of female elected representatives and working women was held in May 2013 at Laâyoune, Morocco, and attended by delegations representing the five countries of the Maghreb. The goal of the meeting on "Common cultural factors, a platform for the establishment of tolerance, the achievement of development and the construction of Maghreb unity" was to lay the foundations for a joint European-Maghreb forum of women leaders for peace, culture and development.

Construction of the Free Trade Zone

Twenty-two years after its announcement in 1991, the Maghreb Bank of Investment and Foreign Trade was finally established in May 2013, in Marrakesh. Its founding charter was signed by Maghreb Ministers of Finance, on the margins of their eight annual meeting, according to a report recording the resolutions adopted. Endowed with an initial called capital of $150 million, the head office of the Bank will be in Tunis. The Board of Directors will be chaired by a representative from Algeria, for a one three-year term and the Chief Executive Officer will be a Tunisian, who will also serve for a one four-year term on rotational basis.

The thirty-first session of the Maghreb Foreign Ministers' Council**,** held in May 2013, in Rabat, called for strengthened cooperation in the banking sector and the free movement of persons, services and goods. The AMU countries also decided to create a coordination mechanism for Maghreb ambassadors in Brussels, to intensify consultation, exchange of views and assessment of the European Union position on the issue.

Subregional cooperation in 2013 was affected by the political and security instability experienced by some North African countries. The heightened bilateral and multilateral relations noted in 2012 seemed to have given way to a certain weakness, indicative of new national priorities focused on internal dynamics.

Restoring cooperation and integration in the region is a major challenge, in view of the recent events in the subregion. This , however, offers a significant opportunity to support sustainable and inclusive growth. The establishment of the free trade area is the first step in promoting trade and supporting economic growth. As a result of the free trade area, a number of potential growth areas could be tapped, given the link between economic growth and business potential in the subregion and international trade.

Chapter II

Analysis of intraregional trade

In this chapter, the recent development of intraregional trade, one of the factors contributing to strengthening integration in the North Africa subregion, is discussed to identify the major trends and lessons to be learned. The data analyzed relate to the 2012 exports of the member countries of the subregion[2].

Emphasis will be on the nature of the products traded, drawing a distinction between basic commodities with little value added, and manufactured goods, which undergo processing, thereby adding to their value. This analysis is important because of the need for structural transformation of the economies of the subregion, to ensure their integration into global value chains, so as to boost the industrial take-off of North Africa.

For the purposes of the present report, the analysis will be confined to the subgroups of products, to evaluate their recent development and identify the key lessons to be learned.

A. Development of trade in North Africa

1. Intraregional trade in North Africa in 2012

Intraregional trade in North Africa experienced a spectacular growth of over 42 per cent in 2012, compared to the previous year, from a volume of $7 billion to slightly under$10 billion dollars. This was after a drop of nearly3.3 per cent in regional trade, following the 2011 events, which led to a sharp decline in intraregional and foreign trade. This positive trend followed a sharp drop of over 3 per cent in the volume of trade in 2011.

Table 1: Development of intraregional trade in North Africa,from2006 to2012[3], in thousands of dollars

	2006	2007	2008	2009	2010	2011	2012
Total all products	3794325	4783453	7460008	6503408	7275871	7034407	9998392
All products distributed	**3793157**	**4775204**	**7452683**	**6493168**	**7266894**	**7026676**	**9986928**
Basic commodities, precious stones and gold	**2204647**	**2785860**	**4409021**	**3337280**	**3917382**	**4475931**	**5998665**
Basic commodities	2204647	2785577	4409004	3337195	3911058	4475883	5998634
Basic commodities excluding fuels	722156	850638	1218113	1289258	1587961	1746541	1820834
Food products, drinks and tobacco	530734	625979	905702	998218	1250025	1462111	1483318
Raw materials of agricultural origin	517571	609532	890517	975625	1230154	1423112	1435556
Ores and metals	477669	574153	847658	915444	1181062	1350180	1354868
Fuels	13163	16447	15185	22593	19871	38998	47761
Pearls, gemstones and similar and gold	32863	40196	59809	71320	87128	63833	83275

2 Unless otherwise stated, data for this chapter are taken from the UNCTADstat database.

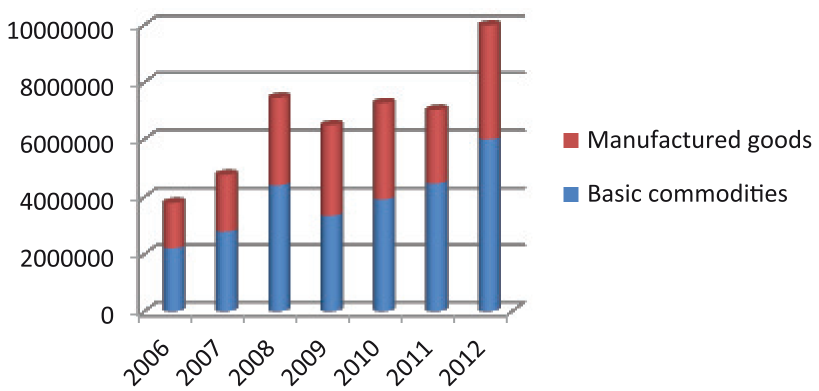
3 The titles of the headings and subheadings presented in the table do not necessarily correspond to the selected and illustrative content of each of these headings and subheadings.

Manufactured goods	**158558**	**184461**	**252600**	**219719**	**250807**	**220595**	**254241**
Chemical products	116358	115674	133166	160740	177874	149137	165433
Machines and transport equipment	42199	68787	119434	58978	72933	71458	88808
Electronic goods excluding spare parts and components	1482490	1934939	3190891	2047936	2323097	2729342	4177799
Parts and components for electrical and electronic goods	-	283	16	85	6323	47	30
Sundry manufactured goods	1588510	1989343	3043662	3155887	3349511	2550745	3988263
Iron and steel	419916	542547	792240	704382	881928	734158	1068052
Fibres, yarn textile fabrics and articles of clothing	283958	357992	587619	697352	754821	461330	732009

Source: *UNCTADstat*[4].

The year 2012 saw robust resumption of intraregional trade in North Africa. This development is similar to the progression of global trade in the subregion. In 2011, the value of overall exports from North Africa dropped to over 2.5 per cent, only to pick up again the following year, to over 18.6 per cent.

Graph 1: Trend in intraregional trade in North Africa, by product type



From 2007 to 2012, intraregional trade in North Africa more than doubled, at a growth of over 110 per cent, from almost $4.8 billion in 2007 to almost $10 billion in 2012. This growth contributed to an increase in the subregion's overall volume of trade by over a quarter during the same period. Comparative dynamics of trends in intraregional trade and the overall trade of the subregion show that intraregional trade developed more.

This good performance of the subregion, however, must be put into perspective, in view of the inherent weakness of intraregional trade in this part of the world. While intraregional trade in 2012 accounted for a mere 4.8 per cent of the subregion's total trade, that figure was still close to the historic high of 2009 and an improvement over 2010 and 2011.

[4]http://CNUCEDstat.CNUCED.org/ReportFolders/reportFolders.aspx?sCS_referer=&sCS_ChosenLang=fr

North Africa is currently one of the continent's least integrated regions, with less than 5 per cent of its exports to member countries.

Table 2: Intra-subregional trade of the major regional economic communities in Africa in 2011

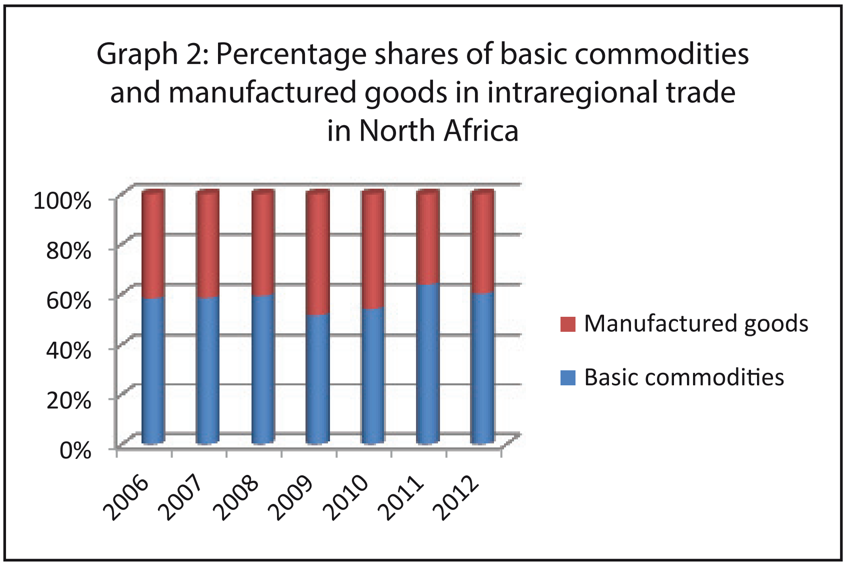
Regional economic communities	Share of exports to member countries
COMESA	8.9
ECOWAS	6.3
Franc zone	5.1
SADC	9.9
WAEMU	12.1

Source: *ECA African Statistical Yearbook, 2013.*

2. Structure of intraregional trade in North Africa: role of manufactured goods

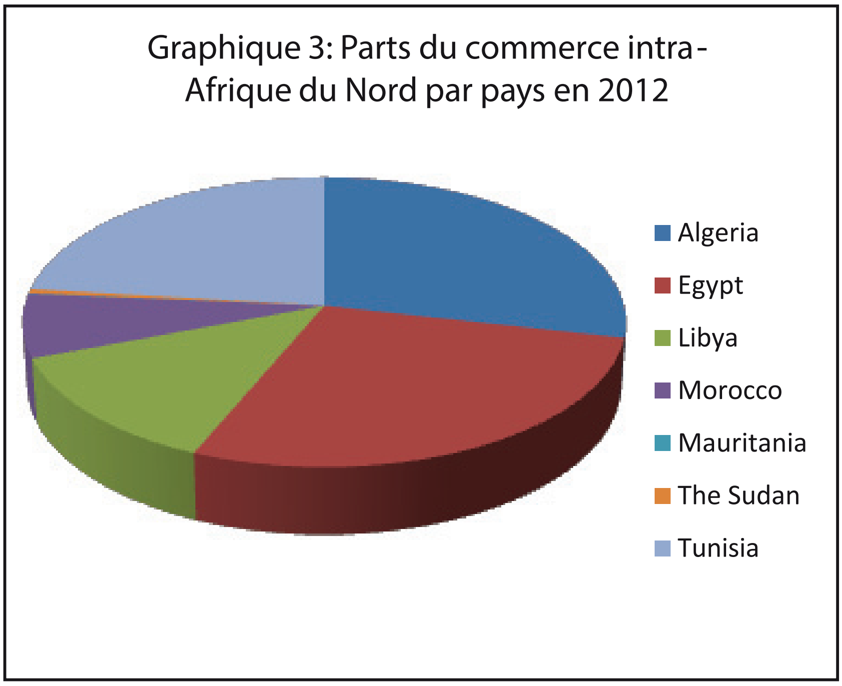
An analysis of the groups of products traded within the subregion, categorized as basic commodities, as opposed to manufactured goods, leads to the following observations:

- The structure of exports within North Africa is dominated by trade in commodities, which account for 60 per cent of the trade.
- This share is regaining its 2006 level, as trade patterns have not fundamentally changed in favour of goods with greater added value.
- The drop in the subregion's overall foreign trade as well as intraregional trade, following the 2009 global crisis, has had a powerful impact on the relationship between commodities and manufactured goods. Exports of basic commodities fell by over 24 per cent, while manufactured goods showed significant resilience, growing by more than 3.5 per cent in the same year.
- Subregional exports dropped once again by more than 3 per cent in 2011, following the social unrests. However, the effect observed is the opposite of that seen in 2009. Although the fall in exports from the subregion, following the global crisis did not affect manufactured goods, the fall in 2011 can only be attributed to them. Exports of basic commodities increased by over 14 per cent, while those of manufactured goods dropped by almost 24 per cent. In other words, the economic slowdown, resulting from the political upheavals in the subregion, greatly reduced the industrial production capacity of the countries of North Africa, which could not cope with the global market without increasing their supply of basic commodities.
- Nearly 42 per cent of trade within the subregion is in fuels, mainly oil and natural gas. This proportion has remained relatively constant over the last seven years, except from 2009 to 2010, in the height of the global crisis.
- With other categories of products traded on the intraregional market growing at a steady pace, it is clear that the trend in the fuel trade is what is defining the overall trade.



3. Role of countries in intraregional trade in North Africa

Algeria, Egypt and Tunisia dominate the internal market of North Africa, with almost 7per cent of the market share. In 2012, Algeria accounted for 29 per cent of the market share, Egypt 28 per cent and Tunisia 23 per cent. The other four countries shared the remaining 21 per cent. The share of goods supplied by the Sudan and Mauritania was relatively marginal.



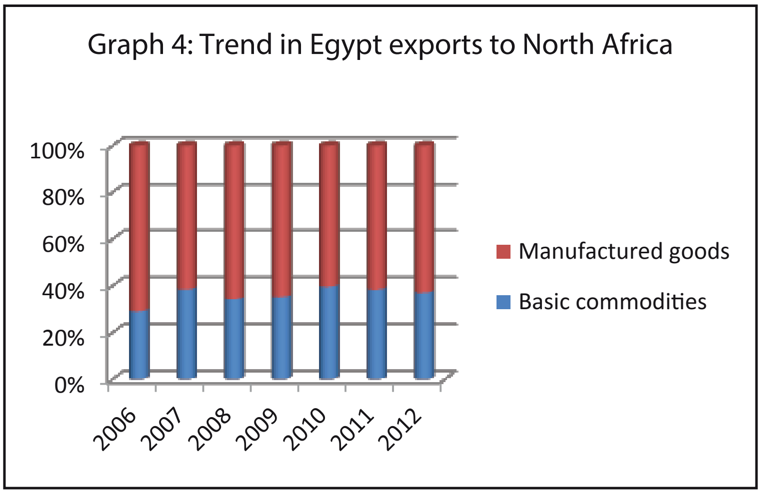
Structure of trade transactions of each country with the subregion:

Algeria

In 2012, the Algerian economy accounted for nearly $3 billion of the $10 billion North Africa market. Its supply of goods to the North African market, just like its supply to the world market, is dominated by fuel exports, principally natural gas. Over 95 per cent of the country's exports to other countries in the subregion consist of hydrocarbons. Its supply of manufactured goods is insignificant and does not exceed 3 per cent.

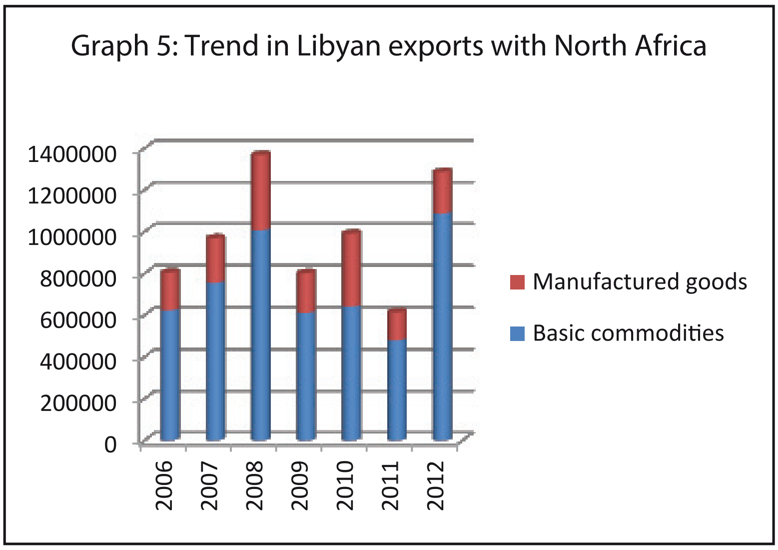
Egypt

Egypt's share of the market is also about $3 billion. However, unlike Algeria, 63 per cent of the country's exports consist of manufactured goods and only 8 per cent fuels. Also, the industrial sector has started to firm up, after a net drop in 2010, following the events resulting from the regime change and political instability in the country.



Libya

Libya accounts for 13 per cent of intraregional trade. Here too, fuels account for a considerable share, with almost 83 per cent. Only 15 per cent of the country's exports to other countries of the subregion consist of manufactured goods, half of which are chemical products and the other half, iron and treated steel.



Morocco

Morocco trades relatively little with its North African neighbours, contributing a mere7 per cent of the market share. Just like Egypt, the country's exports are dominated by manufactured goods, which constitute 63 per cent of the total market.

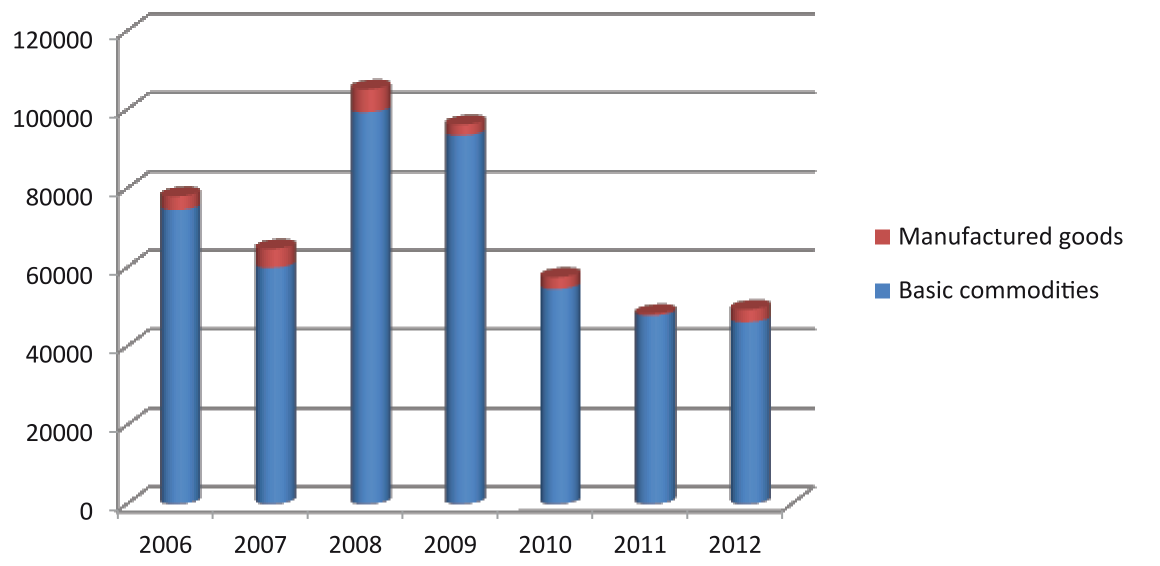
Mauritania

The share of Mauritanian exports is relatively insignificant, amounting to less than $6 million, and dominated by food products (87 per cent).

The Sudan

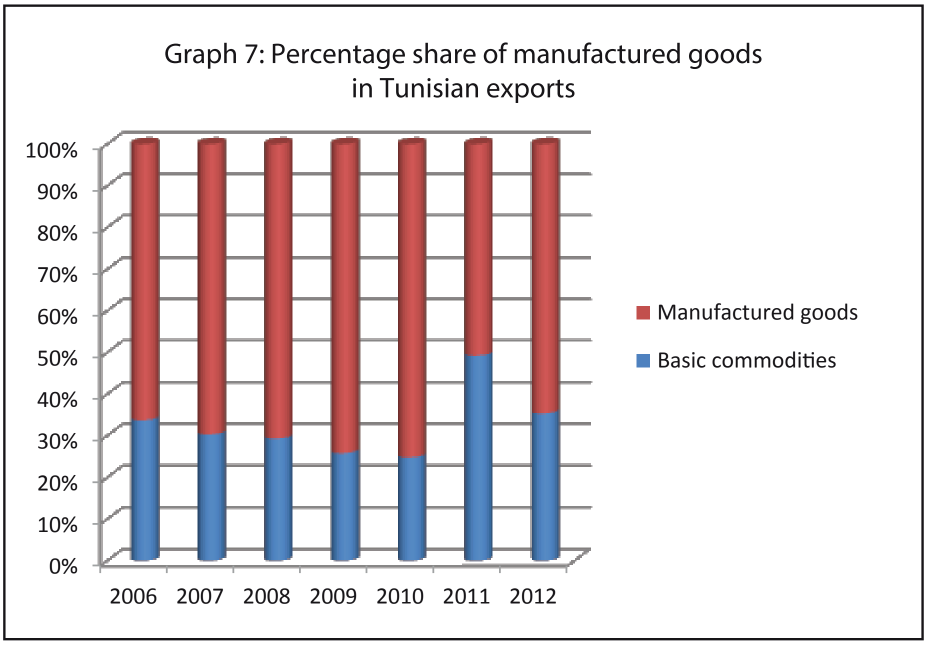
In 2012, goods supplied by the Sudan were worth almost $50 million, less than 0.5 per cent of the North African market. There too, food products dominate with a 94 per cent share of the country's exports to the subregional market. The partitioning of the country in 2011 does not seem to have fundamentally altered its supply of goods within the subregion.

Graph 6: Trends in subregional exports from the Sudan



Tunisia

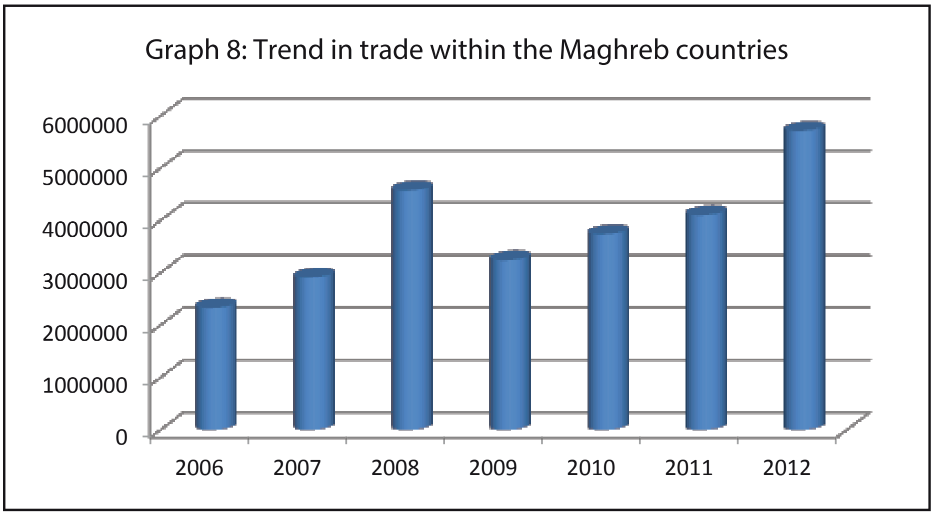
Tunisia commandsnearly23 per cent of the North African market and its supply structure is dominated by manufactured goods (65 per cent), experiencing anupswing after the fall recorded in 2011.



B. Trend in trade within the Arab Maghreb Union

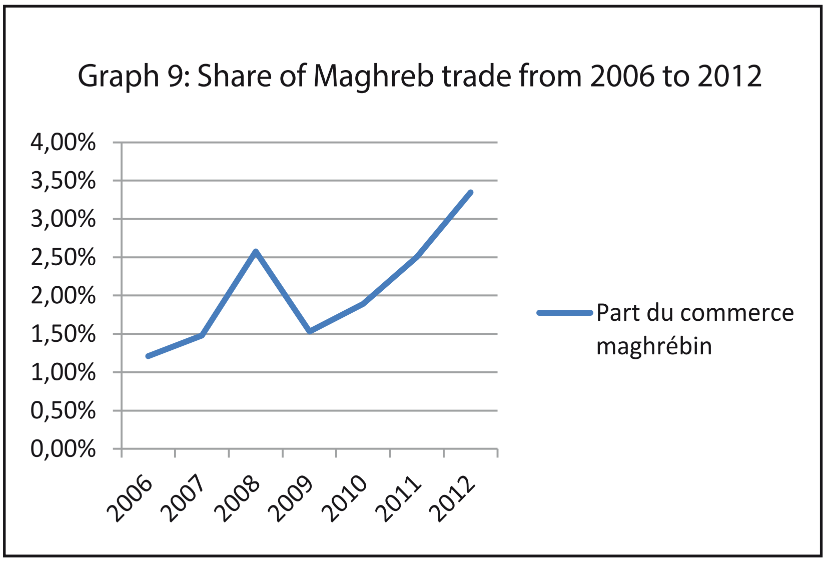
Trade within the Maghreb region experienced stronger growth (39 per cent) in 2012 than in the previous year. It was the second best annual performance in the previous seven years, after a peak in 2008.

1. Volume of trade among Maghreb countries



The drop recorded after 2008 was due to the impact of the global crisis on the economies of the subregion. The relatively low recovery since then is also because of the impact of the economic downturn experienced by the region, after the social and political events of 2011.

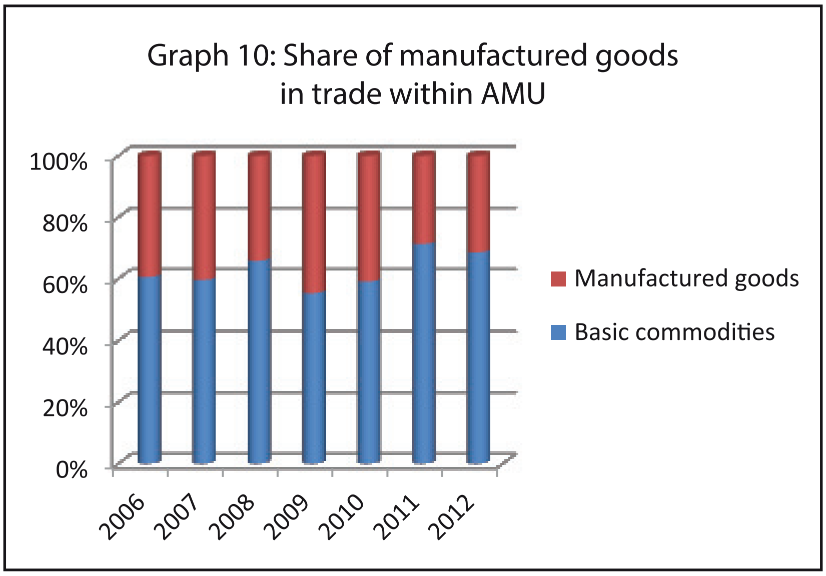
Just like trade within North Africa, trade within the Arab Maghreb Union economic group is not very vibrant. Only 3.35 per cent of the exports of AMU member countries are destined for the Maghreb market, which represents a very small share, in view of the performances of the other regional economic communities in Africa. However, there has been a positive development in recent years. With the exception of the drop recorded in 2009, the share of Maghreb trade in global exports has been rising steadily.



Share of Maghreb trade

2. Nature of the products traded

In order for the economies of AMU to undergo structural transformation, the Union's economic structure, which is currently commodity-based, with no or very little value added, must be turned into an industrial value added-based economy. The Maghreb countries must develop the production and marketing of manufactured goods, as a means of achieving economic recovery.



It is clear that instead of commanding a greater share of trade within the Maghreb, manufactured goods are rather losing ground to basic commodities. In 2012, they accounted for only 31.34 per cent of trade within AMU, whereas the figure stood at 44.69 per cent in 2009. Basic commodities seem to be benefiting most from the positive trend in exports from the Maghreb market.

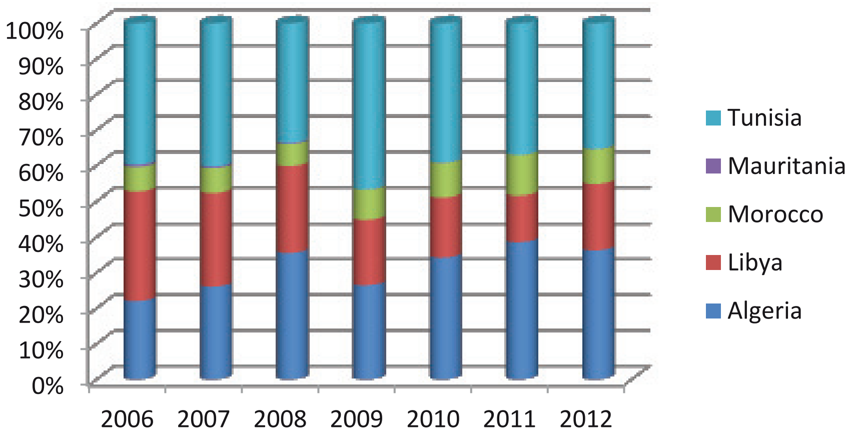
In 2012,68 per cent of Maghreb trade was made up of primary commodities with low value added; and over 76 per cent of these comprised fuel exports. In other words, over half of AMU exports (52.7 per cent) to its member countries consist of fuels, oil and natural gas. High-tech manufactured goods demanding high skills account for only 8.5 per cent of total Maghreb trade.

3. National dynamics in intraregional trade in the Maghreb

Because of the nature of the products traded on the Maghreb market, it is of interest to identify the chief countries driving this market. Which countries are they and what goods are they trading? These are questions that this subsection of the chapter will attempt to answer.

As expected, the AMU market is dominated by oil and gas producing countries. Algeria and Libya together command nearly 55 per cent of intra-Maghreb trade, with Algeria accounting for 95 per cent of hydrocarbons and natural gas supplies and Libya, 91 per cent.

Graph 11: Trade share of Maghreb countries within AMU



As mentioned above, 52.7 per cent of trade within the Maghreb in 2012 consisted of oil and natural gas.

Moroccan exports to other AMU countries represent over 10 per cent of the Maghreb market. This rate remains relatively low, considering the economic weight of this country within AMU. Almost 62 per cent of Moroccan exports are manufactured goods, nearly 25 per cent of which are high-tech and skill-intensive products.

Mauritania saw its market share drop 10-fold from an insignificant 0.69 per cent in 2006 to a near-total absence of 0.06 per cent in 2012, mainly comprising food products.

The traditional leader in trade within the Maghreb, Tunisia, lost its top ranking in 2011 to Algeria. Indeed, Tunisia has historically dominated trade within AMU with an average market share of almost 40 per cent. The political events of 2011, followed by institutional instability, were among the factors, which greatly reduced its economic dynamism within the Union.

While trade within the Maghreb had been weak in the past, standing at no more than 3.35 per cent of the foreign trade of these countries, they have not relented in their unanimous call to boost trade by introducing trade facilitation measures. The following chapters will provide an appraisal of trade facilitation in the subregion, as a complement to the sixth ECA report on Assessing Regional Integration in Africa on this topic.

Chapter III

The role of trade facilitation

The progression of trade in the world and within North Africa, as presented in the preceding chapter, is exerting considerable pressure on the public authorities involved in border management to achieve smoother trade flows and make the consumer protection measures decided by the countries more effective.

The time needed for the administrative processes, costs related to logistics and infrastructures and customs formalities are just a few of the "hidden" costs involved in cross-border trade, which reflect lost business opportunities. These costs inevitably translate into an increase in the cost of the final product to the consumer.

In terms of effect on national economies, reducing trade-related costs may have the same impact as a reduction in customs tariffs. As trade facilitation actually promotes trade, it enhances the well-being of the countries involved by expanding the supply base of goods and services, and leads to a drop in consumer prices.

A. Definition of trade facilitation

The World Trade Organization (WTO), which is responsible for steering the Doha Round of international negotiations for development, and whose programme, trade facilitation is an important element of, defines such facilitation as "the simplification and harmonization of international trade procedures", where trade procedures are the "activities, practices and formalities involved in collecting, presenting, communicating and processing data and other information required for the movement of goods in international trade".

Beyond this definition, trade facilitation involves all the measures taken by countries to foster cross-border trade. It includes the development of infrastructures and the related logistical operations and border management. In general terms, it also covers the business environment, the fight against corruption and reduction of bureaucracy. An evaluation of the progress made by the North African countries in this regard, based on an index and indicators designed by different international organizations, is presented in the following chapter, in an effort to assess the obstacles overcome by these countries and identify future areas of activity.

The lines of discussion on facilitation in the Doha Round relate mainly to border management and transport formalities, as they focus on freedom of transit, trade formalities and transparency of trade regulations.

Outcomes of the Bali Ministerial Conference on trade facilitation

The 159 member countries of the World Trade Organization attending the ministerial conference held in Bali, Indonesia, from 4 to 7 December 2013, signed an agreement. The Bali Agreement represented less than 10 per cent of the vast programme of reforms launched at Doha; however, what was at stake, if the conference failed to achieve its objectives, was the very future of WTO and of multilateralism in general. Prior to Bali, none of the four ministerial meetings, which had followed the launch of the programme, had achieved overall agreement.

The Bali "package", which is a selection of broader negotiation issues than those of the Doha Round, relates to three sectors: agriculture (with a commitment to reduce export subsidies), development aid (making provision for increased exemption of customs duties for products originating in the least developed countries) and trade facilitation.

Despite being regarded as the first ever wide-ranging agreement among WTO members since its creation in 1995, the Bali package is actually quite modest in scope. The most important element for world trade flows is the amount of trade facilitation, which aims to reduce bureaucracy and speed up the customs clearance process and port service authorizations.

Trade facilitation

The decision on trade facilitation is a multilateral agreement designed to simplify customs procedures by reducing costs and improving speed and efficiency. It is a legally binding agreement and is one of the biggest reforms made by WTO since its creation in 1995. The objectives are to: speed up customs procedures; make trade transaction swifter and less expensive; ensure clarity, efficiency and transparency; reduce bureaucracy and corruption; and use new technologies. It also contains provisions on goods in transit, an issue of particular interest to landlocked countries, which seek to conduct trade through the ports of neighbouring countries.

One part of the agreement involves assistance for development and also to the least developed countries, to update their infrastructures and train customs officials, as well as for any other costs associated with the implementation of the agreement.

The benefits for the global economy are estimated at between $400 billion and $1,000 billion by reducing trade costs from10 per centto15 per cent, increasing trade flows and collecting revenues and by creating a stable business environment, more attractive to foreign direct investments.

B. Importance of trade facilitation

The exponential growth of world trade, coupled with the reduction in customs duties and removal of other trade barriers, has led to an unprecedented increase in trade flows at the national borders. These flows have to do with transactions in goods and movements of people and funds.

This regular and growing in flux at border posts has led to an additional workload for the national authorities, who have sometimes been clueless about how to adapt and modify their administrative and financial capacities to be able to offer better support to trade liberalization. Customs formalities, control and protection measures and the activities of the Government agencies involved in border management have to deal with this growing influx most of the time, without additional resources. Waiting times at border crossings are becoming problematic and, at the very least, causing losses in trade opportunities.

In the past few decades, there have been changes in production methods at two levels, with a powerful impact on trade. The first concerns the tight flow production model which consists of adopting a production line, where inputs are incorporated on the so-called "just in time" basis; the second method concerns the geo-location and scattered distribution of production sites involved in the creation of the same end product.

Detaining goods at borders for administrative formalities is an obstacle to the development of industries using the "just in time" production method. This practice curbs the development of these industrial sectors which are very often linked to high-tech industries requiring a constant delivery of inputs.

Trade liberalization also came with the relocation of production from industrial countries to developing countries, to take advantage of cheaper production costs. In some industrial sectors, the quest for low production costs has led to the scattered distribution of a number of sites involved in a single production line. In the production of these goods, appropriate and efficient border management is needed to contribute to reducing timeframes and promoting trade.

The changes that have taken place in recent decades in global production cycles and international trade mean that the public authorities must be capable of adapting rapidly, while border management procedures need to be updated on a regular basis. The main goal of such a change should be the facilitation of cross-border trade.

C. Benefits of trade facilitation

Trade facilitation offers benefits to businesses, Governments and consumers. Businesses gain in productivity and competitiveness since they can improve their delivery of products to clients; Governments, through more effective border procedures, improve their national revenues by processing more trade formalities and combatting smuggling; and consumers have a greater choice of products at a better price, since they will not have to pay costs resulting from goods being detained at borders.

Studies conducted by the Organization for Economic Cooperation and Development (OECD) in 2005 showed that developing countries would derive greater benefit from trade facilitation measures than OECD countries; 65 per cent of the resulting overall gains would go to improving the material well-being of these countries, whereas the OECD group would earn only the remaining 35 per cent. This is because of the nature of the products exported by the developing countries, the majority of which are basic commodities, mainly food items, which are very vulnerable to the negative effects of poor border management. Besides, these countries have a less efficient administrative system, which should be improved to ensure trade promotion.

The studies also show that the countries of the Middle East and North Africa would capture 11 per cent of the gains expected at the world level from trade facilitation, while the rest of the continent would take 7 per cent.

In addition, an ECA study on the Continental Free Trade Agreement shows that trade facilitation in North Africa benefits the development of trade in manufactured goods more than other forms of trade. Ensuring easier movement of inputs should help speed up the process of diversification and sophistication of these economies and facilitate the irintegration into the global value chains, as well as create regional value chains.

Trade facilitation also plays an important part in making countries attractive, particularly to foreign direct investments. Improved trade competitiveness and increased trade result in a creative environment, which helps to boost investments.

Lastly, the public authorities improve their national revenues resulting from the growth of trade at their borders. This is vitally important to developing countries, as they depend specifically on foreign trade taxation to finance their budget. Governments also benefit from the simplified border procedures and increased effectiveness in fighting corruption and bureaucracy.

D. Cost of trade facilitation

Introducing trade facilitation measures have cost implications. Developing countries have raised this concern in the context of negotiations within WTO. African countries have called for international solidarity for increased financial and technical assistance to bridge the technological and human resource gap between developed and developing countries[5].

The cost of trade facilitation can be an obstacle for least developed countries, in their efforts to implement measures to promote trade and regional integration. Indeed, it is very difficult to quantify this cost and have advance knowledge of the scope of the reforms before any benefit can be derived from the advantages of trade facilitation.

Trade facilitation costs maybe grouped into four main categories: infrastructure costs; human resources costs; regulatory and legislative costs; and the potential drop in revenues from taxes and deductions.

The infrastructure cost item is quite often the most expensive measure to be taken for trade facilitation. Although the design of equipment and infrastructure must meet the requirements of the reform process at a significant cost, the use of information and communication technologies can improve the efficiency of existing infrastructure without having to create new ones. There is, therefore, a significant potential for increased efficiency without having to incur major costs.

[5] Position adopted by African ministers for trade in September 2001, in Abuja, in preparation for the Fourth WTO Ministerial Conference.

Upgrading human resources is key to successful technical and legislative trade measures. This entails training existing staff or recruiting new workers, which both have their advantages and disadvantages. Although it is relatively less expensive to train existing staff, a period of assimilation and adaptation to the new practices and operational methods is needed. Although by making use of qualified staff, an operational team can quickly be assembled, it does come at a high cost.

The regulatory and legislative reforms needed for trade facilitation require considerable institutional involvement in terms of time and expertise.

Lastly, some taxes and deductions related to administrative processes or border clearances can be lowered or even eliminated to foster smooth flowing trade.

In addition, some measures may engender operating costs over and above the initial installation expenses. The establishment of the single window is an example of this. This type of measure is regarded as the most expensive and the most time-consuming to implement because it requires three to five years to become operational. Generally speaking, operating costs are regarded as much lower than start-up costs, except for measures such as online platforms and the creation of trade facilitation committees.[6]

In order to assess the level of implementation of trade facilitation measures by the countries of North Africa, the next chapter presents a diagnosis based on a non-exhaustive selection of indices and indicators produced by international organizations.

[6] ECA, Trade Facilitation from an African Perspective, 2013

Chapter IV

Analysis of progress made in trade facilitation

This chapter presents country trends, using a selection of indices and indicators drawn up by international organizations on the key aspects of trade facilitation, such as logistics, the business environment and the fight against corruption.

A. Progress made and challenges faced by the countries of North Africa in trade facilitation

1. World Bank Logistics Performance Index

Logistics play an important part in the dynamics of domestic and cross-border trade. This subsection deals with recent efforts by North Africa in this regard, based on the World Bank Logistics Performance Index.

The index is structured to analyse the efficiency of the following six components:

- Efficiency of customs and border management clearance
- Quality of trade and transport infrastructures
- The ease of arranging competitively priced shipments
- The competence and quality of logistics services
- The ability to track and trace consignments
- Timeliness of shipments in reaching destinations within the scheduled or expected delivery time

Two main categories may be drawn from the index:

- Regulatory sectors
- Performance of the supply chain

The index is based on surveys, questionnaires and interviews with logistics professionals of its components, to allow for comparisons across countries and monitor trends of the different economies over time.

Table 3: Ranking of the countries of North Africa on the Logistics Performance Index

Country	Rank/155	Index Value	% of best performance
Tunisia	41	3.17	69.4
Morocco	50	3.03	65.0
Egypt	57	2.98	63.3
Algeria	125	2.41	45.3
Mauritania	127	2.40	44.7
Libya	137	2.28	41.0
The Sudan	148	2.10	35.3

Source: World Bank, LPI 2012.

The three relatively most industrialized countries of the subregion rank highly in terms of logistics performance. Tunisia, Morocco and Egypt lead the subregional rankings. The top two Maghreb countries rank among the 50 leading economies in the world and have achieved nearly or more than two thirds percentage points of the highest global performance.

Algeria, Mauritania, Libya and the Sudan bring up the rear, lagging way behind the three countries at the top of the list, with a gap of 68 points between the third and the fourth. The Sudan is particularly under performing, ranking in the bottom 10 of the list.

The 2012 World Bank report offers a glimpse of the development of the performances of some countries over an average period of five years. Two countries in the subregion maybe singled out for their progress: Morocco and Egypt, which rank among the top 10 performers from 2007 to 2012.

Morocco moved up from 113th place in 2007 to 50th in 2012. The country's performance is the result of the national logistics competitiveness development strategy, based on a public-private partnership programme for the period 2010-2015, and which benefits from the country's proximity to the European Union. The strategy consists of a schedule to reduce the country's logistics costs from 20 to 15 per cent and combines reform of its border management with major physical investment, particularly in the Tanger-Med Port. Needless to say, this investment has enabled the country to improve its connectivity, an achievement welcomed by the UNCTAD Liner Shipping Connectivity Index (see below).

Egypt moved up from 97th place to 57th place through the quality of its infrastructures and the efficiency of its international shipments. The Suez Canal enables the country to boost the level of its maritime connectivity with the global economy.

Table 4: Performance of the North African countries according to the components of the Logistics Performance Index 2012 (out of 155 countries)

Country	LPI rank	Customs	Infrastructure	International shipments	Logistics competence	Tracking and tracing	Timeliness
Tunisia	41	33	54	65	40	40	35
Morocco	50	65	39	46	59	58	53
Egypt	57	69	45	51	50	66	64
Algeria	125	117	139	89	145	114	116
Mauritania	127	102	113	112	125	135	139
Libya	137	135	152	99	128	123	145
The Sudan	148	131	140	150	121	150	151

Source: World Bank, LPI 2012.

Differences in the way sectors perform can be seen from the analysis of the performances of the North African countries using the index's various indicators. In other words, the subregion does not have a comparative advantage over other regions in the world in any particular sector and the performances of the countries are disparate in the different sectors covered by the World Bank Index.

All the countries performed differently in different sectors: Tunisia and Mauritania recorded the best scores in the customs management sector while they fell relatively behind in the international shipment sector (Tunisia) and timeliness (Mauritania). Their Algerian and

Libyan neighbours, however, recorded their best performances in the international shipment sector. Morocco and Egypt, on the other hand, achieved their best scores in the infrastructures sector while the Sudan was relatively successful in logistics competence.

Mauritania and the Sudan did not fare well in timeliness of their logistics services, while Morocco and Egypt were regarded as relatively slow in upgrading their customs services. Tunisia, Algeria and Libya also needed to make more efforts in international shipments, quality and logistics competence and infrastructures respectively.

2. World Bank Doing Business Index

As mentioned above, the transparency of the legislative and regulatory framework and its implementation are essential conditions for trade facilitation. The following subsection will look at these conditions in an analysis of the performances of the countries of the subregion, on the basis of the business climate index.

Doing Business seeks to “evaluate the regulations which govern local businesses objectively. The project is particularly interested in small and medium enterprises located in the biggest business centre of the country”.

Using standard case studies, the report sets out quantitative indicators on regulations which apply to businesses at various stages of their life cycle.

The results of each economy can be compared, not only with those of 184 other economies but also over time. These data reveal the main obstacles to economic activity as they have been reported by business people from over 100 economies and also concern central aspects of trade facilitation.

Doing Business focuses on several important aspects of the regulatory framework, as applied to local businesses, particularly starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

Doing Business works on the fundamental principle that economic activity, particularly for the development of the private sector, needs to be based on clear and consistent rules which establish and clarify ownership rights and which facilitate dispute resolution.

Although the Arab Republic of Egypt has made the most progress in the Middle East region (North Africa since 2005), most of its improvement occurred before 2009. In the past four years, no visible improvement has been recorded in the sectors observed by Doing Business.
At the subregional level, the North African economies paid less attention to the reform of business regulation last year than in all the previous years covered by Doing Business and only 11 per cent of these economies put in place at least two regulatory reforms.

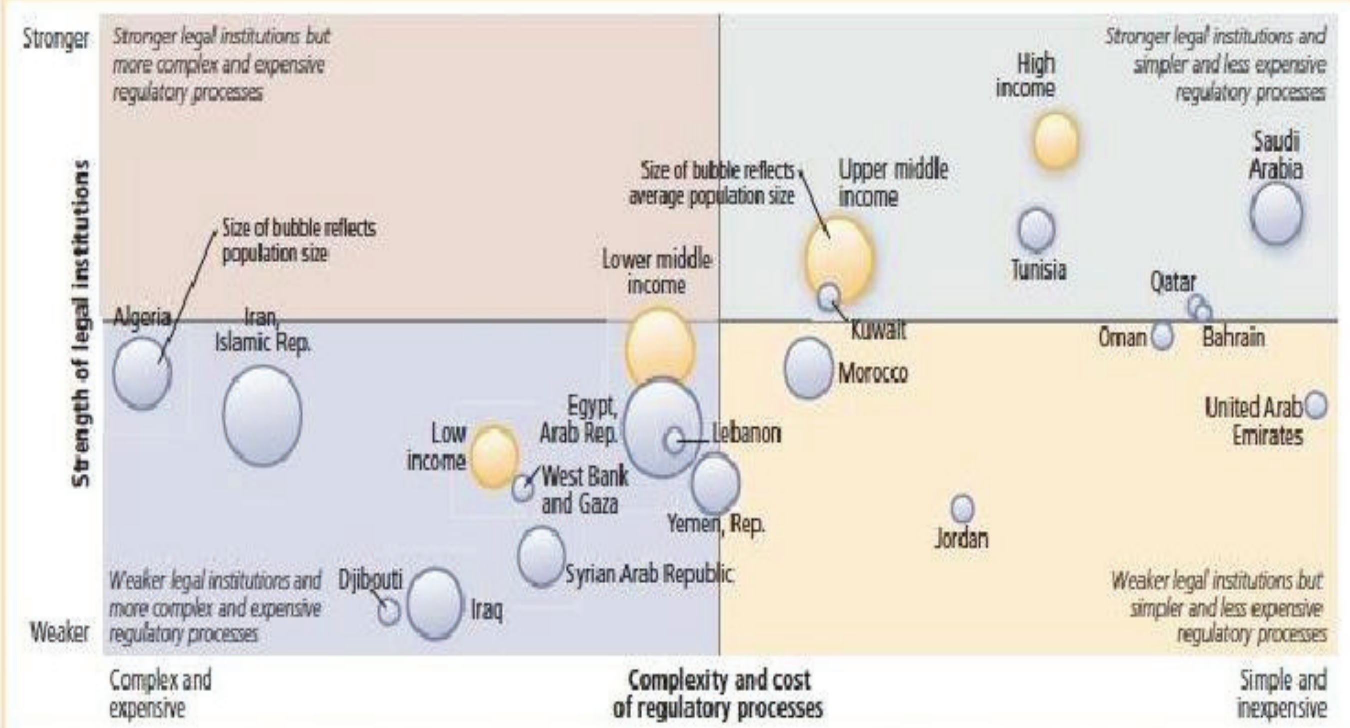
Earlier editions of Doing Business have highlighted the substantial efforts made by North African Governments to improve business regulation for local business people. This reform momentum waned after the events of 2011; subsequently, there have been very few initiatives to improve the business climate. Some countries have embarked on a complex transition process towards a more democratic form of government and have deferred sectoral reforms to a later date.

The region, moreover, is suffering from a crisis of confidence and a deficiency in governance: businesses do not trust State authorities and State authorities do not trust businesses. Business leaders in the region put corruption, anti-competitive practices and the uncertainty of regulation at the top of their list of problems. At the same time, 60 per cent of the Government officials interviewed throughout the region regard the private sector as corrupt.

Banks also mistrust private operators, citing the lack of transparency of businesses as one of the principal obstacles to extending loans to small and medium enterprises.

The 2012 report considers access to basic information to be a priority for the North African countries, especially information on tariffs and taxes.

Average ranking on sets of *Doing Business* indicators by economy and global income group



Note: Strength of legal institutions refers to the average ranking on getting credit, protecting investors, enforcing contracts and resolving insolvency. *Complexity and cost of regu processes* refers to the average ranking on starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across border global income groups exclude economies in the Middle East and North Africa.

Source: Doing Business database.

Table 5: Ranking of the countries of North Africa in the Doing Business Index

Country	Number of reforms	Ranking/189 countries
Tunisia	0	51
Morocco	3	87
Egypt	0	128
The Sudan	0	149
Algeria	0	153
Mauritania	1	173
Libya	0	187

Source: World Bank, Doing Business 2014

Tunisia heads the subregional rankings, placed 51st in the world, followed by Morocco in 87th place, Egypt in 128th place; the Sudan in 149th place ranks higher than Algeria in 153rd place, which is followed by Mauritania in 173rd place and Libya, which brings up the rear[7] in 187th place out of the 189 countries considered in the report.

Only Egypt and Morocco are among the 50 countries to have made the most progress in improving regulation of the small and medium enterprises. Egypt is one of the 10 economies that have most closed the gap for distance to frontier since 2005, while Morocco is ranked 28th on that list.

However, certain countries in the subregion have been hailed for their efforts to establish specific regulations regarded as “best practice”. Mauritania is quoted in the Doing Business Report 2014 as one country, which has implemented best practice in the area of trading across borders trade facilitation, specifically for putting in place risk-based control and inspection measures.

The report welcomes and characterizes as best practice the decision of Morocco, among other countries, not to require minimum capital to set up a business.

Tunisia is quoted as having implemented best credit facilitation practices by enabling information on loans to be circulated; itis mentioned also for its efforts to facilitate tax collection through electronic declaration and payment.

Egypt is mentioned as having established best investment protection practices.

Efforts to improve the regulations governing the business of small and medium enterprises in North Africa have created reform momentum for the development of trade. The new political order in the subregion is providing a historic opportunity to lead these countries towards the rule of law, where rules are transparent, clear and more effectively implemented.

[7]Libya is one of the four countries which featured for the first time in the list of countries covered by the report in 2012.

3. World Economic Forum Enabling Trade Index

The World Economic Forum Enabling Trade Index assesses the quality of institutions, policies and services facilitating the free flow of goods over borders to their destinations. This set of trade-enabling factors are organized in four main categories or sub-indexes - A, B, C and D:

A. Market access: This sub-index measures the extent and complexity of a country's tariff regime, as well as tariff barriers faced and preferences enjoyed by a country's exporters in foreign markets, of attractiveness of the regulatory framework of the country for foreign goods and the degree of facilitation of exports of its own goods. This is subdivided into pillar 1: domestic market access and pillar 2: foreign market access.

B. Border administration: This sub-index assesses the quality, transparency and efficiency of border administration of a country. It comprises a single pillar: efficiency and transparency of border administration. The pillar specifically captures efficiency, transparency and costs associated with importing and exporting goods.

C. The infrastructure sub-index assesses the availability and quality of the transport infrastructure of a country, associated services and communication infrastructure for facilitating the movement of goods within the country and across the border. It has three pillars: availability and quality of transport infrastructure; availability and quality of transport services; and availability and use of information and communication technologies.

D. The operating environment sub-index measures the quality of key institutional factors impacting the business of importers and exporters active in a country. It has a single pillar: operating environment.

The databases of these different pillars are drawn from the annual survey of the World Economic Forum, which collects the evaluations of private stakeholders in the countries concerned. The following table shows the ranking of the North African countries, referenced in relation to the various sub-indexes.

Table 6: Ranking of the North African countries out of the 132 countries included in the 2012 report

Country	General index	Sub-index Market access	Sub-index Border administration	Sub-index Infrastructure	Sub-index Operating environment
Tunisia	44	53	44	53	37
Morocco	64	107	51	57	55
Egypt	90	113	76	60	93
Algeria	120	127	108	93	120
Mauritania	125	118	115	126	121

Source: World Economic Forum, Global Enabling Report 2012.

Just like the Doing Business index, the World Economic Forum Enabling Trade Index ranking of the countries in the subregion ranks: Tunisia (44th), Morocco (64th) and Egypt (90th)as the top three. With no data for Libya and the Sudan, Algeria (120th) and Mauritania 125th) bring up the rear.

In comparing the individual performances of the countries of the subregion in relation to the different pillars, the ranking of Mauritania seems to be due to its poor transport and communications infrastructure. The development of infrastructures is a major challenge the country has to meet, if it is to improve its connectivity to the subregional and world markets. A case in point is the country's delay in contributing to the Trans-Maghreb Highway. In 2005, it opened a national road linking its northern border with Nouakchott; until that time no road had existed.

Access to domestic and foreign markets is seen as the priority area of action for trade promotion for the four countries ranked by the index. The Index presents the most significant obstacles to exports, based on the evaluation of the private operators. Interestingly, the two highest ranked countries of the subregion, Tunisia and Morocco, put the identification of buyers and potential markets at the top of their list of concerns, followed by the high cost and timeframes of international transport. In the case of the first obstacle mentioned, public action is mainly responsible for the promotion of national exports. Priority should be given to areas of activity such as the organization of international fairs and the development of external activities to promote national production.

The Egyptian operators put this type of constraint in third position, with a high percentage (13.8 per cent of those surveyed, while the top obstacle is ranked at 15.6 per cent).

Algeria and Mauritania accord some importance to difficulty in accessing trade-related finance.

With regard to imports, tariff and non-tariff barriers are mentioned as the main obstacles to purchasing foreign products in the five countries.

4. United Nations Conference on Trade and Development Liner Shipping Connectivity Index

The United Nations Conference on Trade and Development (UNCTAD) Liner Shipping Connectivity Index captures how well countries are connected to global shipping networks. It is calculated on the basis of five components of the maritime transport sector: number of vessels; their container carrying capacity; maximum vessel size; number of services; and number of companies that deploy container ships in a country's ports. The underlying data are drawn from Containerization International Online. This index is obtained as follows: for each component, a country's value is divided by the maximum value of each component in 2004, the five components are averaged for each country and the average is then divided by the maximum average for2004,multiplied by 100. The index generates a value of 100 for the country with the highest average index in 2004.

Table 7: Liner Shipping Connectivity Index, annual, 2004-2013

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Algeria	10	9.72	8.7	7.86	7.75	8.37	31.45	31.06	7.8	6.91
Egypt	42.86	49.23	50.01	45.37	52.53	51.99	47.55	51.15	57.39	57.48
Libya	5.25	5.17	4.71	6.59	5.36	9.43	5.38	6.59	7.51	7.29
Mauritania	5.36	5.99	6.25	7.9	7.93	7.5	5.61	5.62	8.2	6.53
Morocco	9.39	8.68	8.54	9.02	29.79	38.4	49.36	55.13	55.09	55.53
The Sudan	_	_	_	_	_	_	_	_	12.75	8.42
Tunisia	8.76	7.62	7.04	7.23	6.95	6.52	6.46	6.33	6.35	5.59

Source: UNCTAD, UNCTAD stat, 2013.

Egypt, with the Suez Canal, has historically dominated the rankings of the countries of the subregion in liner shipping connectivity. Tanger-Med Port has had a visible impact on the performance of Morocco; the country saw its index improve from 2008.

The other countries of the subregion are lagging far behind in terms of liner shipping connectivity. The experience of Tanger-Med Port and its success in attracting container carriers from all over the world could initially appear as an example of the capacity to achieve greater world connectivity.

For this type of investment, however, a country has to be strategically located and should be able to make significant financial commitment and have solid infrastructures such as road and rail networks. These facilities are not available in all the countries in the subregion, making them unlikely to greatly enhance trade facilitation by improving liner shipping connectivity. However, integrating national infrastructures within the North African network, as in the case of the Trans-Maghreb Highway, including port services, will enable the subregion as a whole to improve access to global markets both individually and collectively.

5. World Economic Forum Competitiveness Report Index

In order for North African countries to integrate into the world economy and get involved in global and subregional value chains, they will have to produce competitive goods and services, capable of facing global and subregional competition. Economic competitiveness is an indispensable condition for international trade.

The report presents the results of the Global Competitiveness Index, which is based on 12 pillars of competitiveness, establishing a complete picture of the landscape of competitiveness in the countries throughout the world. The report does not have any competitiveness data the Sudan.

Table 8: Ranking of the countries of North Africa according to the World Economic Forum competitiveness index

Country	Index 2013-2014		Index 2012-2013	
	Ranking/148 country	Value	Ranking	Value
Morocco	77	4.11	70	-7
Tunisia	83	4.06	n/a	n/a
Algeria	100	3.79	110	10
Libya	108	3.73	113	5
Egypt	118	3.63	107	-11
Mauritania	141	3.19	134	-7

Source: World Economic Forum, Report on Global Competitiveness 2013-2014.

The subregion does not rank very highly on the World Economic Forum competitiveness index. The countries of North Africa rank between 77th and 141st out of 148, most of them having dropped from their ranking of the previous year. Political instability and insecurity seem to have put a strain on the dynamics of the reforms called for by the Forum and which constitute the statistical basis for its competitiveness index.

This characteristic is particularly marked in the case of Egypt. The country dropped 11 places in one year, from 107th to 118th place. The country dropped 24 places in the rankings between 2011 and 2013. The continued political transition, which followed the regime changes in 2011 and 2013,has had a negative impact on the evaluations provided by the participants in the Forum's survey. Indeed, 22 per cent of respondents cite unstable policies as the top obstacle to business. According to the report, the country should take measures to improve its management of macroeconomic fundamentals which have suffered from the political situation. Ensuring general balance and curbing inflation should constitute the priority of the Egyptian authorities to stabilize the country and subsequently launch the necessary structural reforms.

The job market is a priority area, according to the report. The sub-index of job market efficiency ranks Egypt at 146th out of 148 countries[8]. National attempts to innovate are also singled out for their ineffectiveness.

Tunisia, ranked 83rd, is experiencing a similar situation. Unstable policies were also mentioned as the chief obstacles to business in the country (by over 16 per cent of those interviewed). Even if the situation in the job market is not as worrying as for the countries mentioned in the footnote below, the job market is nonetheless an important problem that should be solved. In comparison with the other aspects covered by the Index, the sector is seriously flawed.

[8] North Africa ranks poorly on the sub-index of job market efficiency, withAlgeria, Egypt and Mauritania ranked among the last five, 147th, 146th and 143rd.

The other countries of the subregion share a common base of competitiveness problems. Those surveyed criticized the bureaucracy of their Governments, which constitutes the top area of concern for Morocco, Algeria and Libya. It is also in second place in Tunisia and fourth place in Mauritania. Administrative reforms, reduction of business bureaucracy, increased flexibility of procedures governing business creation and investments are all parameters with a direct impact on the level of competitiveness of the subregion's economies.

Poor access to funding is also a major obstacle mentioned in the report. It is a serious hindrance to the business climate and constitutes a priority in a number of countries in the subregion.

Among the obstacles limiting the creation of businesses and the business climate in general, the World Economic Forum report identifies the important place of corruption. This factor is very often quoted as limiting the competitiveness of the countries of the subregion. The Corruption Perception Index created by Transparency International provides more details on the subject.

6. Transparency International Corruption Perception Index

The effectiveness of the administrative services along the supply chain is central to the free flow of trade. Corruption, as mentioned in this chapter, is a challenge to trade facilitation, particularly for developing countries. This part of the chapter is based on the Corruption Perception Index set up by Transparency International to evaluate progress made by the countries of the subregion and determine the priority areas of action. The index ranks countries according to the perceived level of corruption of their public sector. It is a composite index, a combination of surveys and evaluations of corruption, gathered by a variety of institutions.

Table 9: Ranking of the countries of North Africa according to the Transparency International Corruption Perception Index

Country	Ranking/176 countries and territories	Value
Tunisia	75	41
Morocco	88	37
Algeria	105	34
Egypt	118	32
Mauritania	123	31
Libya	160	21
The Sudan	173	13

Source: Transparency International, Corruption Perception Index 2012.

The countries of the subregion are generally slow in achieving good management of group business activities. The perception of corruption in the public sector expressed by economic operators is rather worrying and indicates that the business environment has little confidence in the State as regulator and guarantor of rights. This confirms the observations made by the competitiveness index drawn up by the World Economic Forum and presented above.

Out of a value between 100 and 0, 100 being a highly "clean" value and 0 being highly "corrupt", the countries of the subregion obtained values of between 41 (Tunisia) and 13 (the Sudan), which puts them all in the lower half of the general ranking.

Beyond simply designing clear regulations, it is crucial to implement them in order to promote trade. The fight against corruption in North Africa is indeed a priority task for ensuring the rehabilitation of the business environment and facilitating cross-border trade.

7. ECA initiative to measure integration in Africa

Concept and methodology

Based on the recommendations made by the 2013 Sixth Joint Annual Meetings of the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development and African Union Conference of Ministers of Economy and Finance and the 2013 Sixth Conference of African Ministers in charge of Integration, calling upon regional institutions to improve their monitoring and evaluation mechanisms for integration in Africa, ECA decided to develop a regional integration index. A committee was set up to discuss the design of the index and propose a roadmap for its construction.

The index will use as a yard stick, the African vision on the priorities of regional integration, as embodied in the Abuja Treaty, taking into account, the African Union Minimum Integration Programme and sectors such as energy and infrastructures not included in it, but covered by various continental programmes. The index will also factor in the integration goals listed in the Action Plan for Boosting Intra-African Trade and in the roadmap for the implementation of the Continental Free Trade Area.

To provide for subregional agreements, the index project will help develop a specific index for the regional economic communities to compare progress made by the countries in each of the eight communities, towards the subregional objectives agreed.

Guiding principles in identifying indicators

Three fundamental principles have been identified to guide the choice of indicators and structure of the index.

(a) Separating "institutional" integration efforts from and "real" integration of the countries. It was decided that separate indices would be created to measure country institutional integration efforts and real integration efforts. Consequently, each country will have four overall scores, two for the continental level index (one for institutional integration efforts and one for real integration) and two for the index for the regional economic communities.

(b) Standard selection criteria for indicators. The indicators for the regional integration index in Africa will be selected on the basis of four criteria: theoretical, relevance, comparability and availability of high-quality data. In addition, the indicators will have to be comparable between countries over time, to identify changes that have occurred in the process of regional integration.

(c) Availability of data. When data for a particular indicator are not available, this indicator will have a dummy variable which has the same value for every country. This will make for comparing country indices.

Data collection methods

To produce the index, data should be collected annually. It is important to be able to collect the same type of data on a regular basis. Failure to achieve consistency in the collection of data from one year to another will limit the comparability of the index and will have a negative impact on its relevance. The collection mechanism should avoid duplicating already existing data flows, which would place an increased response burden on countries. A data validation mechanism will also have to be put in place to give the index credibility. The data collection and validation mechanism will be decided as a function of the requirements of the indicator.

The regional integration measure developed by ECA will bean important factor in the efforts of the Commission to produce the reliable data and work needed for promoting appropriate public policies. The regional integration indicator will therefore be part of the set of statistical outputs that the subregional office for North Africa provides for the ECA Country Profiles[9].

What are the variables needed to make measurement of regional integration in North Africa relevant?

Without prejudice to the outcomes of future consultations which to define the Index at the continental and subregional levels, the analysis on North Africa should take the parameters identifying specific subregional characteristics into account, by highlighting the challenges, processes and interests of the member countries. In this context, the choice of variables for inclusion in drawing up the index is crucial.

The interconnection of the transport and energy infrastructures, intraregional trade, mobility of workers, student exchanges and the lifting of visa restrictions are elements to be taken into account in highlighting the advances made and defining the challenges to be overcome, to achieve better integration for the subregion.

The ECA North Africa Office calls upon member countries to be part of this collective effort to define the variables to be used to devise the index and take decisions on facilitating collection of data and distribution of the findings.

B. Subregional roadmap for trade facilitation: Call to consider the supply chain as a whole

The supply chain includes all the processes, measures and operations that guarantee the proper performance of the trade transaction from the point of departure to the point of arrival, including the quality of the delivery. The efficiency of the supply chain is measured by its weakest link. Any weakness in a link of the chain has a negative impact on the general evaluation of the process. This means that there are important trade facilitation implications for the public authorities.

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[9] www.uneca.org/sro-na for further details.

The three pillars incorporating the main trade facilitation measures: modernization of customs procedures; improvement of infrastructures; and elimination of non-customs barriers, include a range of programmes and measures, which have a major impact on the success of trade transactions. Taking these programmes and measures into account from an overall perspective of trade facilitation, by considering the entire chain is indispensable to increasing trade flows and improving regional integration.

Beyond the three pillars mentioned above, measures affecting the regulation of business, governance of international institutions, compliance with laws, transparency and the fight against corruption, security of goods and persons and logistics services all play a part in trade facilitation. Targeted country interventions in a particular link rather than another, cannot achieve the desired effect unless solutions are sought for other problem areas that may already exist or crop up.

1. Sectoral actions - customs, infrastructures and transport

The adoption of an approach incorporating the entire supply chain will enable the countries of North Africa to keep sight of the efficiency of the specific measures taken and their impact on trade. Improvements in transport, water management and harmonization of policies will form part of a complete system of effectiveness and efficiency.

Based on the results from the countries of the subregion on the trade facilitation indices and indicators presented above, countries should focus on the following cross-cutting areas:

- Building political stability and reducing security challenges
- Enforcing clear and transparent regulations
- Simplifying administrative procedures
- Fighting corruption
- Improving access to finance
- Using information and communication technologies

Applying these good management principles to the various components of the supply chain will enable countries to make significant strides in achieving effective processes and increasing trade in the subregion.

Most North African countries spent the past few years engaged in a process of budgetary adjustment and balancing, as a result of the measures taken in response to the grievances expressed by the political and social protest movements, which started in 2011. The decisions taken in the wake of the rebellions, in support of prices of basic commodities or interventions in the job market to recruit into the civil service, have had an impact on general budgetary balances and compelled the countries to exceed their capacity for adopting a structural approach to the challenges. Worse still, the global crisis did not augur well for a quick recovery.

The political instability and security challenges experienced by a number of those countries in the aftermath of the revolts is reducing investments, restricting tourism and creating a climate of mistrust in business circles. Countries must urgently tackle this issue so as to restore the dynamism of economic and commercial activity. Egypt, Libya and Tunisia, as suggested earlier in this chapter, are facing major challenges in this area, causing them to drop several places in trade facilitation world rankings.

The security of goods and services must also be taken into account in dealing with the phenomenon of terrorism. The events of this year at the In Amenas oil fields in southern Algeria, as well as the security situation of the Sahel, serve as a reminder of this.

Political stability must be supported by a clear and transparent regulatory framework. The public authorities are responsible for defining the laws and rules governing trade transactions within or outside the country's borders. This healthy regulatory environment creates renewed confidence in the institutions and fosters increased trade.

The momentum in the countries of the subregion for launching several regulatory projects, as reported by the Doing Business, started before the revolts and social unrests. Very little progress has been made in this area by those countries since 2009.

Even though the recent political changes, coupled with contingencies and socioeconomic constraints, have curbed the momentum for reform in the countries of North Africa, paradoxically, they do offer a historic opportunity to benefit from the new political dynamics and review the regulatory framework for business and particularly trade facilitation regulations.

The subregion suffers from poor access to information in several sectors, including knowledge of regulations in force. In the spirit of political liberalization created by the recent events, priority should be given to facilitating access to information on the regulatory framework on trade.

The annual survey conducted by the World Economic Forum reveals that Government bureaucracy is hampering business. This survey, based on the perceptions of private economic operators, shares the realization of the need to reinforce efforts to achieve the administrative reforms launched in several countries of the subregion. The administrative procedures must be clear and simple and foster trade.

Border management is an integral partof areas needing simplified administrative procedures. It must cover all trade-related administrative processes, such as, the promotion of investments, setting up a business and related operations, the right of establishment and other rights, taxation, import-export operations and judicial and administrative processes.

Simplification of procedures must also be part of an overall administrative reform effort to integrate processes such as information and communication technologies, and the fight against corruption.

As mentioned earlier in the chapter, the report of Transparency International notes the fact that the countries of the subregion have fallen behind in the fight against corruption. This situation is confirmed by the World Bank Doing Business report and also the World Economic Forum Global Competitiveness Report and Global Enabling Trade Report.

Transparency International reveals that almost every country in North Africa is ranked in the bottom half of the 2012 ranking. Entrenched corruption in the public sector, as perceived by the economic operators, has led to misappropriation of public funds, which could have been used to create wealth and improve trade.

Administrative reforms must, as much as possible, take advantage of the steady advances in information and communication technologies, to curb delays and improve the quality of interventions. Equally important is integrating data processing, automating procedures and making use of the Internet for transactions such as payments. All this would entail revamping the entire administrative machinery and updating and streamlining procedures. All processes which integrate information and communication technologies into administrative reform must factor in protection of data security of transactions.

One of the main obstacles to the economic development of the countries of the subregion is difficulty in accessing funds for investments. Indeed, the World Economic Forum Global Competitiveness Report lists access to funding as one of the most problematic factors for doing business in general and trade in particular. It is top of the list for Mauritania, with over 23 per cent of responses; in second place in Algeria; in third place in Morocco and Tunisia; and in fourth position in Egypt.
Government authorities must intervene to facilitate access to financial resources needed for economic activity. The role of the banking sector, as the supplier of funds and its relationship with private and public economic operators, new sources of funding and the issue of guarantees and risks must be examined by the countries of North Africa to make transactions smoother and promote a dynamic financial sector to bolster trade.

By adopting an approach to make proposals, based on the efficiency of the entire supply chain and by attacking the irregularities and weaknesses which may hinder trade transactions, the countries of North Africa would provide a collective response to the problem of trade facilitation. The six cross-cutting areas of intervention mentioned above illustrate, with concrete examples, the types of operation, which are not specific to trade transactions but do play an essential role in the promotion of trade.

Interventions for the modernization of border management, improvement of infrastructures and elimination of non-tariff barriers all have a direct impact on trade facilitation. However, they cannot have the desired effect unless the efficiency of the entire supply chain is made to cut across its entire individual links.

Modernization of border management

The modernization of border management requires, in addition to effective management on the part of the customs authorities, cooperation and collaboration with the different Government agencies involved in border management (veterinary, health, security, etc.). The efficiency of the customs authority can only foster trade transactions if the other agencies achieve the same level of efficiency. If the customs services, for instance, require three hours to give their authorization and the other agencies take two days, then the time needed to clear border requirements would be two days and improvement in customs services would have no impact on trade facilitation.

Cooperation between Government departments involved in border management is the key to improving efficiency and promoting trade among the countries of North Africa. The integrated border management systems, the common inspection systems and the single window systems are inter-agency cooperation systems designed to ensure improved fluidity of trade flows at the borders.

The Arab Maghreb Union seems to be lagging behind in the use of most of these systems. Although Tunisia has put in place a single window system to facilitate the integration of procedures, it was only at the end of 2010, that it incorporated shipping procedures into that system.

The Moroccan authorities have set up a similar single window system. Algeria has not yet done so, as its customs authorization procedures begin after, and not at the same time, as the procedures of other services.

Improvement of infrastructures. Infrastructures play a key role in promoting trade and regional integration. To avoid the major costs involved in making new infrastructure investments, countries must make optimal use of existing networks to increase trade. The example of "One-Stop Border Posts", where two countries coordinate to set up a single post at their shared border, is an initiative to be encouraged in the subregion. Some examples of success in this regard, which could foster the exchange of experiences, should be exploited in African countries, which have established such measures. Kenya, Rwanda, Tanzania and Uganda are concrete examples of this.

If the Trans-Maghreb Highway, which should link Nouakchott to Tripoli is to boost trade in the Maghreb, the Morocco-Algeria border should also be opened and programmes and measures instituted to harmonize and coordinate the management of border flows.

Elimination of non-tariff barriers: The need to protect the consumer, protect life and guarantee tax revenues make non-tariff barriers relevant. There are no standard measures for eliminating the harmful impact of these barriers on trade. However, a balanced mix of positive and negative measures should be sought to encourage operators to comply voluntarily.

Conclusion

The year 2013 did not record any particular boost in cooperation activities in North Africa. It was, in fact, a relatively calm year in which very few official activities occurred. If at one time it was envisaged that the AMU summit would be held in the course of that year, in the end it did not take place and hope was deferred until the following year.

Trade within North Africa, however, grew in 2012 (over 42 per cent), reaching almost $10 billion in exports. This is a spectacular advance and is part of an economic revival of these countries after the effects of the global economic crisis and especially following the insurgencies and regime changes in the subregion since 2011.

Needless to say, the growth occurred after a relative downturn from 2008. It could have been even higher had the countries put in place effective measures to promote trade. However, this must be put into perspective, as intraregional trade is still under 5 per cent of North Africa's overall trade. In addition, the indices and indicators selected for this report, which measure the degree of trade facilitation, show a general decline for the countries of the subregion. The events of 2011 seemed to have taken a heavy toll on the dynamics of the reforms needed to promote foreign and intraregional trade in North Africa.

The growth should also not belie the fact that the goods traded are essentially basic commodities. They account for over 60 per cent of exports within North Africa, 42 per cent of which is made up of oil or natural gas. These rates are even higher for the Arab Maghreb Union, with over 68 per cent of its internal trade made up of primary commodities, 53 per cent of which comprise fuel exports. The situation looks dismal for AMU, as recent trends show increasing trade in basic commodities.

Here too, trade facilitation seems to play an important part. An ECA study on the Continental Free Trade Agreement shows that trade facilitation favours trade in manufactured goods more. Indeed, in their efforts to achieve structural transformation, the countries of North Africa must introduce trade facilitation measures.

The importance of having reliable and relevant data and indicators and their role in the formulation of effective public policies need no further proof. Aware of the shortcomings of the countries of the continent, ECA is launching a major project to promote statistics and upgrade the national institutions responsible for them. The Regional Integration Indicator, currently being prepared by the Commission, is a giant step forward, which will provide an important tool for countries and guide their efforts of integration.

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